



## TRADE UPDATE November 25, 2020

### Agency Transitions

With President-elect Joe Biden set to take over the Oval Office in January, work on agency transitions now begins. A [list of members](#) of the “agency review teams” has already been published, and they will be charged with assessing agencies before inauguration, ensuring a smooth transition, and drafting recommendations for future success. Members of review teams often end up taking jobs at the agencies they are assigned and can sometimes help influence who the administration will eventually hire.

While this process unfolds, the trade community is focused on who the next U.S. trade representative will be- with high profile names such as Jeffrey Zients -President Obama’s former economic advisor- and Representative Jimmy Gomez (D-CA), being discussed. Most recently, Katherine Tai, the current Ways and Means Chief Trade Counsel, was the subject of a [positive article](#) outlining her emergence as a real contender for the job, and we have heard that several members of both the House Ways and Means and Senate Finance Committees have advocated on her behalf. Attached is a document some of her supporters are using to discuss her candidacy.

Though it may take several more weeks before we know who gets the top slot at USTR, President-elect Biden has announced his picks to lead other key agencies this week, including State and Treasury. His nominees -Antony Blinken and Janet Yellen, respectively- have obviously both been vocal on international affairs, particularly related to China. Blinken has been an outspoken critic of the current administration’s policies, stating that President Trump has weakened U.S. alliances and created a leadership vacuum for China to fill. Meanwhile, Yellen - whose predecessor, Steve Mnuchin, played a key role in the negotiation of the phase-one trade deal with China- has said that the 301 tariffs imposed by Trump were not “not the proper focus” of an ideal approach to the Chinese and has discussed the need to tackle their forced technology transfer and intellectual property practices in the future.

### Senate Report on China

Senate Foreign Relations Committee Republicans issued a [report](#) last week entitled “The United States and Europe: A Concrete Agenda for Transatlantic Cooperation on China.” The report states that the U.S. and the European Union should counter Chinese trade practices aimed at amplifying its rise in high-tech areas by reforming the World Trade Organization, reviving trans-

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Atlantic trade talks and coordinating on technology policy. This multilateral approach hews closely to the stated views of the incoming Biden Administration. Indeed, Andrew Bates, a spokesman for the Biden transition team, said: “President-elect Biden agrees that we should stand together with our allies and partners to press China’s government to curtail its economic, human rights, and other abuses. And he looks forward to working with both parties in Congress to realize that approach.”

### Regional Comprehensive Economic Partnership (RCEP)

15 Asia Pacific countries, including South Korea, China, Japan, Australia and New Zealand, signed the world’s largest [regional free-trade agreement](#) last week, covering about 30 percent of global gross domestic product. The deal is expected to eliminate a range of tariffs on imports over the next 20 years and also includes provisions on intellectual property, telecommunications, financial services, e-commerce and professional services. However, the deal still needs ratification with some suggesting that the overall economic benefits might only be marginal.

President-elect Biden was asked if the U.S. should consider joining the RCEP, and while he expressed reluctance to comment in detail ahead of his inauguration, he stated that the U.S. should be setting trade rules “instead of having China and others dictate outcomes because they are the only game in town.”

### U.S./UK Negotiations

The U.S. and UK finished a fifth round of trade negotiations in late October, which UK Trade Secretary Liz Truss called “the most intensive so far.” However, despite real progress in the negotiations, both sides acknowledge that the fate of the deal will be determined by the incoming Biden administration. As a UK trade official commented: “we’re not just one round away from wrapping this up.”

However, the talks are at a fairly advanced stage, and while no new formal rounds are scheduled yet, intersessional meetings are still occurring and progress continues to be made- with both sides hoping to create enough momentum to garner relatively quick action on the deal next year. Likewise, senior members who sit on Senate Finance and House Ways and Means have told us that such a deal remains a priority for them in 2021, as does the extension of Trade Promotion Authority, which dictates a trade deal’s fast-track process, and is scheduled to expire next summer.

Meanwhile, UK and EU officials resumed negotiations last week on a Brexit deal. However, the talks were soon suspended when an EU negotiator tested positive for COVID. Ireland’s foreign minister warned that the two sides now have a week to 10 days to conclude an agreement or face what most consider would be a disastrous “no deal” outcome on December 31.

### U.S./EU Relations

The U.S./EU relationship has worsened in recent years, beginning with Section 232 tariffs on steel and aluminum and continuing when the U.S. imposed tariffs on \$7.5 billion worth of European goods last year in WTO-authorized retaliation for EU subsidies to Airbus. The EU, likewise, [imposed tariffs this month](#) on \$4 billion worth of U.S. goods in WTO-approved retaliation for U.S. subsidies to Boeing. A USTR Section 301 investigation into nearly a dozen countries' planned digital taxes could obviously also prove to be a real irritant in the relationship.

However, EU officials have spoken recently about their desire to move past the troubled relationship and forge better ties overall, with the European Commission President stating: "I believe it is time for a new transatlantic agenda fit for today's world. And I believe it is Europe who should take the initiative, with an offer to work together with the new administration on areas that can strengthen our bilateral and multilateral partnerships." While we do not believe that formal trade negotiations will start soon, partnership opportunities on variety of fronts will present themselves. As The EU ambassador to the U.S. stated: "We have to keep the trade between us and the investment open, even as we reexamine supply chains and resilience and all those things that Covid has made us do."

### Trump's Remaining Days in Office

President-elect Biden will not be sworn into office until January 20<sup>th</sup>- which means President Trump still has eight weeks to continue to impose his will on issues such as trade and foreign policy.

For example, It is widely expected that Trump will use his remaining days in office to implement as much anti-China policy as he is able. U.S. Secretary of State Mike Pompeo was quoted as saying, "The U.S. is not done yet getting tough with China." These actions will come in the form of executive orders or regulations and will be hard for the new Biden administration to undo as any rolling back of tough measures on China will likely be politically undesirable.

On November 12, President Trump issued one such executive order entitled, "[Executive Order on Addressing the Threat from Securities Investments that Finance Communist Chinese Military Companies.](#)" This order utilizes the previously published lists released in June and August of [31 Chinese companies](#) that the Department of Defense has identified as "Communist Chinese military companies." With this executive order, Americans are prohibited from purchasing or investing in stocks, funds or other financial products that include the firms as of Jan. 11. The order gives investors until November 2021 to divest themselves of any investments containing these Chinese securities. We expect more to come soon.

