

# White House calls for ‘new course’ on China trade ties

## *Top official indicts Beijing’s market-distorting practices*

David J. Lynch

President Biden’s top trade negotiator said China was failing to meet its commitments under an agreement signed last year and was ignoring U.S. objections to its use of state power to dominate global markets at the expense of American workers.

In a speech to a Washington think tank, Katherine Tai, the U.S. trade representative, **for the first time laid out a road map for re-engaging with Beijing after a months-long internal policy review**

Tai said she plans to hold “frank” conversations with Chinese officials and warned that the United States would take “all steps necessary” to defend workers against fallout from Beijing’s mercantilism. But after years of ignoring similar complaints from Washington, Beijing is unlikely to overhaul its economic model.

“For too long, **China’s lack of adherence to global trading norms** has undercut the prosperity of Americans and others around the world. In recent years, Beijing has doubled down on its state-centered economic system,” Tai said. “It is increasingly clear that China’s plans do not include meaningful reforms to address the concerns that have been shared by the U.S. and many other countries.”

While insisting that China comply with the “phase one” trade deal it signed at a White House ceremony in early 2020, the administration has scrapped former president Donald Trump’s plan to seek a second agreement, designed to limit Beijing’s use of state resources for economic advantage.

Instead, the administration is emphasizing domestic investments in infrastructure, education and worker training to boost U.S. prospects for competing with China, Tai said.

Appearing at the Center for Strategic and International Studies, Tai said China’s growth was coming “at the expense of workers and economic opportunity here in the U.S. and other market-based, democratic economies.” She sketched a pattern of Chinese market-distorting behavior, beginning with China’s 2001 entry into the World Trade Organization, which

enabled it to dominate global markets in steel and solar panels and threaten to do the same in advanced technology industries such as semiconductors.

Her remarks reflect an administration struggling to craft rules for trading with a nonmarket power like China. Tai ruled out the sort of broad “decoupling” that some trade hard-liners have advocated, instead calling for a “recoupling” of the world’s two largest economies on unspecified new terms.

“Their expectation is China can’t be budged off its deep attachment to state involvement in the economy,” said Scott Kennedy, a senior adviser at the center. “But it didn’t sound like they had a clear plan other than talking to China.”

The administration’s plan to renew talks with China comes after its earlier outreach failed to reach an understanding over how to cooperate on trade and climate issues while competing for geopolitical influence. Chinese and U.S. diplomats openly clashed during an initial meeting in Alaska, and subsequent visits to China by John F. Kerry, Biden’s climate envoy, and Deputy Secretary of State Wendy Sherman also were unproductive.

Biden and Chinese President Xi Jinping spoke by phone in September — the first time since February — but have yet to agree on a face-to-face meeting.

Administration officials took pains to contrast Biden’s approach to that of his predecessor, which they called chaotic and ineffective. Biden seeks to shore up U.S. supply lines and promote domestic manufacturing while enlisting U.S. allies in a campaign to press China to drop the subsidies that distort global markets, the officials said.

But it remains unclear what the United States will do if Chinese reluctance to modify its state-centric policies continues, as most analysts expect. And Tai provided no details of what new tools the administration plans to deploy.

“We must chart a new course to change the trajectory of our bilateral trade dynamic,” she said.

Administration officials have discussed using Section 301 of a 1974 trade law to mobilize European and Asian allies for a WTO trade complaint over structural elements of the Chinese economy that they say disadvantage its trading partners.

Biden criticized Trump’s trade wars during the 2020 campaign. But, at least for now, the president is maintaining the tariffs of up to 25 percent on roughly \$360 billion in Chinese goods that Trump imposed beginning in 2018.

“The bipartisan consensus on this issue has been coming together for some time,” said Stephen Vaughn, who was among the architects of Trump’s trade policies. “It’s a huge challenge. Washington as a general matter was slow to recognize the gravity of what it was dealing with.”

Answering pleas from the business community, Tai will reinstate a process for U.S. companies to seek an exclusion from paying the tariffs, if there is no domestic alternative to the goods they want to import.

Business groups welcomed Tai's efforts to provide some long-awaited clarity on the president's intentions. But many industries remain eager to see the end of Trump's tariffs on Chinese goods, including parts used in American factories to produce other products.

Myron Brilliant, executive vice president of the U.S. Chamber of Commerce, applauded Tai's assessment of the U.S.-China trade relationship. But, he said, "there remain unanswered questions about the game plan beyond phase one and how Ambassador Tai's speech fits into the broader China economic strategy."

Under the phase one trade deal signed last year, China promised to buy an additional \$200 billion in U.S. farm, energy and manufactured goods by the end of this year.

"China's purchases are not close to those legal commitments," economist Chad Bown of the Peterson Institute for International Economics said in a recent Twitter post.

Through August, China had placed 89 percent of the required purchases of farm goods but only 42 percent of stipulated energy buys, said Bown, who has tracked the deal's progress from its inception.

**Hopes for a commercial rapprochement are clouded by political trends in both countries.**

Xi has moved away from the economic reform and market-opening policies that China adopted in 1978. He has promoted greater Chinese self-reliance in key technologies, including computer chips, and has waged an aggressive campaign to bring major Chinese businesses under greater political control.

The Biden administration has made several moves that upset the Chinese, including labeling its treatment of Muslims in the Xinjiang region genocide. On Sunday, the State Department blasted China for "provocative military activity" after a record number of fighter jets and bombers in recent days probed Taiwan's air defense zone.