

# Remarks As Prepared for Delivery of Ambassador Katherine Tai Outlining the Biden-Harris Administration's "New Approach to the U.S.-China Trade Relationship"

October 04, 2021

WASHINGTON – United States Trade Representative Katherine Tai today delivered remarks at the Center for Strategic and International Studies (CSIS) outlining the Biden-Harris Administration's **new approach to the U.S.-China bilateral trade relationship**.

You can watch the remarks live at [www.csis.org/events/conversation-ambassador-katherine-tai-us-trade-representative](http://www.csis.org/events/conversation-ambassador-katherine-tai-us-trade-representative).

Ambassador Tai's remarks as prepared for delivery are below:

Hello, everyone. Thank you for being here. I want to thank John Hamre, Bill Reinsch, and the Center for Strategic & International Studies for hosting me today. CSIS plays a vital role in our foreign policy discourse. It is fitting that I am here speaking to you about one of the most important global issues.

I have said this before and I will continue to say it: the U.S.-China trade and economic relationship is one of profound consequence. As the two largest economies in the world, how we relate to each other does not just affect our two countries. It impacts the entire world and billions of workers.

**This bilateral relationship is complex and competitive.** President Biden welcomes that competition to support American workers, grow our economy, and create jobs at home.

He believes we need to **manage the competition responsibly** – and ensure that it is fair.

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. It is increasingly clear that China's plans do not include meaningful reforms to address the concerns that have been shared by the United States and many other countries.

We have a lot of work to do.

To be successful, we must be direct and honest about the challenges we face and the grave risk from leaving them unaddressed. We must explore all options to chart the most effective path forward.

**When it comes to our relationship with China, what's best for American workers is growing the American economy to create more opportunity and more jobs with better wages here in the United States.**

**As the United States Trade Representative, I intend to deliver on President Biden's vision for a worker-centered trade policy in the U.S.-China trade dynamic. We need to show that trade policy can be a force for good in the lives of everyday people.**

**We will create durable trade policy that benefits a broad range of stakeholders by rebuilding trust with our workers and aligning our domestic and foreign policies.**

**President Biden has been clear: the key to our global competitiveness and creating shared prosperity begins at home. We have to make smart domestic investments to increase our own competitiveness. We must invest in research and development and clean energy technology, strengthen our manufacturing base, and incentivize companies to Buy American up and down the supply chain.**

**We already accomplished some of that work with the American Rescue Plan, the Administration's focus on supply chain resilience, and our investments in our technological leadership. The Administration is working closely with Congress to build on those actions with the Bipartisan Infrastructure Deal and the Build Back Better agenda.**

**In terms of U.S.-China trade, in recent months, the Biden-Harris Administration has conducted a **comprehensive review**.**

**And today, I will lay out the starting point of our **Administration's strategic vision** for realigning our trade policies towards China to defend the interests of America's workers, businesses, farmers and producers, and strengthen our middle class.**

**First, we will discuss with China its performance under the Phase One Agreement. China made commitments that benefit certain American industries, including agriculture, that we must enforce.**

**President Biden will continue to promote our economic interests – and build confidence for American industry.**

**Second, we will start a targeted tariff exclusion process. We will ensure that the existing enforcement structure optimally serves our economic interests. We will keep open the potential for additional exclusion processes, as warranted.**

**Third, we continue to have serious concerns with China's state-centered and non-market trade practices that were not addressed in the Phase One deal. As we work to enforce the terms of Phase One, we will raise these broader policy concerns with Beijing.**

**And we will use the **full range of tools we have and develop new tools as needed to defend American economic interests** from harmful policies and practices.**

**Finally and critically, we will continue to work with allies to shape the rules for fair trade in the 21st century, and facilitate a race to the top for market economies and democracies.**

**Before I get into further details around our plans, I would like to reflect on how the U.S.-China trade relationship has evolved in recent decades – and how we got to where we are today.**

**From the late 1970s to mid-1980s, China went from the world’s eleventh-largest economy to the eighth-largest. U.S. exports to China increased approximately four-fold, while imports grew 14 times in less than 10 years.**

**This economic growth set the stage for China’s efforts to join the WTO.**

**The world faced an important challenge at that time: how to integrate a state-led economy into a trade institution created by those dedicated to open, market-oriented principles.**

**In grappling with this dilemma, some believed there would be huge boosts in industrial and agricultural exports to China and its growing middle class. Others argued that accelerated and massive job losses would result.**

**In the end, China officially joined the WTO in December 2001.**

**Over the next decade and a half, the United States pursued a **dual-track approach** with Beijing.**

**One track involved **annual high-level dialogues between U.S. and Chinese officials** over three successive presidential administrations. These talks were intended to push China towards complying with and internalizing WTO rules and norms, and making other market-oriented changes.**

**But those commitments became more difficult to secure over the years, and China’s follow-through was inconsistent and impossible to enforce.**

**The other track focused on **dispute settlement cases at the WTO**. **We brought 27 cases against China, including some I litigated myself, and through collaboration with our allies. We secured victories in every case that was decided. Still, even when China changed the specific practices we challenged, it did not change the underlying policies, and meaningful reforms by China remained elusive.****

**In recent years, China’s leaders have doubled-down on their state-centric economic model.**

**Faced with the reality that neither the dialogue nor the enforcement tracks were producing meaningful changes, the previous administration decided to use a different paradigm – unilateral U.S. pressure – to try to change Beijing’s practices.**

**It launched an investigation focused on China’s forced IP and technology transfer policies – longstanding and serious problems. This led to substantial U.S. tariffs on imports from China – and retaliation by China. Against this backdrop of rising tensions, in January 2020, the previous administration and China agreed to what is commonly referred to as the “Phase One Agreement.”**

**This agreement includes a limited set of commitments. These cover China’s obligations regarding intellectual property and technology transfer, purchases of American products, and improved market access for the agriculture and financial services sectors.**

**It has stabilized the market, especially for U.S. agricultural exports. But our analysis indicates that while commitments in certain areas have been met, and certain business interests have seen benefits, there have been shortfalls in others.**

**But the reality is, this agreement did not meaningfully address the fundamental concerns that we have with China’s trade practices and their harmful impacts on the U.S. economy.**

**Even with the Phase One Agreement in place, China’s government continues to pour billions of dollars into targeted industries and continues to shape its economy to the will of the state – hurting the interests of workers here in the U.S and around the world.**

**Let’s look at the steel industry. In 2000, there were more than 100 U.S. steel companies. We produced 100 million metric tons of steel annually and the industry employed 136,000 people in communities across the country.**

**Soon after, China started building its own steel plants. Its production capacity ballooned, depriving U.S. steel companies of valuable market opportunities. Low priced Chinese steel flooded the global market, driving out businesses in the United States and around the world.**

**Every **steel plant** that shuttered left hundreds of workers without livelihoods. It also left communities reeling, as small businesses dependent on plants also closed their doors and blighted buildings brought down real estate values.**

**Today, China produces over one billion metric tons annually – and accounts for nearly 60 percent of **global steel production**. China produces more steel in a single month than the United States and most other countries in the world produce in an entire year. In the U.S., employment in the steel industry has dropped 40 percent since 2000.**

**We see the impact of China’s unfair policies in the production of **photovoltaic solar cells**. The United States was once a global leader in what was then an emerging industry. But as China built out its own industry, our companies were forced to close their doors.**

**Today, China represents 80 percent of global production – and large parts of the solar supply chain don’t even exist in the United States.**

**U.S. agriculture** has not been spared either. While we have seen more exports to China in recent years, market share is shrinking and agriculture remains an unpredictable sector for U.S. farmers and ranchers who have come to rely heavily on this market. China's regulatory authorities continue to deploy measures that limit or threaten the market access for our producers – and their bottom line.

We also see troubling dynamics playing out today with the **semiconductor industry**. In 2014, China issued an industrial plan to announce “the goal of establishing a world-leading semiconductor industry...by 2030.” Reportedly, China has already spent at least \$150 billion on this effort, with more on the way. Its intentions are clear, just as they were with steel and solar.

Those policies have **reinforced a zero-sum dynamic in the world economy** where China's growth and prosperity come at the expense of workers and economic opportunity here in the U.S. and other market-based, democratic economies.

That is why **we need to take a new, holistic, and pragmatic approach in our relationship with China** that can actually further our strategic and economic objectives – for the near-term and the long-term.

As our economic relationship with China evolves, so too must our tactics to defend our interests. As the years go by, the stakes keep getting higher and boosting American competitiveness becomes all the more important.

Our strategy must address these concerns, while also being flexible and agile to confront future challenges from China that may arise.

So how do we accomplish this?

Unlike the past, this administration will engage from a position of strength because we are investing in our workers and our infrastructure.

Repairing our roads and bridges, modernizing our ports, and delivering expanded broadband are the kinds of investments that will begin to give American workers and businesses the boost needed to embrace their global competitiveness.

And we must harness and leverage the talent of our people by investing in education and worker training – investments that are included in the President's Build Back Better plan. We also need to re-double our own efforts to be the most innovative country in the world by researching, developing, and creating new and emerging technology.

China and other countries have been investing in their infrastructure for decades. If we are going to compete in the global market, we need to make equal or greater investments here at home.

**That continuous investment ensures we can maintain our competitive edge throughout the 21st century.**

**Beyond our domestic investments, in the coming days, I intend to have frank conversations with my counterpart in China.**

**That will include discussion over China's performance under the Phase One Agreement.**

**And we will also directly engage with China on its industrial policies. Our objective is not to inflame trade tensions with China.**

**Durable coexistence requires accountability and respect for the enormous consequences of our actions. I am committed to working through the many challenges ahead in this bilateral process in order to deliver meaningful results.**

**But above all else, we must defend – to the hilt – our economic interests.**

**That means taking all steps necessary to protect ourselves against the waves of damage inflicted over the years through unfair competition. We need to be prepared to deploy all tools and explore the development of new ones, including through collaboration with other economies and countries. And we must chart a new course to change the trajectory of our bilateral trade dynamic.**

**And vitally, we will work closely with our allies and like-minded partners towards building truly fair international trade that enables healthy competition.**

**I have been working to strengthen our alliances through bilateral, regional, and multilateral engagement. And I will continue to do so.**

**The agreements we reached in June with the EU and the UK to resolve the large civil aircraft disputes at the WTO demonstrate President Biden's commitment to work with our partners to create a more level playing field for our workers.**

**Just last week, I co-chaired the first meeting of the U.S.-E.U. Trade and Technology Council. As Europe strengthens its own defenses against non-market practices, we will work with them to ensure that our collective policies deliver.**

**In the G7, G20, and at the WTO, we are discussing market distortions and other unfair trade practices, such as the use of forced labor in the fisheries sector, and in global supply chains, including in Xinjiang.**

**In the coming months and years, we will build off of this work.**

**Our goal is to bring deliberative, stable, long-term thinking to our approach – and to work through bilateral and multilateral channels. The core of our strategy is a commitment to ensuring we work with our allies to create fair and open markets.**

**There is a future in which all of us in the global economy can grow and succeed – where prosperity is inclusive within our own borders and across those borders too.**

**The path we have been on did not take us there. President Biden’s priorities that I’ve laid out today are aimed at achieving a shared prosperity that is good for our workers, producers, and businesses; good for our allies; and good for the global economy.**

**Thank you.**