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USTR Ambassador Tai Provides New Details About the Administration's China Trade Policy

Existing Section 301 duties to be kept in place; new
exclusion process to be implemented

This morning, at the Center for Strategic and International Studies, U.S. Trade Representative Ambassador Katherine Tai provided new detail regarding the Biden Administration's approach to the U.S.-China trade relationship. Today's remarks provide the most detailed information regarding the Administration's thinking on this vital topic.

Ambassador Tai stated that China is not fully complying with the Phase One Agreement reached between the United States and China in early 2020 and has failed to make "meaningful reforms" to address the concerns shared by the United States and other countries regarding China's economy. She added, "In recent years, Beijing has doubled down on its state-centered economic system." According to Ambassador Tai, China's lack of adherence to global trading norms has undercut the prosperity of Americans and others around the world.

Given these facts, the current Section 301 tariffs will remain in place, and further enforcement actions are under consideration. However, Ambassador Tai stated that the Administration would launch a new exclusion process to allow exceptions for certain products that would otherwise be subject to Section 301 duties. She indicated that exclusions would be based on the priorities of the Biden Administration, but provided no further details.

Ambassador Tai intends to engage with the Chinese government to discuss China's performance under the Phase One Agreement, as well as U.S. concerns with China's state-centered and non-market trade practices that were not addressed in the Phase One deal.



As for the Phase One deal itself, Ambassador Tai explained that it “has stabilized the market, especially for U.S. agricultural exports.” However, she also stated that “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.” Regarding U.S. concerns beyond the Phase One Agreement, Ambassador Tai said that “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.”

Ambassador Tai discounted the possibility that any further “Phase Two” Agreement would be in the works and added that the Administration also plans to bring additional pressure to bear on China to address massive subsidies to strategic industries (e.g., steel, semiconductors, and photovoltaic cells) that have distorted global markets. This additional pressure could include a new Section 301 investigation or developing new tools – either unilaterally or in conjunction with U.S. allies.

As an example of the problems resulting from China’s market-distorting practices, Ambassador Tai pointed out that in the 2000s, China started building its steel plants and currently “produces more steel in a single month than the United States and most other countries in the world produce in an entire year[,]” while “[i]n the U.S., employment in the steel industry has dropped 40 percent[.]” Discussing photovoltaic solar cells, Ambassador Tai said “[t]he 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.” She added that these “troubling dynamics [are] playing out today with the semiconductor industry.”

Ambassador Tai made clear that the United States would continue to work with allies “to shape the rules for fair trade in the 21st century.” She said the United States must “take 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.”

USTR’s fact sheet concerning the Biden Administration’s approach to the U.S. – China trade relationship is available [here](#). The recording of the event is available [here](#).

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