

# GEOTECH

UPDATES ON DOMESTIC  
IMPLEMENTATION AND  
INTERNATIONAL ENGAGEMENT



CSPC

CENTER FOR THE STUDY OF THE  
PRESIDENCY & CONGRESS



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## **GEOTECH: UPDATES ON DOMESTIC IMPLEMENTATION & INTERNATIONAL ENGAGEMENT**

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## Introduction

The geotech competition is no longer a theoretical construct. Following the legislative measures put into place in 2023, the United States is now embarking upon a course of industrial policy designed to kickstart domestic semiconductor production and push for leadership in the development and deployment of green technology. All of this comes with the backdrop of a competition between the United States and its allies and Communist China on the other.

The opportunity for a more strategic approach to the U.S. competition with Beijing is also being honed by the newly formed U.S. House Select Committee on Strategic Competition Between the United States and the Communist Party of China. As this committee begins its hearings, we are already seeing a focus not only on the competition with the CCP in terms of military security, but also the economic and technological elements. The shape of the competition is becoming clearer both in the Executive and Legislative response in the United States, as well as the rhetoric coming from Beijing about encirclement and containment.

Given the push for industrial policy, this report then covers the implementation of the CHIPS & Science Act and the Inflation Reduction Act. Here there is the challenge for the administration of handling a massive expansion in the government's role in the economy, weaving political priorities into the administration of the programs, and managing the offense taken by allies and partners to what is seen as unfair subsidies and tax credits. The challenge is amplified a divided Congress at home. Still, while there may be disagreement at times over the implementation of the legislation, the shared perception of the geotech challenge remains bipartisan.

Where the geotech debate in Washington is heating up is over trade. While the Biden administration has been reticent to pursue traditional trade deals, it has moved ahead with its emphasis on the Indo-Pacific Economic Framework (IPEF). While IPEF presents unique opportunities to strengthen U.S. economic engagement in the region, it falls short of a traditional trade deal. This report will examine how the administration's reticence is coming into conflict with Congressional voices that appear cautiously pro-trade. Changing public sentiment on trade as well as a reframing of economic issues considering competition with China may further open a window of opportunity for U.S. engagement on trade.

This report reflects, and respects, the off-the-record nature of private discussions, combined with open-source research, public events, and the analysis of CSPC staff, advisors, and fellows. Portions of this report draw from the analysis of CSPC op-eds, white papers, and our Friday News Roundup weekly news analysis. Our analysis of legislation is not meant to be exhaustive—nor endorse legislation—but to track the progress of substantive, and likely, Geotech policymaking and implementation.

## U.S.-China Competition

Since December, more of the contours of the U.S.-China competition have come into focus. This focus has become even sharper in February and March of 2023. Public attention has been focused on the spy balloon incident, but events in Washington and Beijing also bear examination. First, the kick-off hearing on February 28 of the U.S. House Select Committee on the Strategic Competition between the United States and the Chinese Communist Party demonstrated how one of the few things, if any, that the parties agree on is the importance of addressing the threat of China's communist regime.<sup>1</sup> Then, in a speech to industry leaders on March 6, Xi Jinping lashed out at the United States, blaming a Washington-led campaign of "containment, encirclement and suppression" for China's economic woes and technological hurdles.<sup>2</sup>

On one hand, the House hearing reflected a careful effort by the committee members to craft a distinction between China, the country, the people, the civilization, from the Chinese Communist Party and its aims at home and abroad. The name of the committee itself reflects this, but Ranking Member Ro Khanna (D-CA) reiterated this in his opening comments. Chair Mike Gallagher (R-WI), reminded the audience, still, of the scope of the challenge, saying "We may call this a 'strategic competition,' but this is not a polite tennis match...This is an existential struggle over what life will look like in the 21st century—and the most fundamental freedoms are at stake."

The Committee's opening hearing demonstrated its broad remit. The members and witnesses discussed the regime's human rights abuses, job losses to Chinese manufacturing, the purchase of sensitive U.S. real estate by Chinese companies, and even a handful of questions about the origins of Covid. Given that it was an opening hearing designed to lay out the strategic challenge posed by the CCP's plan, it was largely retrospective. What remains to be seen, and the committee indeed has the opportunity, is the vision not of what Beijing is doing or plans to do, but what the U.S. strategy is to be better prepared, more resilient, and more dynamic.

Xi Jinping's latest, on the other hand, was a stark response to the policies that the United States and other countries have adopted, having seen the economic, security, and political consequences of Beijing's current path. As Xi has made clear, Beijing's approach demonstrates a different model of economic development and authoritarian political control that it believes stands as a better model than the west. The CCP has embarked upon a range of policies—

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<sup>1</sup> C-SPAN, "Select Committee on China Hearing on U.S. National Security." February 28, 2023. <https://www.c-span.org/video/?526319-1/national-security-adviser-mcmaster-testifies-select-committee-china>

<sup>2</sup> Keith Bradsher, "China's Leader, With Rare Bluntness, Blames U.S. Containment for Troubles." March 7, 2023. <https://www.nytimes.com/2023/03/07/world/asia/china-us-xi-jinping.html>

internal crackdowns (Hong Kong, Xinjiang, COVID protests), South China Sea militarization, rapid military technological advancements via IP theft and “Military-Civil Fusion”, Belt and Road Initiative, Digital Silk Road, other debt trap diplomacy, and so on and so forth—that now has the west and other countries understanding that our relationship with Communist China is on a far different course than we realized in the 1990s and early 2000s. Hawks would say that it is merely our perception of the CCP that has changed, not their underlying nature. But it is realistic, not dovish, to also acknowledge that we must manage the significant economic interdependence between both countries—and aim to deter, not seek, conflict between our countries.

At the same time, the reality of this competition is that we cannot contain China in the sense that we sought to contain the Soviet Union. China, with its rich history, cultural contributions, and billions of people cannot be contained or isolated. That said, the policies of the CCP cannot go unanswered, and we must in turn be nuanced and focused in our approach. Part of that is not seeking unnecessarily provocative actions—demonstrated by Speaker McCarthy meeting Taiwanese President Tsai here rather than traveling to Taiwan—while leaving the CCP’s policies to speak for themselves. In this vein, it is worth noting that Xi made these remarks about the United States during comments designed to assuage private sector concerns. As he continues to tighten the economic and political reins, Xi’s policies will have their impact on China’s dynamism and the world’s perception of that country. Even in trying to encourage private capital, it is clear that the party sees private enterprise as subordinate to the party’s interests. It was clear in Xi’s remarks and many new and recent policies, but detained tycoons demonstrate how the party is willing to countenance no real leadership but its own.<sup>3</sup>

Ultimately, perception will matter alongside the other metrics of national power—military might, economic prosperity, diplomatic influence—as the wider world, beyond China and the West, does not want to be drawn into an either-or competition. Here, the challenge will be for us not to respond to China’s policies, looking backwards, but rather to demonstrate how our system—political, economic, legal, and technological—can deliver better results than the vision of the Chinese Communist Party. In his remarks, Xi demonstrated clearly just how China sees this competition, and its growing Cold War nature. We cannot shy away from what is needed to deter aggression, nor can we turn back on the range of policies that recognize the technological competition we face. Beyond this, the opportunity now for the House China Committee is to start to fill in what that strategy is for further dynamism and out-competing China, rather than continuing to be responsive. In being responsive we do only appear to be trying to contain China, and failing.

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<sup>3</sup> Peter Hoskins, “Bao Fan: Why do Chinese billionaires keep vanishing?” *BBC News*. March 9, 2023. <https://www.bbc.com/news/business-64781986>

## Implementing Geotech Legislation

2022 saw two significant legislative victories for the Biden administration's geotech agenda. First, the CHIPS and Science Act marked a major investment in U.S. semiconductor R&D and manufacturing, as well including other measures to protect critical technology supply chains. The Inflation Reduction Act also marks a major shift in U.S. industrial policy to pursue green and energy transition goals, including battery supply chains and creating friend-shoring trade networks for electric vehicles, solar technology, wind, batteries, and other green technology.

Both measures mark significant changes in the U.S. approach to industrial policy, and it is important to note how the administration is implementing them. Significant resources as well as new authorities are being used by the administration to shape supply chains and promote American and allied innovation. Still, there are drawbacks in the implementation of such large programs, as well as the concerns about the domestic political priorities espoused by the administration and the tensions raised with key allies and partners over measures that are seen as protectionist or over-subsidization of U.S. growth.

### CHIPS & Science Act Implementation

President Biden signed into law the CHIPS and Science act on August 9, 2022, aiming to boost semiconductor research and production to ensure U.S. leadership for these critical components of the modern economy. At the time of signing of the bill, the United States only produced 10 percent of global supply, with reliance on East Asia for more than 75 percent production.<sup>4</sup>

The administration's strategy released in September of 2022 breaks down the spending as follows: \$28 billion for investments in manufacturing of the most sophisticated logic and memory chips—none of these are currently produced in the United States, so the administration is moving ahead with an eye towards expansion of manufacturing and "multiple high-cost production lines and associated supplier ecosystems. \$10 billion in incentives for new domestic production of older chips that are critical for national security and key economic sectors. Together, this first \$38 billion will be grants, cooperative agreements, or subsidies for loans/loan guarantees. The remaining funds will be invested in R&D programs including a

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<sup>4</sup> The White House, "FACT SHEET: CHIPS and Science Act Will Lower Costs, Create Jobs, Strengthen Supply Chains, and Counter China." August 9, 2022. <https://www.whitehouse.gov/briefing-room/statements-releases/2022/08/09/fact-sheet-chips-and-science-act-will-lower-costs-create-jobs-strengthen-supply-chains-and-counter-china/>

“National Semiconductor Technology Center” and other institutional developments focused on R&D.<sup>5</sup>

On February 28, 2023, the Department of Commerce released the “Vision for Success” for commercial fabrication facilities. Secretary of Commerce Gina Raimondo stated:

When we have finished implementing CHIPS for America, we will be the premier destination in the world where new leading-edge chip architectures can be invented in our research labs, designed for every end-use application, manufactured at scale, and packaged with the most advanced technologies.<sup>6</sup>

The Vision for Success lays out nine themes to guide the CHIPS Program Office: catalyzing private investment; encouraging customer demand; engaging with U.S. partners and allies; building a skilled and diverse workforce; reducing time-to-build; reducing costs through innovation; promoting the operational security, supply chain security, and cybersecurity of CHIPS-funded facilities; spurring regional economic development and inclusive economic growth; and enforcing guardrails.<sup>7</sup>

In discussions with industry leaders, the question of whether the CHIPS Fund is revolutionary or a start to a longer process is often answered with a simple “yes”. The CHIPS Act is a sea change in how the U.S. approaches policy towards the semiconductor industry, and potentially for future industrial policy, but in terms of the resources provided and the impact, it will be just the start in the longer development and evolution of the industry and its supply chains. As illustrated by the details leaked from Speaker Pelosi’s visit to Taiwan last year and her conversations with Morris Chang, the nonagenarian founder of chip manufacturing giant TSMC, Chang saw it as a good start, but questioned whether U.S. politicians had the will to continue such support for the semiconductor industry.<sup>8</sup>

Other concerns have arisen about the guidance provided by the administration and the political goals that it has also included alongside the economic and technological goals of the legislation.

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<sup>5</sup> U.S. Department of Commerce, “A Strategy for the CHIPS for America Fund.” September 6, 2022. <https://www.nist.gov/system/files/documents/2022/09/13/CHIPS-for-America-Strategy%20%28Sept%206%2C%202022%29.pdf>

<sup>6</sup> U.S. Department of Commerce, “Biden-Harris Administration Launches First CHIPS for America Funding Opportunity.” February 28, 2023. <https://www.commerce.gov/news/press-releases/2023/02/biden-harris-administration-launches-first-chips-america-funding>

<sup>7</sup> Ibid.

<sup>8</sup> Alexander Burns, “Taiwan’s Tech King to Nancy Pelosi: U.S. Is in Over Its Head.” February 14, 2023. <https://www.politico.com/news/2023/02/14/taiwan-tech-king-pelosi-powerhouse-microchip-industry-00082646>



Some rules reflect sound policy goals to protect U.S. supply chains and taxpayer dollars. For example, firms will not be able to expand semiconductor manufacturing in “countries of concern” (read China) for 10-years after the award of U.S. funds. More controversial has been the guidance that firms can bolster their plans for reinvestment in semiconductor manufacturing—one of the criteria on which plans will be evaluated—by also pausing any stock buybacks for five years. Given the political divisions on the issue of stock buybacks, it will further politicize the implementation of CHIPS. This could also give CEOs, CFOs, and shareholders pause about aligning with the broader goals outlined by the Department of Commerce.

What has proved most controversial is the requirement that plans submitted for CHIPS Act funding also account for “affordable, accessible, reliable, high-quality childcare” for the construction and facility workforce. While childcare is laudable, this is not what the CHIPS Act was meant to address. Adding things like this could make the implementation of the legislation even more contentious, or invite further legal challenges in the future.

The future of U.S. semiconductor industry, as well as the political future of U.S. industrial policy, are caught up in the implementation of this legislation. The danger is if this gets bogged down with too many political priorities and arrives with policy goals at cross-purposes. The more priorities that the Commerce Department must pursue and oversee, the greater the burden on the administration of the CHIPS program. Critics of industrial policy will use this complexity and any failure to justify orthodoxy that no politicians can be trusted with any economic intervention—and if the public sees the process as more politically driven than economically impactful, it will be short-lived. However, a strong investment in semiconductor production is a signal in the strategic competition with China, and a benefit to American producers and jobs, that could lay the foundation for following policies including additional trade related measures.

### [Inflation Reduction Act](#)

Another priority achievement for the Biden administration, the Inflation Reduction Act (IRA) is another push into industrial policy designed to promote U.S. leadership in green technologies, reduce energy costs, foster friendly supply chains, and counter China’s push to dominate green technology. This act has caused competition in the race for supply chain supremacy. The E.U., South Korea, and Japan have all raised concerns how the U.S. legislation affects their plans for green industry and trade with the United States. For example, Europe is responsible for over a quarter of global electric vehicle production, while the United States only produces about 10

percent.<sup>9</sup> The concern is that allies and partners will feel the impact of the IRA far more than the Chinese competitors, while promoting a beggar-thy-neighbor approach among our trade partners. Efforts by the administration to find compromise on the IRA with trade partners are complicated by Members of Congress pushing for a far more protectionist interpretation of the legislation—citing mainly Europe’s but also other jurisdictions’ high tariffs for U.S. green imports and their subsidization of green programs.

Still, the implementation of the IRA, despite the consternation created amongst allies, presents an opportunity to better coordinate green energy policies and other priorities surrounding critical technologies and supply chains. The U.S.-EU Trade and Technology Council (TTC) has made some progress in this area—creating an agreement on EV charging technologies and setting up a taskforce to address EU complaints about the IRA.

The U.S. Department of Treasury is working to issue guidance on the requirements related to electric vehicle tax credits, including those related to the assembly and origin of components. The pressure from Congress to be more restrictive will come into conflict with Congress’s pressure to emphasize and strengthen American production.

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<sup>9</sup> International Energy Agency, “Global EV Outlook 2022.” Accessed March 12, 2023. <https://www.iea.org/reports/global-ev-outlook-2022/executive-summary>

## Trade Policy

Trade policy has a vital role to play in the effort to compete with China. Strategic use of trade policy can integrate the U.S. economy with likeminded partners, diversify supply chains, and advance international standards that strengthen free market economies, particularly their innovation sectors. While the Biden administration is committed to these goals, it has chosen not to pursue “traditional” trade agreements to achieve them, stating that the political climate is “not conducive” to trade agreements.<sup>10</sup> This position puts the Administration at odds with many in Congress, where there is growing support from key Republicans and Democrats in favor of the idea of pursuing new robust trade agreements to achieve U.S. strategic goals.

The Administration’s primary commercial engagement initiatives are the Indo-Pacific Economic Framework (IPEF) the U.S.-EU Trade and Technology Council (U.S.-EU TTC). The IPEF seeks high standard commitments from 13 countries in several areas including the digital economy, labor, agricultural regulations, green energy standards, and supply chain security. It aims to support sustainable and inclusive economic development and strengthen regional economic integration. Because of the IPEF’s focus on transportation and infrastructure investment, the IPEF also has strategic implications as a counterbalance to China's Belt and Road Initiative (BRI) projects. The U.S.-EU TTC is a forum to reduce barriers to trade and identify areas for deeper transatlantic collaboration. Neither initiative involves market access through tariff liberalization and the Administration has said it does not intend to seek Congressional approval of the agreed outcomes, leading to some grumbling from members of both parties about insufficient involvement in the process. The White House has also suspended negotiations with the United Kingdom on a bilateral trade agreement.

## Taking Stock/Testing Assumptions

Treasury Secretary Janet Yellen told the House Ways and Means Committee on March 10 that “conditions are not there” for comprehensive trade agreements. Certainly, there is a widely-held public view that U.S. pursuit of global economic integration and the “rules-based global trading order” failed to deliver shared benefits for American workers. This raised economic insecurity in the United States and arguably helped fuel President Trump’s successful campaign in 2016. That same year, both leading presidential candidates opposed the Transpacific Partnership (TPP) after labor and environmental groups mobilized opposition to the agreement. U.S.-EU Transatlantic Trade and Investment Partnership (TTIP) negotiations ran aground under the weight of intractable regulatory differences, food safety issues (also called agricultural

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<sup>10</sup> Statement by Commerce Undersecretary Marisa Lago, Washington International Trade Conference, Washington, DC, February 13, 2023

market access), and opposition from European civil society. President Trump ended TTIP negotiations in 2017.

On the other side of the coin, the Trump Administration negotiated and signed the U.S.-Canada-Mexico regional trade agreement (USMCA) in 2019. The U.S. Senate passed the measure with overwhelming bipartisan support (82-10). The Trump Administration also signed two agreements with Japan (2019) covering certain agricultural and industrial products and digital trade.<sup>11</sup> (These were executive agreements that the Administration argued did not need Congressional approval.) Polling indicates a slight preference in favor of trade among the American public: in a 2022 Gallup poll, 61 percent of respondents said that trade was an opportunity for economic growth, while 35 percent saw it as a threat to the economy. Democrats and Independents were more pro-trade than Republicans by a 15-point margin in the Gallup poll, a reflection of a reversal of some historic trends in party sentiments toward trade and also an indication that these attitudes are somewhat flexible.<sup>12</sup> Of course, both the Republican party and the Democratic party have members who lean protectionist or anti-globalist, and who would oppose almost any trade agreement.

Support in Congress for new trade agreements is on the rise. Members of the Senate Subcommittee on International Trade, Customs, and Global Competitiveness and the House Subcommittee on Trade have expressed frustration with the lack of action on trade from the Biden administration. The Biden administration has not requested Trade Promotion Authority (TPA), legislation that defines Congress' objectives and priorities for trade agreements, which the President may then negotiate and submit to Congress for an "up or down" vote. Senator Benjamin Cardin (D-MD) reflected on the current state of TPA as follows:

The (Biden) administration is not asking for TPA... the administration is doing things that we think require a TPA and they're not asking for it. So, there are two sides to that argument. But I agree, I think we need trade legislation and I hope they can put something together.<sup>13</sup>

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<sup>11</sup> "U.S.-Japan Trade Agreement Text." Office of the U.S. Trade Representative. Accessed March 8, 2023. <https://ustr.gov/countries-regions/japan-korea-apec/japan/us-japan-trade-agreement-negotiations/us-japan-trade-agreement-text>

<sup>12</sup> Jeffrey M. Jones, "U.S. Views of Foreign Trade Nearly Back to Pre-Trump Levels." *Gallup*. March 10, 2022. <https://news.gallup.com/poll/390614/views-foreign-trade-nearly-back-pre-trump-levels.aspx>

<sup>13</sup> "Cardin: Lame-duck trade bill could pass this year – if it's attached to something else." *Inside Trade*. December 7, 2022. <https://insidetrade.com/daily-news/cardin-lame-duck-trade-bill-could-pass-year-%E2%80%93-if-it%E2%80%99s-attached-something-else>

Senate Finance Committee ranking member Senator Mike Crapo (R-ID) stated in February 2023 that there was bipartisan interest in pursuing new trade agreements as a means to compete with China and to open foreign markets to U.S. goods. He that the United States is missing an opportunity by remaining on the sidelines while China aggressively pursues trade agreements. (He added though that Congress would not authorize trade promotion authority unless the Biden administration asked for it.) New legislation provides further evidence of Congress' interest in restarting the trade agenda: Senator Bill Cassidy (R-LA) introduced a bill that would invite countries within the Americas to join the USMCA if they meet certain requirements. Senator John Thune (R-ND) and Senator Chris Coons (D-DE) introduced [legislation](#) March 2 that would grant trade promotion authority for the Administration to conclude a U.S.-UK trade agreement.

Senator Lisa Murkowski (R-AK) introduced legislation expressing the sense of the Senate that the United States should negotiate a trade agreement with Iceland. In the previous Congress, Senators Rob Portman (R-OH) and Chris Coons (D-DE) led an effort to pass a trade bill that included renewal of Trade Adjustment Assistance (funding for trade-displaced workers), reauthorization of the Generalized System of Preferences (trade benefits for least developed countries) and a new Miscellaneous Tariff Bill, which allows companies to petition for specific tariff reductions on imports.

Japan and Singapore, two of the United States' top Asian trading partners, have urged the United States to show bold leadership on trade in the Pacific.<sup>14</sup> Some Members of Congress have urged the Biden Administration to consider joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, (CPTPP),<sup>15</sup> according to Congressional Research Service. CPTPP is agreement signed in March 2018 among 11 countries around the Pacific: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. The agreement aims to reduce tariffs, facilitate trade, and increase investment among member nations. China, meanwhile, has signed an array of trade agreements in the Pacific and applied to join the CPTPP. While not specifically a committee with trade jurisdiction, Chairman Mike Gallagher (R-WI) of the Select Committee on the Strategic Competition Between the United States and the Chinese Communist Party has expressed enthusiasm for trade agreements. Chairman Gallagher said he hoped that trade talks will result from the Committee. Specifically, he suggested a bilateral FTA with Taiwan. A free trade agreement with Taiwan reportedly enjoys

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<sup>14</sup> Remarks by Embassy representatives at Washington International Trade Conference, Washington, DC, February 13, 2023

<sup>15</sup> "CPTPP: Overview and Issues for Congress." Congressional Research Service. October 17, 2022. <https://crsreports.congress.gov/product/pdf/IF/IF12078/3>

“broad bipartisan support”<sup>16</sup> in Congress. Rep. Jake Auchincloss (D-MA) suggested that an FTA with Taiwan should lead to U.S. entry in the CPTPP or that we should more generally get back to original negotiations of TPP.

Congressional interest in new trade agreements is rooted in a broader and deeper awareness in 2023 of the threat the Chinese Communist Party’s ambitions pose to U.S. economic and foreign policy interests. In addition, the COVID crisis, related supply chain shortages, and inflation, have strengthened the case for “nearshoring” and “friendshoring.” Furthermore, U.S. products will find themselves at a competitive disadvantage to countries who have joined the CPTPP. The open question is whether the notion that “conditions are not there” is rooted in past sentiments toward trade that have been overcome by a reckoning on the urgent nature of strategic competition with China and whether the time might actually be right for a national security pro-trade argument.

### New Era Demands a New Trade Agreement Model

The 2<sup>nd</sup> IPEF negotiation round takes place March 13-19, 2023. The U.S.-TTC, which is in its second year, has produced modest commitments in emerging technologies.<sup>17</sup> Members of both parties have voiced concern that progress on both fronts has been slow and that excluding tariff preferences will limit the impact of both initiatives. The argument follows that adding tariff and market access provisions to the Administration’s trade approach would make agreements more durable and enforceable and would provide incentives for our trading partners to engage in a more meaningful way in negotiations.

On March 10, the White House announced it would pursue a critical minerals agreement with the European Commission. The goal is to enable European manufacturers to benefit from Section 30D of the Inflation Reduction Act, which confers certain tax benefits to U.S.-built EVs with batteries and critical mineral components sourced domestically or from a “free trade agreement” partner. This idea of a limited trade agreement deployed to accomplish a specific strategic goal or goals (e.g., strengthening an alliance, or diversifying supply chains), has merit. The U.S.-Japan Trade Agreements (2020) are a precedent for a negotiation that covers tariffs in some sectors without being comprehensive, although there was criticism that the agreement left out services and motor vehicles and that it did not involve Congressional approval.

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<sup>16</sup> “Gallagher hopes select committee can address “absence” of Taiwan trade agenda,” Inside Trade. February 28, 2023. <https://insidetrade.com/daily-news/gallagher-hopes-select-committee-can-address-absence-taiwan-trade-agenda>

<sup>17</sup> “U.S.-EU Joint Statement of the Trade and Technology Council,” The White House. December 5, 2022. <https://www.whitehouse.gov/briefing-room/statements-releases/2022/12/05/u-s-eu-joint-statement-of-the-trade-and-technology-council/>

The Administration should ask Congress to give it a modern, flexible, trade agreement framework. It would be customizable and selective in its scope and would be used for strategic purposes. It could set high standards in areas such as digital trade, critical minerals, industrial goods, green tech, and IP. It should include strong labor protections to ensure a fair playing field for U.S. workers, and strong environmental safeguards to help meet climate goals. The process deserves to be transparent and involve Congress – two criteria that make agreements more durable and enforceable. WTO purists would point out that trade agreements should cover “substantially all trade” according to WTO rules. But the comprehensive FTA model has failed in the past, and, furthermore, national interests should not be subjugated to an outdated rule maintained by the multilateral organization that has failed to prevent China from “shrewdly circumvent(ing) the spirit and the letter of the WTO’s rules”<sup>18</sup>.

The Administration arguably has more freedom to lean forward on trade now that it has passed the mid-term elections. It may also recognize it has a role to play in shaping the environment that it has deemed “not conducive to trade.” The United States should use all available tools – including trade policy – in the competition struggle against China. But this requires the White House to lead, and for it to engage with Congress in a meaningful way.

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<sup>18</sup> Nicholas Khoo & Alex Tan, “The Political Case for a New Zealand-US Free Trade Agreement.” The Diplomat. March 7, 2023. <https://thediplomat.com/2023/03/the-political-case-for-a-new-zealand-us-free-trade-agreement/>

## Export Controls

While the Biden administration has sought to strengthen and deepen technological and trade ties with allies and partners, it has also moved to strengthen restrictions on the critical technologies made available to potential adversaries. As the December 2022 Geotech report noted, the significant shift came following the announcement by National Security Advisor Jake Sullivan that the United States would seek to slow or halt the CCP efforts focused on artificial intelligence, semiconductors, biotech, and other advanced technologies, rather than remaining satisfied with a relative lead—as was the previous policy.

The Biden administration moved ahead with a range of restrictions on exports of advanced semiconductor technology to China, placing them on the Department of Commerce unverified list, indicating that the U.S. government cannot confirm the end use of the technology.

Over the past several months, the most important international aspect of this effort has been coordinating the export control regime with allies and partners who also hold critical positions in semiconductor research, equipment, and manufacturing. U.S. efforts are now coordinated with Japan and the Netherlands following negotiations that extended from 2022 into 2023.<sup>19</sup> The exact details of the rules are currently unknown, but officials from the countries have noted the agreements. Taiwan had already agreed to the rules, while South Korean manufacturers were granted a waiver.

These moves by the administration to coordinate with the Netherlands and Japan ensure that Chinese manufacturers linked to the People’s Liberation Army or China’s Military-Civil Fusion cannot access the latest semiconductor technology. Still it will be important to see how China’s firms seek to stockpile equipment in advance or find ways around restrictions.

The Biden administration is reportedly considering stricter measures, that could be announced in late March or April that could double the number of machines requiring export licenses. The reporting suggested that the administration would coordinate the efforts with allies, but not water them down to match.<sup>20</sup>

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<sup>19</sup> Ana Swanson, “Netherlands and Japan Said to Join U.S. in Curbing Chip Technology Sent to China.” *The New York Times*. January 28, 2023. <https://www.nytimes.com/2023/01/28/business/economy/netherlands-japan-china-chips.html>

<sup>20</sup> Jenny Leonard & Ian King, “Biden Administration Set to Further Tighten Chipmaking Exports to China.” *Bloomberg*. March 10, 2023. <https://www.bloomberg.com/news/articles/2023-03-10/biden-poised-to-further-tighten-us-chipmaking-exports-to-china>



## Conclusion & Recommendations

The bipartisan recognition of the China challenge and the scope of the Select Committee on the Competition with the CCP presents an opportunity for a strategic approach to the competition with Communist China, cooperation with allies, and strengthening the United States. While the United States moves towards the 2024 election, it will still be important to present a united approach to China, even as parties seek to show that they are the party that is more hawkish or better positioned to push back against Beijing. During this time, Members of Congress and other policymakers should continue to focus on building productive, strategically purposeful measures for military, economic, diplomatic, political, and cultural strength, while avoiding actions that are unnecessarily antagonistic or threaten rifts with a Global South that seeks not to be forced into a choice between a U.S.-led model or China-led model.

- ***Leverage Congressional focus on U.S.-China Competition for Strategic Strengthening:***  
As the Select Committee continues its work examining the U.S.-CCP competition and other aspects of Indo-Pacific security and economic engagement, it should continue to emphasize the importance of innovation leadership, digital freedom, economic engagement, and military deterrence. As the committee establishes itself to work beyond this Congress, it should focus on the aspects of systemic competition and strategic strengthening necessary for the United States and allies to prevail.
- ***Focus Industrial Policy Efforts on Supply Chain and Innovation Challenges:***  
The implementation of industrial policy presents a natural opportunity to push forward political priorities alongside the economic or innovation goals. However, this invites partisan opposition and legal challenge, makes the administration of the programs more difficult, and increases corporate reticence about participation. The implementation of these programs should be streamlined and focused for maximum efficacy and political support.
- ***Reinvigorate the Trade Agenda as Part of Systemic Competition:***  
While the United States is emphasizing military and diplomatic engagement, while also moving towards the Indo-Pacific Economic Framework (IPEF) as a tool to re-engage transpacific and western hemisphere economic engagement. IPEF, despite positive steps forward in digital, green, and countercorruption efforts, lacks market access. The Biden administration is reticent to move forward with traditional trade engagement, but Congressional attitudes are shifting. Executive-Legislative dialogue on re-starting full engagement in trade negotiations involving market access or something in between is becoming an imperative.
- ***Coordinate Export Controls & Other Technology Restrictions with Allies:***  
To prevent unintended consequences or facilitate Beijing's evasion of restrictions, the United States should continue to coordinate export controls and other technology

restrictions with allied governments, while carefully exploring the most effective mutual efforts on supply chain diversification.

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