



USCIB CROSSCUTTING POLICY BRIEF

Redefine the U.S.-China Relationship Based on Constructive Dialogue & Tough-Minded, Focused Enforcement

EXECUTIVE SUMMARY:

U.S.-China economic relations are complex and multifaceted, and American business holds a direct and important stake in this relationship and in a predictable and fair trade and investment regime. As the world's largest economy outside the U.S., China's practices and policies have a significant impact on its trading partners, the U.S. economy, and on global trade. China's continually growing presence in the global economy requires both countries to work together to address common challenges and responsibilities.

For the Biden Administration, it will be imperative to redefine the U.S.-China relationship to one based on constructive dialogue combined with tough-minded, focused enforcement. This Administration should return to a multilateral approach of working with allies to address concerns with China and to ensure our economic recovery from the pandemic when tackling global issues like climate change, human rights and illicit trade.

CONTEXT & BACKGROUND: WHERE USCIB BRINGS VALUE

China presents challenges for U.S. companies on a wide array of issues, including on protection of intellectual property, illicit trade, forced transfer of technology, sanctions compliance and lax enforcement of labor laws, among many other issues. All these challenges must be considered to appreciate the issues U.S. business must navigate: differing economic systems, the role of the government in the use of technology, climate, and broader geopolitical trends.

Recent years have seen an increasingly contentious relationship between the U.S. and China, resulting in the imposition of extensive tariffs, increased screening of Chinese investments, fierce competition in the high-tech market (China 2025) and issues surrounding forced labor and human rights abuses, notably in the Xinjiang region. While the U.S. concluded a Phase One trade deal with China addressing several issues of concern, it has yet to be fully implemented. China (and Hong Kong) are also responsible for up to 80 percent of all seizures of counterfeit and pirated goods globally.

USCIB is ready to assist the Administration in pursuing a new, multilateral approach to China. Through our unique global network as the U.S. business organization providing input into the Organization for Economic Cooperation and Development (OECD), the U.S. affiliate of the International Chamber of Commerce (ICC) and the representative of U.S. Employers (International Organization of Employers) to the International Labor Organization, USCIB has an established track-record of advancing constructive solutions in multilateral forums. As evidenced through annual submissions to USTR on China's WTO Compliance and the production of comprehensive Asia Pacific Economic Cooperation (APEC) Priority Issues and Recommendations each year, engaging on China multilaterally remains a priority for USCIB's multi-sectoral membership.

In addition to engaging with China and Chinese business in our network of global forums, USCIB can:

- Build upon significant input from U.S. businesses on the impact of tariffs
- Facilitate a like-minded international business network with participation in the APEC CEO Summit
- Leverage significant multi-sectoral expertise and experience in diverse policy areas
- Address issues at high-level fora including the B20/G20, World Trade Organization (WTO) and the UN

Domestically, USCIB will continue to contribute to U.S. decision-making processes, as well as international negotiations on various issues of interest, including on international labor and environmental standards.

GOALS & OBSTACLES:

- Redefine the U.S.-China relationship to one based on constructive dialogue (e.g., reduction of existing Section 301 tariffs on Chinese imports)
- Effectively engage in a multilateral approach with allies to address China concerns (e.g., join the Comprehensive and Progressive Agreement for the Trans-Pacific Partnership (CPTPP))
- Create a level playing field for U.S. companies by increasing China's adherence to global rules and standards (including at the WTO) and pursue strengthened WTO disciplines (e.g., industrial subsidies, State-Owned Enterprises (SOEs), illicit trade on China-related issues)
- Engage multilaterally to press China to adopt and consistently enforce labor laws that adhere to ILO Fundamental Principles and Rights at Work
- Make IP crime and anti-illicit trade a higher enforcement priority
- Seek smart design of sanctions, the compliance with which are not an excessive burden on U.S. businesses, and that are multilateral in nature

USCIB ENCOURAGES THE ADMINISTRATION TO:

- Begin negotiations of a Phase 2 China Deal addressing many outstanding structural issues of concern to U.S. businesses
- Address supply chain, human rights and labor concerns in China/Xinjiang via a global approach that mobilizes other governments, partnering with industry and other important stakeholders
- Constructively engage China to fight illicit trade including counterfeit and pirated goods
- Work with business to prepare for and address China Standards 2035
- Eliminate developing country self-designation at the WTO and remove that status from China and other advanced economies
- Conclude the WTO E-Commerce agreement including provisions on data flows and forced localization (the Regional Comprehensive Economic Partnership (RCEP), which includes China, does not include such language)
- Continue to engage with the U.S. business community to understand the impacts of these issues on U.S. companies, as well as inform its diplomatic efforts to engage not only in China but also with U.S. allies on these issues of shared concern