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## STRENGTH IN NUMBERS: Collaborative Approaches to Addressing Concerns with China’s State-Led Economic Model

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### ABOUT THE ASIA SOCIETY POLICY INSTITUTE

With a solution-oriented mandate, the Asia Society Policy Institute (ASPI) tackles major policy challenges confronting the Asia-Pacific in security, prosperity, sustainability, and the development of common norms and values for the region.

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### INTRODUCTION - THE CHALLENGE OF CHINA’S STATE-LED ECONOMIC MODEL

Tensions in U.S.-China economic and trade relations have steadily increased over the past year, leading to the imposition of tariffs and counter-tariffs impacting nearly USD \$400 billion in two-way trade. At the time of writing, a negotiated solution has yet to materialize, but the two sides have continued to make progress, with a deal seemingly imminent. At the heart of the conflict are challenges posed by China’s state-led economic model, including excessive and under-reported industrial subsidies and other financial assistance, operation of state-owned enterprises (SOEs), opaque regulatory measures that advantage domestic producers, forced technology transfer, and centrally directed strategic guidance.<sup>1</sup>

While the United States has been at the forefront of criticizing these policies and practices, they also impact China’s other trading partners, distorting trade flows and straining the global trading system. The Trump administration, however, has mostly relied on unilateral measures and bilateral negotiations to address these policies and practices. While the U.S. approach has succeeded in bringing China to the negotiating table, it could be even more effective in addressing these fundamental issues by working closely with like-minded countries.

The United States has already made efforts to work with others, including the important trilateral initiative undertaken with the European Union (EU) and Japan on industrial subsidies, SOEs, forced technology transfer, and World Trade Organization (WTO) reform. The United States continues to participate in global efforts to deal with specific challenges, such as the G20 Global Forum on Steel Excess Capacity (GFSEC), and consults with other countries on China’s investment restrictions and technology transfer practices.

While these initiatives are welcome, much more could be done. This paper makes the case that as a U.S.-China bilateral deal appears to be moving towards the finish line, it is an opportune time for the administration to shift focus to working with like-minded countries—within international organizations when possible, but also through smaller coalitions when necessary—to address these issues. It offers a range of concrete recommendations for closer collaboration with other countries that, when skillfully combined with bilateral negotiations and enforcement, stand a better chance of dealing with these challenges in a comprehensive and enduring manner.

The recommendations presented in this paper are based on two round tables the Asia Society Policy Institute (ASPI) organized in October and December 2018 and on discussions with former and current



In light of these shared concerns, the United States could benefit from working more closely with like-minded partners to address the challenges China brings to the international trade landscape.

U.S. and foreign government officials, business leaders, and policy experts. The author is grateful to the Alcoa Foundation for its support of this project.

### ADVANTAGES OF WORKING WITH OTHERS

While the Trump administration has demonstrated its preference for unilateral actions and bilateral negotiations, numerous countries share similar concerns about the Chinese economic model and may be open to closer cooperation. In the EU-China Strategic Outlook published on March 12, the European Commission noted that, “there is a growing appreciation in Europe that the balance of challenges and opportunities presented by China has shifted.” The paper went on to call China a “systemic rival,” and identified “China’s proactive and state-driven industrial and economic policies” as areas of concern.<sup>2</sup> In the 2018 Trade Policy Review (TPR) of China at the WTO, representatives from Australia, Canada, Colombia, the EU, Mexico, New Zealand, Japan, and Singapore, among others, although overall less critical of China, voiced concerns similar to those of the United States. Grievances covered such areas as China’s industrial plans (i.e., Made in China 2025), lack of transparency, nonmarket behavior of SOEs, non-tariff barriers, and lax intellectual property right (IPR) protections.<sup>3</sup>

In light of these shared concerns, the United States could benefit from working more closely with like-minded partners to address the challenges China brings to the international trade landscape. As detailed below, this could be pursued both multilaterally within the WTO and plurilaterally through discrete coalitions of partner countries either in existing fora or through new

ad hoc arrangements. Whatever form it takes, acting in coordination with others could increase U.S. leverage in addressing Chinese policies and practices of concern, avoid being undermined by others, minimize “free rider” concerns, tackle issues that do not lend themselves to bilateral solutions, and create an environment for China to be more forthcoming.

### *Increased Leverage from a Coordinated Approach*

Joining efforts in a coordinated campaign would provide the United States and other countries stronger negotiating leverage vis-à-vis China. While the U.S. market accounts for roughly 18 percent of Chinese exports, that number reaches 40 percent when including the EU and Japan, and half of all Chinese exports if Australia, Canada, Mexico, and South Korea—countries that share American concerns—are included.<sup>4</sup> If some or all of these countries were to collectively urge for reform, they would have a much stronger bargaining position than the United States alone, and China would be hard pressed to ignore them.

### *Strengthen Trade Actions*

The impact of U.S. unilateral actions, whether in the form of increased tariffs or investment restrictions, can be weaker than anticipated because other countries can often fill the vacuum. As the United States moves to guard sensitive technologies through investment restrictions and export controls on China, for example, foreign competitors can gain market share at the cost of American companies. Beijing was perhaps sending a signal when it granted the first license for a wholly owned foreign subsidiary in its highly regulated insurance market to German insurer Allianz, rather than to a U.S. company.



Chinese retaliation in response to unilateral U.S. actions can also undercut America's negotiating leverage if those actions significantly harm U.S. exporters. As Chinese retaliatory tariffs hit U.S. soybean exports to China, Brazilian producers stepped in to fill Chinese demand. As a result, U.S. soybean exporters paid the price for U.S. unilateral actions in lost market share in China.

### ***Share the Burdens of Negotiating***

Closer coordination can also help reduce the risk of free rider issues that unilateral approaches and bilateral negotiations can entail. Many solutions agreed to bilaterally by the United States and China would be automatically applied to all trading partners because they simply do not lend themselves to U.S.-only applications. These include IPR protections and enforcement actions, increased transparency, and services liberalization. In these areas, other countries would reap benefits without expending economic, political, and diplomatic capital to achieve them. As other countries stand to gain from U.S. negotiating efforts, it is in the interest of the United States to involve them in some of the “heavy lifting” as well.

### ***Address Problems that Lack Bilateral Solutions***

Many of the issues at hand do not lend themselves easily to bilateral solutions. Excess capacity in the industrial sector is a prime example. Since 1992, China's share of global production of steel and aluminum has risen from around 10 percent to more than 50 percent.<sup>5</sup> This enormous increase, driven by excessive subsidies and other forms of state support, has affected global prices, driven companies around the world out of business, and distorted trade and investment flows. The Section 232 national security tariffs implemented in response

by the Trump administration, while identifying China as a major source of the problem, have disproportionately hurt other trading partners. China ranked as only the 11th-largest source of steel imports by volume to the United States in 2017<sup>6</sup> and accounted for only 7 percent of U.S. aluminum imports, compared to 45 percent from the largest U.S. source—Canada.<sup>7</sup>

Even if the United States were to reach a negotiated solution with China on voluntary export restraints for steel and aluminum, such an agreement would do little to address the underlying causes of the problem. In an interconnected global commodity market, excessive subsidies and state support from Beijing would continue to artificially lower global steel and aluminum prices. In addition, the U.S. imposition of Section 232 tariffs and threat of new actions have antagonized its allies at a time when closer cooperation and coordination would be most valuable.

### ***Encourage China to Address Group Concerns***

Beijing may find substantial reforms negotiated with a group of countries to be more politically palatable than those negotiated with the United States alone. Having a group of countries raise concerns helps frame the issues as systemic challenges to the global trading system, rather than a China-specific problem, making the implementation of reforms somewhat more appealing for Beijing. Moreover, a multi-country approach would provide the necessary cover to pursue some opening and reform without appearing to be caving to U.S. pressure. During China's WTO accession, for example, much of the detailed negotiations were done bilaterally with the United States, but the final document was



Given these challenges, the U.S. trade policy toward China should not be confined to an “either/or” choice between multilateral/plurilateral vs. unilateral/bilateral. Instead, it should seek to strike the right balance between them.

a WTO agreement. The anticipated U.S.-China bilateral deal is expected to include important structural reform provisions, but China could be encouraged to go even further with a group of countries through a plurilateral agreement, either within the WTO or as a stand-alone agreement.

### CHALLENGES OF COLLECTIVE ACTION

While working together with other countries offers many benefits, it also has potential shortcomings. Many countries may share U.S. concerns, but they are often reluctant to confront China, even as a group. This is particularly true for China’s Asian neighbors, which have grown increasingly dependent on the Chinese market, and feel especially vulnerable to retribution. In addition, many countries around the world receiving infrastructure financing through China’s Belt and Road Initiative (BRI) face similar challenges. Moreover, as more countries come to the table, the ability to achieve strong outcomes is often diminished, with “lowest common denominator” results often becoming the norm.

Given these challenges, U.S. trade policy toward China should not be confined to an “either/or” choice between multilateral/plurilateral vs. unilateral/bilateral approaches. Instead, it should seek to strike the right balance between them, with the objective of developing the most effective policies and responses.

Going forward, this paper advocates putting more emphasis on working with other countries, both multilaterally and plurilaterally. These approaches fall into four general categories: (1) working within the World Trade Organization, (2) working through other international organizations, (3) forming new coalitions to address specific challenges, and

(4) coordinating defensive measures.

### WORKING WITHIN THE WTO

Addressing issues related to state-led economies—including the operation of SOEs, the granting of subsidies and other financial assistance, and forced technology transfers—requires new trading rules. The WTO is the logical forum in which to create these.

The WTO already includes obligations on subsidies, state trading companies, services, and intellectual property; yet for the most part, these obligations have not been updated since China joined the WTO in 2001. With 164 members today, it is extremely challenging for the WTO to reach a consensus on straightforward market access issues, let alone complex challenges associated with state-led economies.

This has led the United States to question whether the WTO is up to the task of dealing with China. During the 2018 TPR for China, U.S. Ambassador to the WTO Dennis Shea stated, “the WTO is a consensus organization, and the prospects for negotiating strong and effective new rules are low.”<sup>8</sup>

While the Trump administration has remained critical of the WTO as an institution, in November 2018 the United States joined Argentina, Costa Rica, the EU, and Japan to propose reforms to improve transparency on subsidies under the WTO. The proposal seeks to address the persistent issue of many WTO members’ failure to meet WTO notification requirements by creating punitive measures, including a monetary fine and “naming and shaming” within the body, among other penalties. Australia, Canada, New Zealand and Taiwan also recently signed on as co-sponsors for the proposal.<sup>9</sup>



International organizations, such as the G20, OECD, and APEC, offer opportunities for like-minded countries to work together.

This effort has coincided with broader WTO reform proposals under discussion. The EU has released concept papers on WTO modernization. Canada has convened a group of about a dozen countries plus the EU to discuss reforms to the WTO. The United States has recently put forward a proposal for reforming the system of self-declaring developing country status—or “differentiation” as it is referred to in Geneva. However, disagreements persist over the best way forward. In light of this, ambitious WTO reform to address Chinese state-led economic policies remains unlikely in the near term, while some limited reforms on implementing existing obligations may be possible.

Beyond rule making and implementation, the WTO dispute settlement process has been another avenue to challenge aspects of China’s state-led economic model. However, this process is in jeopardy, with the Appellate Body’s work potentially grinding to a halt at the end of 2019. Resolving this issue is beyond the scope of this paper, but if a resolution can be reached, dispute settlement cases offer another appealing option. The United States has an excellent track record in WTO dispute settlement cases, winning 86% of cases brought between 1995 and 2017.<sup>10</sup> With respect to China, the U.S. has thus far won every case it has brought against China at the WTO that was seen to completion, including a recent case on Chinese agricultural subsidies.<sup>11</sup>

## Recommendations

### *1. Conclude an Agreement on WTO Notification Reforms by July 2019*

WTO members should urgently agree on WTO notification reform, with a deadline of July to conclude before the summer

break in Geneva. The proposal put forward by the United States and others (mentioned in the previous section) should serve as the basis for such an agreement, including penalties for those members who do not live up to current WTO notification obligations. While concluding an agreement on notification reforms would not be sufficient to address the issues of state-led economies within the WTO, it would represent an important first step toward improving disclosure of the range and levels of subsidies that are currently in place. The G20 trade ministers meeting and leaders meetings in June should be used as opportunities to build momentum toward concluding a WTO agreement in July.

### *2. Bring Joint Cases under the WTO Dispute Settlement Mechanism*

Depending on the outcome of the discussions on the dispute settlement mechanism this year, the United States should file joint cases with other countries to ensure that China meets its existing WTO obligations and/or urge other countries to join cases brought by the United States as third parties.

## WORKING THROUGH OTHER INTERNATIONAL ORGANIZATIONS

International and regional organizations, such as the G20, the Organization for Economic Cooperation and Development (OECD), and the Asia-Pacific Economic Cooperation Forum (APEC), offer opportunities for like-minded countries to work together to address the challenges presented by China’s state-led economy. While each of these groups has done some work to address those challenges, results have been mixed.



**The United States should work with Japan to seek agreement among the G20 leaders on the necessity to reform the WTO notification system.**

The G20, which includes both the United States and China as members, has served as an important forum for discussing the core issues facing the world's major economies. In particular, the G20 has worked to address steel overcapacity through the Global Forum on Steel Excess Capacity (GFSEC). Launched at the 2016 G20 summit in Hangzhou, the GFSEC brought together the world's major steel producers to address the issue of excess capacity through information sharing and capacity reduction commitments. While China agreed to some reductions in capacity, the United States has voiced skepticism that the process will lead to needed changes.

China is not currently a member of the OECD, but it maintains a working relationship with the institution and serves as an observer in some OECD committees and working groups. The OECD has also worked to address excess capacity issues; in addition to serving as a facilitator to the GFSEC, it has produced several studies related to state-led economies, including an examination of the role of SOEs in the steel sector, excess capacity in the aluminum sector, and technology transfer policies. For example, in its 2019 report on aluminum, the OECD noted that “non-market forces, and government support in particular, appear to explain some of the increases in capacity in the aluminum sector [and] it is especially large in China.”<sup>12</sup>

Despite being one of the most important regional economic fora in Asia, APEC has been underutilized in addressing the problems associated with China's state-led economy. In recent years, the United States and China, as APEC members, have found themselves at loggerheads around a range of items, including the pursuit of a Free Trade Area of the Asia-Pacific, digital trade, and

most recently the issuance of the APEC Leaders' Declaration in November 2018.

## Recommendations

### ***1. Work with Japan as President of the G20 in 2019 to Advance This Agenda***

At the G20 meetings in late 2018, leaders agreed to “support the necessary reform of the WTO to improve its functioning.”<sup>13</sup> While the scope of WTO reform was not defined, this agreement provides an important opening to discuss state-led economic policies and practices at the 2019 meetings in Osaka.

Japan, as president of the G20 in 2019, has some discretion to set the agenda and discussion items for the various ministerial meetings, including the trade ministers meeting scheduled for June 8–9 and the leaders meeting on June 28–29. Prime Minister Shinzo Abe outlined Japan's aspirations during a speech at the World Economic Forum in Davos in January, saying the “WTO is not keeping up with ... changes. We need to reform the WTO to increase trust.”<sup>14</sup>

At a minimum, the United States should work with Japan to seek agreement among the G20 leaders on the necessity to reform the WTO notification system. In addition, the United States should help further Japan's aim to develop an “Osaka track”<sup>14</sup> for data governance under the WTO as a channel to address China's problematic data and technology policies.

### ***2. Expand OECD Work Programs on State-led Economic Issues***

The OECD should build on its past research mentioned above by examining other industries where existing or potential excess capacity is of concern, such as the advanced technologies identified in the Made in China 2025 initiative.



U.S. and foreign companies in industries that are impacted by [China's] policies—those on the “front lines”—can play an important role as an early warning signal for emerging challenges.

In addition, the OECD has developed best practices for SOEs, including guidelines on corporate governance, and has worked directly with China to implement them through the China-OECD Corporate Governance Policy Dialogue. This work could be expanded to other areas, such as technology transfer policies and/or industrial subsidies.

### ***3. Incorporate These Topics into APEC's Work Program***

Chile, which is hosting APEC in 2019, has strong relations with both the United States and China, having concluded free trade agreements (FTAs) with both countries. As a result, it is in a unique position to get APEC's work program back on track on issues where the lack of agreement between the United States and China has blocked progress.

One area ripe for APEC engagement is SOEs. Chile should consider holding seminars under the APEC work program to discuss the role of SOEs in APEC economies, and how they have contributed to or stifled economic growth and development. As follow up, APEC could also develop best practices for SOEs, which by definition would be voluntary, yet a step forward in addressing this matter.

The trade ministers meeting on May 17–18 could be an opportunity to launch concrete work on such topics in the lead-up to the APEC Leaders' Summit in mid-November.

### **FORMING NEW COALITIONS TO ADDRESS SPECIFIC ISSUES**

In those areas where existing institutions are less effective at addressing matters associated with state-led economies, new groupings and ad hoc arrangements can offer another avenue for collaboration.

The best example of such an arrangement is the trilateral work underway by the United States, the EU, and Japan. Launched on the sidelines of the WTO Ministerial Conference in Buenos Aires in December 2017, the trilateral talks have identified key concerns over WTO notifications, SOEs, industrial subsidies, and forced technology transfers, among other items. This work has already yielded some results, including the joint submission by the trilateral group and additional partners of the proposal for WTO notification reform proposal mentioned above. The group is also developing a proposal on subsidies that will be released in the first half of 2019.

Another path would be to forge plurilateral agreements to establish new rules around topics related to state-led economies. Whereas multilateral agreements at the WTO require consensus agreement by all 164 members, which has become virtually impossible, a plurilateral agreement could be reached among a select group of countries with shared interests, with membership expanded over time.

Less formal arrangements can also be formed as the need arises to counter particularly problematic policies. In these issue-oriented coalitions, U.S. and foreign companies in industries that are impacted by these policies—those on the “front lines”—can also play an important role as an early warning signal for emerging challenges by sharing information and increasing coordination among companies, industry groups, and governments.

One successful example of industry coordination is the World Semiconductor Council, which brings together industry groups from various countries to provide recommendations to policymakers, inclu-



One area of growing consensus that could form the basis for a plurilateral agreement is the behavior of state-owned enterprises (SOEs).

ding public-private engagement through the Government/Authorities Meeting on Semiconductors.

## Recommendations

### *1. Expand the Membership of the U.S.-Japan-EU Trilateral Initiative*

As the United States, the EU, and Japan continue their important trilateral work on industrial subsidies, technology transfer, and other issues, they should consider expanding membership to other countries that share similar concerns. This could consist of adding new members to the initiative or engaging countries through more informal arrangements. Possible candidates with a track record in supporting high-standard rules include Australia, Canada, Mexico, New Zealand, Singapore, South Korea, and Switzerland. It is critical, however, to ensure that expanding the circle would not dilute the ambitious nature of the work.

### *2. Consider a Plurilateral Agreement on State-owned Enterprises (SOEs)*

One area of growing consensus that could form the basis for a plurilateral agreement is the behavior of state-owned enterprises. Many countries have already agreed on SOE rules in their respective free trade agreements, including signatories to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, the United States–Mexico–Canada Agreement, and the Japan-EU Economic Partnership Agreement. The goal of a plurilateral agreement would be to set new, global standards for the operation of such entities and invite others, including China, to join over time.

### *3. Establish Ad Hoc Coalitions to Counter Problematic Measures and Policies*

In addition to setting rules, plurilateral efforts can also be useful in responding to

specific policies and actions. In the past, countries have formed ad hoc coalitions to protest China's adoption of particularly egregious policies. In 2015, for example, through coordinated action, government officials and industry groups from the United States and the EU convinced China to suspend proposed regulations for technology companies servicing the banking sector.

The United States and like-minded countries should apply the same approach to urge China to adjust or abandon similarly concerning policies that emerge. Potential targets could include forthcoming regulations to implement the new Foreign Investment Law, which is a welcome effort but leaves important questions unanswered, such as the scope of national security reviews allowed under the law, as well as the continuously evolving regulations relating to the 2016 Cybersecurity Law.

As appropriate, these issue-oriented groupings should incorporate coordination among industry leaders from the United States and like-minded countries, particularly in those sectors most affected by China's trade-distorting policies, including steel and aluminum, or those targeted by Made in China 2025. Such groups could learn from the successes of the semiconductor industry, incorporating both private sector and governmental meetings, and including aspects of information sharing and reporting, development of guidelines and policy recommendations, and reviewing the implementation of agreements.

## COORDINATING DEFENSIVE MEASURES

When forestalling specific policies proves impossible, coalitions can still coordinate domestic policies aimed at countering





## KEY UPCOMING MEETINGS

### 2019

May 17–18

APEC Ministers  
Responsible for Trade  
Meeting

May 22–23

OECD Ministerial Council  
Meeting

June 8–9

G20 Ministerial  
Meeting on Trade and  
Digital Economy

June 28–29

G20 Osaka Summit

November 13–14

APEC Ministerial Meeting

November 16–17

APEC Economic Leaders'  
Meeting

### 2020

June 8–11

WTO Ministerial  
Conference in  
Astana, Kazakhstan

the negative impacts of those policies. Coordination can be achieved through a range of activities, from basic information sharing to developing similar responses. Aligning such “defensive measures” could send a powerful message to China to adjust its practices or risk facing common responses by a group of countries. Collective action also reduces the possibility that companies in other countries would benefit from the imposition of U.S.-only measures.

One area where this is already taking place is screening foreign investments in strategically significant sectors. The U.S. Congress recently passed the Foreign Investment Risk Review Modernization Act, which strengthens the process by which the United States reviews foreign investments for possible national security risks. The EU has recently taken steps to improve coordination on investment screening among member states, coinciding with individual member states, including France, Germany, and the United Kingdom, strengthening their own national review processes, with an eye toward China. Japan passed a similar overhaul in 2017.

Another area where this effort has begun is on export controls. The U.S. Congress recently passed the Export Control Reform Act, which aims to prevent the transfer of advanced technologies to other countries. In addition to these domestic efforts, the United States participates in international coordination on export controls under the so-called Wassenaar Arrangement—a group of 42 countries, including Australia, the EU, Japan, and South Korea—that coordinates lists of controlled items and shares best practices. Moreover, the United States, the EU, and Japan have made closer cooperation on both investment screening and

export controls a part of their trilateral talks.

## Recommendations

### *1. Strengthen and Expand Coordination on Investment Screening and Export Controls*

The United States, Japan, the EU and its member states should bolster their coordination on investment screening and export controls. This could be achieved by establishing a trilateral working group on Chinese technology acquisition, which would bring together authorities on export controls and investment screening.

In addition, this trilateral engagement could be expanded to include other countries, including existing parties to the Wassenaar Arrangement and, in particular, those who have voiced similar concerns to the United States, such as Australia, Canada, Mexico, New Zealand, and South Korea. This expanded group could share information and promote best practices, particularly for investment screening and export controls for emerging and developing technologies.

In addition to the specific issues of export controls and investment screening, the United States and like-minded countries should work together to improve coordination in other emerging areas of concern.

## CONCLUSION

It is important to recognize that the bilateral U.S. approach to China appears to be yielding important results, with a negotiated deal seemingly imminent. While few details have been confirmed, the agreement is expected to cover many sensitive and important topics covered in this paper, including intellectual property rights, forced technology transfer, and subsidies.<sup>16</sup>



**As [U.S.-China] talks appear to be entering the home stretch, now is an opportune time for the United States to reach out to other countries as part of a broader effort to address policies and practices associated with China's state-led economic model.**

As these talks appear to be entering the home stretch, now is an opportune time for the United States to reach out to other countries as part of a broader effort to address policies and practices associated with China's state-led economic model. Addressing these and other structural issues, such as opaque regulations, excessive industrial subsidies, and the role of SOEs, would greatly benefit from closer collaboration and a more coordinated approach with like-minded countries. For China, this group approach could serve as a useful push for implementing needed reforms in the face of slowing growth.

The recommendations provided in this paper offer policymakers in the United States and partner countries a range of options for collaboration and cooperation. Striking the right balance between unilateral/bilateral approaches and multilateral/plurilateral efforts will take a concerted effort by the United States, but if done skillfully, it can have a much greater and more enduring impact than just acting alone.

For the United States to enlist other countries in coalitions and to seek support in international economic fora, however, it is important that potential partners, such as Canada, the EU, Japan, and South Korea,

view the United States as credible and reliable. Unilateral trade actions undertaken by the administration, notably the imposition and threat of Section 232 tariffs on many of those countries on national security grounds, have not helped and in some cases have probably dampened the enthusiasm of countries to work with the United States.

Likewise, the United States to date has largely kept others in the dark over the details of the negotiations with China, and some fear that Chinese commitments to buy more U.S. goods and services, in particular, may come at their expense. To enlist the support of others, more transparency and engagement with like-minded countries over the U.S.-China trade deal will be critical.

The United States should remove the Section 232 tariffs on steel and aluminum, and drop its threat of imposing such tariffs on auto and auto parts. Furthermore, it should hold detailed briefings on the specifics of the bilateral deal once concluded. Doing this could help restore trust with its partners and refocus attention on the critical issue of addressing problematic policies and practices of state-led economies.

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## ENDNOTES

- <sup>1</sup> For a more detailed accounting of these issues, refer to the U.S. Trade Representative's (USTR's) Section 301 report on Chinese intellectual property policies <https://ustr.gov/sites/default/files/Section%20301%20FINAL.PDF>; the USTR's November 2018 Update to the Section 301 report <https://ustr.gov/sites/default/files/enforcement/301Investigations/301%20Report%20Update.pdf>; the USTR's report to Congress on China's WTO Compliance <https://ustr.gov/sites/default/files/2018-USTR-Report-to-Congress-on-China%27s-WTO-Compliance.pdf>; U.S.-China Economic and Security Review Commission's annual report to Congress [https://www.uscc.gov/sites/default/files/annual\\_reports/2018%20Annual%20Report%20to%20Congress.pdf](https://www.uscc.gov/sites/default/files/annual_reports/2018%20Annual%20Report%20to%20Congress.pdf); and the issue paper submitted by the U.S. Ambassador to the WTO Dennis Shea <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/GC/W745.pdf>
- <sup>2</sup> EU-China Strategic Outlook: Commission Contribution to the European Council. [https://ec.europa.eu/commission/publications/eu-china-strategic-outlook-commission-contribution-european-council-21-22-march-2019\\_en](https://ec.europa.eu/commission/publications/eu-china-strategic-outlook-commission-contribution-european-council-21-22-march-2019_en)
- <sup>3</sup> WTO Document WT/TPR/M/375 – Trade Policy Review Body – July 11 and 13, 2018 – Trade policy review – China – Minutes of the meeting, Section 4 – Statements by Members: Canada (pp. 20–22), Mexico (pp. 24–25), Japan (pp. 25–26), Australia (pp. 27–29), European Union (pp. 29–30), Colombia (pp. 33–34), New Zealand (pp. 36–37), Singapore (pp. 40–41), and Republic of Korea (pp. 47–48). [www.wto.org/english/tratop\\_e/tp\\_r\\_e/tp475\\_e.htm](http://www.wto.org/english/tratop_e/tp_r_e/tp475_e.htm)
- <sup>4</sup> Based on 2016 data, EU values calculated using the sum of Chinese exports to member countries. <https://wits.worldbank.org/CountryProfile/en/Country/CHN/Year/2016/TradeFlow/Export/Partner/all/Product/Total#>
- <sup>5</sup> Steel data from the World Steel Association. In 1992, China produced 71 million metric tons, out of global production of 735 million. In 2018, China produced 831 million metric tons, out of global production of 1.69 billion. [www.worldsteel.org/steel-by-topic/statistics/steel-statistical-yearbook.html](http://www.worldsteel.org/steel-by-topic/statistics/steel-statistical-yearbook.html) Aluminum data from the International Aluminum Institute database. Earliest data on China begins in 1999, at which point China produced about 2.5 million metric tons out of global production of 23.7 million. In 2017, China produced 35.9 million metric tons out of a global output of 63.4 million. [www.world-aluminium.org/statistics/](http://www.world-aluminium.org/statistics/)
- <sup>6</sup> U.S. Department of Commerce, Enforcement & Compliance, “U.S. Imports of Steel Mill Products – FOR All Steel Mill Products.” [https://enforcement.trade.gov/steel/license/SMP/Census/Annual/gdesc52/MMTSum\\_ALL\\_ALL\\_9Y.htm](https://enforcement.trade.gov/steel/license/SMP/Census/Annual/gdesc52/MMTSum_ALL_ALL_9Y.htm)
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