

June 28, 2018

Meeting Highlights: Jeremie Waterman of the US Chamber

Time: 2pm CST, June 27, 2018

Speaker: Jeremie Waterman (US Chamber of Commerce)

Key Takeaways

Investment restriction portion of the 301 Investigation scaled back, at least temporarily, from what would have been a very restrictive executive order on Chinese investment. Trump administration will look to FIRRMA instead as the principle tool to address China's acquisition of US technology

First round of tariffs scheduled to launch next week as expected, with additional ones currently under review and scheduled for the near future

AmCham China and US Chamber are both engaging with stakeholders in US and Chinese governments to advocate for member concerns and policy recommendations. AmCham China is hosting an all-member town hall meeting this Friday to gain member insights, and will continue to provide communication/advocacy channels for members

Trade tensions and investigations will have large transatlantic implications, and will temporarily benefit the EU and European companies favorably; China is eager to prove to the US that they have alternatives

Opening Remarks and Insights

There has been a lot of media attention and reports regarding the recent US-China trade tensions and investment restrictions. First, investment restrictions under the 301 Investigation—which seeks to identify the discriminatory practices and policies from the Chinese government related to technology transfer, intellectual property, and innovation—has been scaled back temporarily from what would have been a very restrictive executive order on Chinese investment. President Trump has said that instead of issuing an executive order to restrict Chinese investment on a sectoral basis, the administration will instead look to proposed legislation under the Foreign Investment Risk Review Modernization Act (FIRRMA) as the principle tool to address China's acquisition of technology. This is to be confirmed in the coming days, but as of now, it can be interpreted as scaling back of what most authorities and media sources felt would have been a major initiative to restrict Chinese investment. It appears that Steve

Mnuchin and Mike Pompeo's discussions with president Trump prevailed and laid out strategies for restricting sensitive Chinese technology. These are positive outcomes for US-China relations.

In the grand scheme of things, both the White House and Congress are taking steps to tighten Chinese investment in US, especially regarding foundational and emerging technology. However, since it is no longer moving under an executive order, the process will move at a slower pace and timeline. The legislation under FIRRMA will most likely take more than a month.

Regarding the tariffs, the first round is expected to be launched as early as next week on July 6th. Second round and additional tariffs are undergoing a review process, with potentially \$200 billion worth of tariffs pending, and are scheduled for future dates. In light of this, there have been talks of a Chinese delegation of high level government officials visiting DC, but the two sides do not seem to be close to a formal deal. And there has yet to be a senior level government official from China to visit DC since May this year.

Export controls are another tool which president Trump may use to restrict Chinese access to sensitive technology. It is currently unclear as to what the timeline for any updated regulations will be. It is possible that a new export controls list specific to China could be including under FIRRMA.

Q&A

Question 1

How will AmCham China engage with both the Chinese and US government regarding this issue? What are some communication streams and channels we can expect? Companies will be heavily affected by the upcoming development of trade tensions...

Responses to Q1

AmCham China is currently reaching out to and holding meetings with our stakeholders in both the Chinese and US government to clarify their positions and advocate our members' concerns and the impacts of the recent development. Our advocacy efforts happen in many ways, and the White Paper delivery meetings serve as a crucial component of this. AmCham China is also hosting an all-member, off-record town hall meeting this Friday, June 29th to engage with and hear from more than 100 representatives from our member companies to gain insights into their concerns and views, so that we can better strategize concrete steps moving forward.

On the US Chamber side, we have held meetings with the Chinese Embassy and other high-level officials to urge and recommend a meaningful and systematic approach to reforms that can address the concerns regarding the 301 investigations. As for customs control issues, AmCham China has direct engagement with customer authorities on the ground and high-level stakeholders on this matter.

Question 2

How does the European Union fit into the puzzle?

Response to Q2

The EU had significant dialogues early this week on high level trade and macroeconomic engagement with China. The big news is the commitment from both China and EU to exchange market access offers

in their bilateral investment negotiations. Anecdotal reports suggest that insurance licenses for European countries are being approved much faster than those for their American counterparts. The EU is being savvy and smart on the recent developments and knows that the Chinese government likes to play the two countries off of one another. It seems the EU does not have high expectations as to what the market access offerings will be. Nevertheless, China wants to demonstrate to the US that they do in fact have other alternatives as the trade tensions escalate, and that the US will lose business as the EU sees gains. Furthermore, the 232 investigation on automobiles will have a significant impact on transatlantic relations and European companies. Senator Bob Corker's bill to limit Trump's 232 investigation is being endorsed and supported by bipartisan stakeholders and business associations. Individual EU companies are likely to benefit short term from these tensions.

About the Speaker

Jeremie O. Waterman is president of the China Center and vice president for Greater China at the U.S. Chamber of Commerce. Waterman is responsible for developing and executing Chamber policy initiatives in China, Hong Kong, Taiwan, and Mongolia as well as steering the Chamber's policy work in the Asia Pacific region. For more info, please refer to: <https://www.uschamber.com/jeremie-waterman-0>