US Trade Policy: An Update on Evolving Relationships With China, India and Other Regions

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On 19 October 2015, the US and the Americas Programme at Chatham House hosted a breakfast discussion with Stefan Selig, US Under Secretary of Commerce for International Trade, entitled ‘US Trade Policy: An Update on Evolving Relationships with China, India and Other Regions’. This event was part of an ongoing project, sponsored by Bank of New York Mellon, which brings together senior representatives from multiple sectors to discuss US and European perspectives on common economic challenges.

The principal points of the discussion included the following:

- Engaging with the private sector in both India and China is a vital part of the US plan to increase economic engagement with these two nations.
- Chinese officials recognize the need to transform their export-driven economy into one that is more consumption-driven, and appreciate the deficiencies of the current state-owned enterprise model. Chinese economic growth has also slowed, although it was still 6.9 per cent in the third quarter of 2015. However, any reforms aimed at rectifying the imbalance in the structure of the economy will be slow.
- In India, Prime Minister Narendra Modi’s government has promised substantial economic reform, which represents an opportunity for both the United States and India to capitalize on the economic opportunities associated with India’s population growth. To this end, the United States has recently concluded its first strategic commercial dialogue with India, during which both sides formally created new areas of consultation. This included a high-level consultation between the US deputy secretary of state and India’s foreign secretary. It also saw a ‘joint work stream’ established, which is intended to facilitate the sharing of knowledge over issues such as border control.
- The Trans-Pacific Partnership (TPP) will abolish up to 18,000 tariffs and open up free-trade agreements between the United States and several other nations where previously none existed, including with Japan and Vietnam. It is an example of an ‘open architecture’ agreement, in that it has provisions for other states to join later, provided that they meet certain preconditions. These include, for example, the elimination or reduction of tariff and non-tariff barriers on industrial goods.
- The Obama administration does not intend for this agreement, or any other multilateral trade agreement that it signs, to supplant the role of the World Trade Organization (WTO) but instead to strengthen it.
- The TPP represents the American commitment to economic growth in the Asia-Pacific and is the economic centrepiece of the Obama administration’s ‘rebalancing’ towards Asia. It reflects the sense in Washington that if the agreement fails, nations such as China will take the opportunity to set weak trading rules, threatening American jobs and workers and undermining US leadership in Asia.
- The Transatlantic Trade and Investment Partnership (TTIP) will build on the existing high standards in both the US and European systems and send a strong signal about the next generation of trade and investment rules. Polling by the Pew Research Center indicates that TTIP is supported by 53 per cent of Americans, while 20 per cent oppose it. However, the TPP turned out to be easier to negotiate than TTIP, which is now into its 11th round of negotiations between the United States and the European Union.
- Decreased demand from China has had a negative effect on commodity-dependent economies. For example, Venezuela’s GDP shrank by 4 per cent in 2014.
- It is a positive that the United Kingdom is engaging and strengthening links with China diplomatically and economically.
- The Committee on Foreign Investment in the United States (CFIUS) focuses solely on genuine national security concerns, regardless of the investor’s nationality. Its purpose is to investigate
transactions that could result in an American business falling under the control of a foreign person. Although this creates a perception in China that its investment in the United States is unwelcome, this is not the case – the CFIUS is not intended to single out any nationality.

- The European Court of Justice issued an important decision relating to the ‘safe harbour’ framework that provides a more efficient process of data exchange between companies and international networks. Under ‘safe harbour’, data from EU-based consumers could be transferred to servers in the United States, placing the data under the jurisdiction of American law enforcement agencies. The ECJ’s ruling has repercussions for TTIP, the Trade in Services Agreement (TiSA) and any potential future agreement between the United States and the European Union that would involve terms and conditions on data trade. The Obama administration has been working with its counterparts in the European Union on a revised framework.

- The US–China Joint Commission on Commerce and Trade continues to be an important part of the economic relations between the two nations. The most recent meeting saw both sides reach agreements in several important areas, including on pursuing innovations in agricultural technology.