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## What's Been Happening

### 1 — Kamala Harris' View on Politics, Economy, and Trade — 1

#### [In One Sentence]

- Vice President Kamala Harris has picked Tim Walz, the serving governor of Minnesota, as her vice presidential running mate.
- Up to August 9, 2024, Vice President Harris has not released her presidential policy platform.
- Before being picked as Joe Biden's running mate in 2020, Kamala Harris had criticized trade agreements such as the Obama administration's Trans-Pacific Partnership (TPP) and the North American Free Trade Agreement (NAFTA), rechristened as USMCA, for lacking sufficient labor and environmental protections.
- In addition, she has advocated for reducing the cost-of-living for middle- and working-class households through expanded social welfare provision.
- During the 2020 Biden-Harris election campaign, Kamala Harris, as the Vice Presidential Candidate, advocated for a tax policy that offered tax credits to single filers and married couples, increased corporate and estate taxes, and promised not to raise taxes for those earning less than \$400,000.
- In addition, Harris supported a worker-centered and green-friendly trade policy and underlined the importance of reinforcing domestic trade preferences, including "Buy American" provisions.
- Moreover, she criticized the Trump administration for "losing that trade war" with China and argued that Trump's tax credits had in fact raised the living costs for American families and led to a 'manufacturing recession' at home.
- As Vice President, Harris has advocated for green industry cooperation between the U.S. and ASEAN, and was involved in promoting the United States' cooperation with African countries on digital trade.
- During the 2023 ASEAN-led summits, Vice President Harris reaffirmed the United States' commitment to cooperate with regional countries on maritime issues such as sustainable fishing.
- As the presumed new Democratic Presidential nominee, Harris has vowed to push for a "care economy," expanding social welfare provision such as paid family leave, housing assistance, child care and elderly care.

#### [Mark the Essentials]

- Stakeholders in Silicon Valley have argued that both Harris and Trump have adopted "aggressively anti-China" positions but with different approaches, with the Biden-Harris administration approach being

“more predictable” by comparison. On domestic tech regulation, some critics argue that the Biden-Harris administration’s antitrust scrutiny and restrictions on mergers and acquisitions is not welcomed by Silicon Valley players, and Trump is seen as more friendly to tech industries such as crypto and AI.

- Democratic Vice Presidential nominee Tim Walz and Republican Vice Presidential candidate JD Vance devoted themselves to class warfare in recent election campaigning, with a view to appealing to the 130 million middle- and low-income registered voters. Governor Walz criticized JD Vance’s “career funded by Silicon Valley billionaires,” and underlined “that’s not what Middle America is.” Responding to Walz’s criticism, JD Vance defended himself by highlighting his rise as the “American dream.”
- Kamala Harris was critical of several U.S. trade initiatives before Joe Biden picked her as his running mate in 2020. In 2016, then-Senator candidate Harris opposed the Obama Administration’s Trans-Pacific Partnership (TPP) and argued that TPP undermined the “best interests of workers” and risked further climate change in California. In 2019, then-Senator Kamala Harris expressed her opposition to the U.S.-Mexico-Canada Agreement (USMCA) and called for greater protections for American workers.
- Since becoming Vice President in 2021, Harris has placed emphasis on digital trade issues and Africa, such as Mobilizing Access to the Digital Economy (MADE) Alliance in Africa and the Partnership for Digital Access in Africa (PDAA).
- In her early career as a senator in California, Harris had criticized China for its theft of intellectual property, but also emphasized the importance of cooperating with China on climate matters. Later, as Biden’s vice-president, Harris stressed the importance of “maintaining open lines of communication” with Beijing, while criticizing Beijing too for its “bullying” activities in the South China Sea. Critics argue that Harris’ China policy will be not significantly different from Biden’s.

### [Keeping an Eye On...]

- So much for Kamala Harris’ background and policy positions as vice president in the Biden White House and earlier, which have been fairly unremarkable. In her first major decision as a leader in her own right though, she has hit the ball right out of the park. Her choice of Minnesota’s heretofore-not-well-known governor, Tim Walz, as her vice-presidential running mate is both a sign of good judgment as well as a necessity. Aside from his compelling backstory, Walz’s white, Midwestern, working class roots will come in handy on the campaign trail. It is hard not to exaggerate the extent to which this demographic will shape the outcome of the 2024 presidential election, given the peculiar electoral college counting system. Had a mere 257,025 (of the total 155 million-plus) ballots in the critical Rust Belt states of Michigan, Pennsylvania and Wisconsin been cast for Trump instead of Biden, the twice-impeached Donald would have retained the White House in 2020—despite losing the popular vote by a 7 million-plus margin. Likewise, had a mere 77,736 ballots in Michigan, Pennsylvania and Wisconsin been cast for Hilary Clinton instead of Trump in 2016, Mrs. Clinton would have become the first woman president of the United States. Those 77,736 votes enabled Trump to overturn his 3 million margin of defeat in the popular vote. As for the ‘white men’ element, Trump’s defeat in 2020 was primarily the result of a five-percentage point shift among white men in favor of Biden. This shift was primarily driven by men who had voted for Obama in 2008 and 2012 but were put off by Clinton’s ‘unlikability’ persona and chose Trump over her in 2016 (Trump faces a similar unlikability quandary today). The five-percentage point shift was instrumental to Biden’s victories in Michigan, Pennsylvania and Wisconsin. As a black Californian woman, Kamala Harris stands on shaky ground vis-a-vis each of these demographics—white men, working class voters, and particularly in Midwestern swing states. The selection of Walz provides a much-needed re-balance to the Democratic

ticket. Better still, it shows that Harris as a leader in her own right is capable of good judgment. As for her trade policy priorities going forward, that is best analyzed in the next issue of the *TnT Dispatch*, once the Democratic Party Platform is released in the days ahead in the run-up to the party's convention in Chicago from August 19-22.

### [Expanded Reading]

- [Where will U.S.-China tech decoupling go under Harris or Trump?](#), *Nikkei Asia*, August 8, 2024
- [Trump, Harris deploy JD Vance and Tim Walz to wage class warfare](#), *CNBC*, August 8, 2024
- [Tim Walz and China: Close personal ties and sharp criticism of Beijing](#), *Nikkei Asia*, August 7, 2024
- [Trump supporters go after Tim Walz's China experiences after Kamala Harris picks him as VP](#), *South China Morning Post*, August 7, 2024
- [Harris picks Walz for vice president](#), *The Hill*, August 6, 2024
- [What Kamala Harris has said so far on key issues in her campaign](#), *CNN*, August 4, 2024
- [Inside Kamala Harris's economic vision](#), *Financial Times*, July 30, 2024
- [Kamala Harris Wipes Out Trump's Swing-State Lead in Election Dead Heat](#), *Bloomberg*, July 30, 2024
- [Remarks by Vice President Harris at a Campaign Event Atlanta, GA](#), *The White House*, July 30, 2024
- [Kamalanomics: Harris's economic vision for America's middle class](#), *Financial Times*, July 28, 2024
- [The Kamala Harris Doctrine](#), *Foreign Policy*, July 26, 2024
- [How Kamala Harris' platform could differ from Joe Biden's](#), *Politico*, July 21, 2024

## 2 — The U.S. and China Clash Over the IRA at the WTO — 2

### [In One Sentence]

- China has requested that the World Trade Organization (WTO) establish a dispute panel and assess whether the United States' Inflation Reduction Act (IRA) tax credits conform with WTO rules.
- In the formal WTO complaint, China argued that several of the IRA "subsidies" discriminated against imported goods, violating a number of WTO rules.
- Meanwhile, the U.S. said that Beijing's move represents "a regrettable attempt to prevent progress" on climate change and to "entrench reliance" on China.
- The U.S. blocked China's initial request, although China has the option to continue advancing the matter through a second request which the U.S. will not be able to block.
- The WTO Appellate Body remains in paralysis as the U.S. continues to block the appointment of new judges, making it impossible for the WTO General Council to adopt a binding, conclusive decision on the matter.
- In assessing U.S.-EU cooperation under the Biden administration, some Republican Senators have argued that the introduction of the Biden administration's non-WTO-compliant IRA subsidies has evoked transatlantic tensions and accordingly halted earlier efforts towards a coordinated U.S.-EU partnership to jointly address China's industrial subsidy and other non-market practices.
- The IRA tax credits have evoked concerns and necessitated negotiations with U.S. allies such as the European Union, South Korea and Japan, among others.

### [Mark the Essentials]

- Calling the United States' Inflation Reduction Act (IRA) "the largest single subsidy measure in modern economic history," China argued that five tax credits under the IRA—including the electric vehicle credit and four related to renewable energy—constitute subsidies contingent upon the use of domestic goods over imported ones or otherwise discriminate against goods of Chinese origin. Accordingly, the subsidies violate provisions of the General Agreement on Tariffs and Trade (GATT) as well as WTO's agreements on

trade-related investment and subsidies. A *Xinhua* article cited by China's State Council further argued that the IRA measures "have severely disrupted the global NEV industry chain and supply chain, increased the cost of energy transition," "damaged the fair competitive environment" and "challenged the authority of the multilateral trading system," but was noticeably silent on China's own unending list of non-market, trade-distorting industrial subsidies that are laid out in excruciating detail in the European Commission's anti-subsidy probe of Chinese battery electric vehicle (BEV) imports.

- In a later statement that responded to China's WTO request, the U.S. delegation argued that "China's dominance of the solar sector," efforts to "dominate the production and supply of many critical minerals important to clean energy" and threat to "weaponize" the control of critical minerals have necessitated the U.S.' "efforts to address the global climate crisis and build a resilient clean energy supply chain."
- The U.S. also distinguished its IRA measures from China's "massive non-market excess capacity in clean energy sectors," arguing that the IRA measures, unlike China's practices, do not target any sector for global or domestic dominance; do not create non-market excess capacity or an oversupply of clean energy products; do not drive competitors out of business; or engage in "a network of non-market policies and practices."
- In a recently released report titled *One Step Forward, Two Steps Back: A Review of U.S.-Europe Cooperation on China*, U.S. Senate Foreign Relations Committee ranking member Jim Risch observed that the passage of the IRA increased U.S.-EU tensions and has scuppered "promising" earlier efforts between U.S. and allies to uncover, identify and challenge China's unfair and non-market subsidy practices at the WTO.

#### [Keeping an Eye On...]

- The U.S. has not had the best of runs at the WTO dispute settlement body (DSB) of late, having lost three successive cases over its interpretation and use of the exceptions provided-for in the GATT text, specifically those in Article XX (general exceptions) and Article XXI (security exceptions). From the moment the ink had dried on China's filings in the Section 232 steel and aluminum case and Section 301 tariffs case as well as Hong Kong's filing in the origin marking requirement case, it was clear as daylight that the constituted panels would strike down the U.S.' exceptions-based interpretations—its Article XX-based 'public morals' defense in the Section 301 case and its Article XXI-based 'national security' defense in the Section 232 steel and aluminum case as well as the origin marking requirement case. In the steel and aluminum case, the WTO panel ruled that while excess capacity in the steel industry might be a "matter of international attention," it was hardly tantamount to being "an emergency in international relations." Ducking under the WTO's Article XXI security exception was not an acceptable use of the provision. In the origin marking requirement case, by utilizing the Article XXI exception to compel Hong Kong exporters to incorrectly label their exports as a product of China at a time when U.S.-Hong Kong international relations were neither at a point of emergency or breakdown (the U.S. did, after all, carry on normal day-to-day trade with the customs territory), USTR had heaped a competitive disadvantage on Hong Kong's exporters. In the Section 301 case, the WTO panel judged the United States' remedial tariffs bore no correlation to achieving the said 'public morals' objective (there was nary a mention of the words 'public morals' in 250 pages of USTR's Section 301 investigative reports on China). The U.S. is now poised to lose a fourth GATT exceptions-linked case to China pertaining to its Inflation Reduction Act subsidies. While the U.S. has yet to file a legal defense, early signs suggest that USTR plans to champion the climate change cause and lean on an Article XX(b) general exceptions-based defense (USTR might also take recourse to Article XXI's "emergency in international relations" provision as a justification). This legal argument will not pass muster. While WTO members are allowed to adopt a policy measure that is inconsistent with GATT disciplines but "necessary to protect

human, animal or plant life or health” (Article XX(b)), the relevant measure must not be applied in a manner which would constitute “a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail.” By singling China out, the IRA subsidy measures amount to “a disguised restriction on international trade” that discriminates against goods of Chinese origin. The same legal principle applies with regard to the Article XXI “emergency in international relations” justification. While the self-judging invocation of an ‘essential security interest’ is permitted for the most part, the measure must not amount to being a disguised restriction on trade. Whether the climate change challenge amounts to being an emergency in “international relations” also remains to be seen. The U.S.-China clash over the IRA at the WTO has many months, if not years, to run; its legal outcome at the panel stage is, however, not in doubt. The interesting question to observe during the course of proceedings is whether the European Union, Japan and South Korea will join the IRA case in a third-party capacity and thereby implicitly support the Chinese position. They had done so in the Section 301 case, and had also registered their WTO law-based criticisms of the IRA at the time of its signing. In the time since though, each has struck up—or is in the process of striking up—its own sweetheart bargain with the Biden administration, muting its criticism in exchange for access to IRA subsidy money.

### [Expanded Reading]

- [Risch Releases Report Grading Biden-Harris Admin on U.S.-European Cooperation on China](#), Senate Foreign Relations Committee, July 29, 2024
- [US delays China’s WTO challenge against Biden IRA climate law](#), *E&E News*, July 29, 2024
- [Statements by the United States at the Meeting of the WTO Dispute Settlement Body](#), U.S. Mission to International Organizations in Geneva, July 26, 2024
- [China asks for WTO panel challenging US electric vehicle subsidies](#), *E&E News*, July 17, 2024
- [United States - Certain tax credits under the inflation reduction act - Request for the establishment of a Panel by China](#), World Trade Organization, July 16, 2024
- [China requests WTO to establish panel regarding dispute over US Inflation Reduction Act](#), State Council Information Office of the People’s Republic of China, July 16, 2024
- [China asks WTO to set up panel for US electric vehicle subsidies dispute](#), *Reuters*, July 15, 2024
- [China asks WTO to set up panel for U.S. EV subsidies dispute](#), *Nikkei Asia*, July 15, 2024