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What's Been Happening

— Special Edition: Unpacking Harris's Economic and Trade Policy Platform —

[In One Sentence]

- The U.S. Democratic National Convention (DNC) was held in Chicago, Illinois from August 19-22, 2024.
- During the DNC, Vice President Kamala Harris and Minnesota Governor Tim Walz were officially confirmed as the Democratic Party's nominees for President and Vice President.
- The 2024 Democratic Party Policy Platform, which the DNC approved on August 19, 2024, highlights several economic priorities including cutting taxes for American working families, ensuring big corporations' responsibility of paying their fair share, lowering the costs of healthcare, food and housing, and expanding the provision of social welfare.
- The platform aligns with previous policy statements of Vice President Harris but also repeatedly refers to President Biden's policies.
- On climate change, the policy platform aims to lower the cost of renewable energy and create more employment opportunities in the clean energy sector.
- On trade, the platform stresses priorities that protect American workers, facilitates the adoption of clean energy, and creates resilient supply chains.
- The policy platform describes China as the "most consequential strategic competitor" while emphasizing a "steadfast commitment" to "relentlessly advanc[e] U.S. interests and values while ensuring a floor of stability" in U.S.-China relations.
- On tech, the platform prioritizes the reinforcement of data privacy, promoting competition within the tech industry, ensuring online platforms' responsibility for content they share, and "managing the risks of AI."
- During her campaign swing in North Carolina, Kamala Harris backed a tax policy that expands child tax credits and increases the corporate tax rate from 21% to 28%, as well as pledged not to raise taxes for those earning less than \$400,000.
- To address the current housing crisis, Vice President Kamala Harris plans to provide a tax credit of up to \$25,000 to first-time homebuyers and reduce the costs for homebuilders to purchase starter homes.
- Moreover, Harris plans to exempt taxes for service and hospitality workers earning \$75,000 per year or less.

- As Governor, Tim Walz’s economic policy in Minnesota has focused on expanding social welfare and reducing taxes for the low and middle-income families.
- Vice President nominee Walz has a long history of engaging with China, including traveling to China in the late-1980s as part of an international teaching program organized by an NGO—in turn, leading multiple Republican lawmakers to criticize his “longstanding connection” with China.

[Mark the Essentials]

- Throughout the course of Harris’ campaign, she has kept emphasizing the priority of reducing the cost of living for American families. To address the high cost of housing as well as rent price inflation, she has sought to partner “with industry to build housing, both to rent and to buy” and set a target of 3 million new homes over the next four years.
- Calling for a federal ban on corporate “price gouging” by grocery store chains in order to reduce food prices for American families, Vice President Harris plans to use new penalties to punish companies that “exploit crises and break the rules.” Economists have scathingly dismissed her proposal as a “gimmick.”
- Tim Walz’s economic policies in Minnesota have shown a close alignment with Harris’ economic agenda. As Governor of Minnesota, Walz prioritized the child tax credit, social welfare for K-12 students, and paid family and medical leave. He also enacted a series of tax cuts and tax credits for low and middle-income Minnesotans.
- In addition, Tim Walz’s long history of contact with China has become a focal point of discussion. Republicans Rep. James Comer and Sen. Marco Rubio have criticized Walz’s personal connection with China. Walz would become the first vice president to have lived in China since George H.W. Bush, who served as a U.S. diplomat in Beijing in the 1970s.

[Keeping an Eye On...]

- So, what is one to make of Kamala Harris’s trade and industrial policy priorities if elected president? The Democratic Party did not bother to update its party platform to reflect Harris’s priorities following Joe Biden’s exit from the race. The draft platform that was approved on July 16 (before Biden exited) and affirmed this week on the convention floor instead repeatedly refers to a second Biden term. Within the 92-page document, the smattering of thoughts that pass as policy positions on trade and international economic policy appear primarily on pages 88 and 89. By contrast, the 2020 platform had a succinct section on building a fairer system of international trade within the first two-dozen pages, with substantive details laid out at the tail end of the document. To the best that one can glean something useful on trade from the 2024 platform, it is that a Democratic Party administration will be more selective in applying tariffs than one led by Donald Trump. Compounding matters, Vice President Harris has been sparse in her views on trade (and immigration), hoping that good vibes and upbeat messaging will compensate for lack of depth and detail against a boorish and undisciplined opponent. This is not a risk-free strategy. On the single most important campaign issue going into Labor Day—the cost-of-living distress, Mr. Trump’s record is far better than Biden’s. Inflation-adjusted weekly earnings rose handsomely during Trump’s years in office; they continue to lag three-and-a-half years into the Biden presidency. Worse, it is not clear if Vice President Harris is capable or even interested in articulating a governing philosophy. Standing for all the good things that the Democratic Party stands for, and behind, does not amount to a philosophical rendering of deeply-held personal views, values, hopes and aspirations. Not since the end of the Cold War has there been a major party nominee for the presidency so lacking in the ‘vision thing’ as seems to be the case with Harris. Be that as it may, a Harris administration can be expected to pursue the same trend lines on trade and

international economic policy as the Biden administration. In April 2023, National Security Advisor Jake Sullivan laid out its clearest exposition during a speech on the administration's "foreign [and economic] policy for the middle class" at the Brookings Institution. An eclectic mix of Donald Trump and Peter Navarro-style economic populism, Janet Yellen-popularized 'friendshoring', and Katherine Tai-championed worker-centered international partnerships, Sullivan's speech alluded to a five-pronged approach: pursuit of an expansive industrial policy at home; working with like-minded partners to build a resilient and leading-edge techno-industrial base; moving beyond traditional trade deals to new international partnerships; mobilizing large sums for global anti-poverty and climate change efforts; and protecting U.S. foundational technologies with a 'small yard, high fence' approach. The approach and trend lines are expected to more-or-less remain the same during a Harris presidency. As to their efficacy, that remains to be seen. While the Trump-Biden tariffs have led to a noticeable decline in China's bilateral trade surplus with the United States, China's overall market share of global goods exports has risen, not declined. While there has been a diversification—or 'friendshoring'—of goods production away from China, Chinese-sourced inputs remain key to assembly operations in these 'friendshored' destinations (i.e., Mexico and Vietnam). Besides, these diversification partners have not seen any significant recent U.S. investments, suggesting that it is Chinese (and Taiwanese) firms that are driving this diversification trend. A similar 'going out' dynamic was observed on the part of large Japanese firms following incessant U.S. pressure to revalue the yen in the early-1980s, leading in turn to the creation of Asia's dynamic, vertically integrated production networks. Today, Chinese firms stand to back-handedly benefit from this forced internationalization. And finally, while the 'small yard, high fence' export controls have temporarily hit hard, they have also done more to concentrate minds in Beijing to deepen reform of China's S&T ecosystem and self-sufficient capabilities than any 'Made in China 2025' plan could have achieved. A potential Harris presidency comes at a critical time in the United States' economic relations with China and the world. It is a pity that her party's platform does not reflect this seriousness on the trade and international economic policy front.

[Expanded Reading]

- [Takeaways from the third night of the Democratic National Convention](#), CNN, August 22, 2024
- [A 'President Harris' Trade Policy Likely Greener, Leaner, Not Meaner](#), Forbes, August 22, 2024
- [Kamala Harris remembers the consumer cost of worker-centered tariffs](#), Financial Times, August 22, 2024
- [Tim Walz's long history with China shaped by horrors of Tiananmen](#), Financial Times, August 21, 2024
- [Watch: Barack Obama's full speech at the 2024 DNC](#), CBS, August 21, 2024
- [U.S. Democrats' foreign policy platform pivots back to Europe](#), Nikkei Asia, August 21, 2024
- [Kamala Harris could be the next Richard Nixon on US-China relations](#), South China Morning Post, August 20, 2024
- [DNC Offers Few Clues on Harris's Foreign Policy](#), Foreign Policy, August 20, 2024
- [Kamala Harris's cost-of-living plan will end in failure](#), The Economist, August 20, 2024
- [Harris' trade policy balancing act](#), Politico, August 20, 2024
- [What Business Wants to Learn About Harris](#), The New York Times, August 19, 2024
- [Climate Groups Begin \\$55 Million Ad Campaign for Kamala Harris](#), The New York Times, August 19, 2024
- [Democrats Approve Party Platform—Written Before Harris Became Nominee](#), Forbes, August 19, 2024
- [DNC Releases 2024 Party Platform to be Voted on at Convention](#), Democratic National Convention, August 18, 2024
- [China's rulers are surprised by Kamala Harris and Tim Walz](#), The Economist, August 18, 2024
- [Where Harris and Walz stand on 2024's biggest policy issues](#), Politico, August 18, 2024
- [Harris proposes raising the corporate tax rate to 28%, rolling back a Trump law](#), NBC News, August 16, 2024
- [Wall Street weighs Harris' agenda as her momentum surges](#), Politico, August 15, 2024
- [The Economic Mind of Tim Walz](#), NPR, August 13, 2024