

October 4, 2024

Volume 4, Issue 20

Online ISSN 2837-3863
Print ISSN 2837-3855

What's Been Happening

1 — Harris and Trump Vow Toughness on China, in Different Ways — 1

[In One Sentence]

- During a recent speech in Pittsburgh, Pennsylvania, Vice President Kamala Harris said that a Harris-Walz administration “will not tolerate unfair trade practices from China or any competitor that undermines American workers.”
- Vowing to uphold “fair trade” and a “level playing field,” Vice President Harris listed shipbuilding, steel and electric vehicles as potential American industrial sectors that are “threatened” and accordingly need protection.
- The Harris-Walz campaign has announced a plan to “jumpstart a new era in American industry by developing, manufacturing, and deploying technologies and manufacturing them at scale,” including by “modernizing” traditional areas of U.S. manufacturing and by incentivizing the development of emerging technologies.
- Meanwhile, former President Donald Trump continued to emphasize his plan to impose 200 percent tariffs on certain manufactured goods, arguing that he will either acquire the approval of Congress or does not need one.
- Complaining that China is “building massive car plants” in Mexico and putting American car manufacturing “out of business,” President Trump said that he plans to place “100 to 200 percent” tariffs on Chinese-branded car imports that are made in Mexico to ensure they are no longer competitive.
- Questioning whether former President Trump’s policy plan could “deliver,” Vice President Harris pointed to a data point noting that the trade deficit with China was lower under the Biden-Harris administration.
- Harris also argued that the U.S.-Mexico-Canada Agreement (USMCA)—which was negotiated under the Trump administration—has made it “far too easy” to outsource U.S. car manufacturing jobs to Mexico.
- In a recent interview on U.S. trade policy, U.S. Trade Representative Katherine Tai observed that tariffs and trade “can and must be used as part of a strategy” to empower the U.S. middle class and working class.

[Mark the Essentials]

- A number of U.S. industry associations have reportedly urged Congress to play a stronger role in U.S. tariff policy oversight, pointing especially to the negative impact of the former Trump administration’s Section

232 tariffs on steel and aluminum and the potential impact of certain tariff increases. Industry representatives are reportedly assisting in drawing-up legislative measures to craft “guardrails” against the executive branch’s “abuse of U.S. economic and trade authorities,” including by subjecting “every proposed tariff action” to a congressional vote.

- While former President Donald Trump has repeatedly doubled-down on his plan to impose significant tariff increases, Senate Minority Leader Mitch McConnell (R-KY) has explicitly noted that he is “not a tariff fan.”
- Using the electric vehicle (EV) industry as an example, USTR Tai observed that the United States needs to play a combination of “stronger defense”—i.e., protecting U.S. industries from China through tariffs—and “stronger offense”—i.e., investing in infrastructure, semiconductor, EVs and EV batteries.
- Many economists and analysts too have cautioned against the consequences of sharp U.S. tariff increases against China and China-linked supply chains. According to an analysis by the Peterson Institute for International Economics, former President Trump’s proposed tariff plan—i.e., a 60% tariff on Chinese imports and a 10% general tariff—would reduce U.S. GDP and employment by 2028 and would damage the economies of major U.S. allies and trading partners. Moreover, if the U.S. decides to end its permanent normal trade relations (PNTR) with China and increase general tariff rates against Chinese imports—a much-touted policy choice on the Hill—the United States will ironically end up with a wider trade deficit with the rest of the world.
- On a related note, the International Monetary Fund (IMF) economists have noted that the United States’ and China’s trade balances are largely driven by domestic macroeconomic fundamentals (savings, consumption and investment balances), and that the view of industrial policies, including subsidies, as a determinant of external balances is “incomplete at best.”

[Keeping an Eye On...]

- It is remarkable just how unremarkable it has become to press the case for higher tariffs within the U.S. political system. Tariffs are, first-and-foremost, a tax on middle class consumers—be it a 25% tariff on \$370 billion worth of Chinese imports or a proposed 10% tariff on all global imports. It is not without some irony, then, that Vice President Harris’ presidential policy platform is titled ‘A New Way Forward for the Middle Class.’ Low tariffs and unfair economic practices, furthermore, are not the primary cause of the United States’ bilateral trade deficit with China (and as economists will be quick to point out it is a country’s global rather than bilateral deficits that matter). That deficit has much more to do with the two countries’ contrasting macroeconomic fundamentals—weak domestic demand and a persistent surge in domestic saving in China, and a counterpart decline in domestic saving in the U.S. Besides, the trade spillovers from industrial policy-linked subsidies are modest at best (although they might show up more starkly in individual sectors). As per a recent IMF analysis, China’s exports of subsidized products are barely 1% higher than those of non-subsidized products. All-in-all, the U.S. has gone from being first-in-class on tariff levels among advanced economies to becoming last-in-class within the short span of a decade. Be that as it may, the trade and industrial policy section of Vice President Harris’ presidential policy platform, released in late September, is certainly an improvement on the ‘Maganomics’ on offer courtesy Donald Trump. The former’s America Forward strategy is crafted very much in keeping with the Biden administration’s approach on trade, investment, industrial policy, and economic and national security. China makes a rare appearance in this section of the policy platform. Going forward, Harris can be expected to be a reliable custodian of the U.S.’ (and Silicon Valley’s) technological rivalry with China in the areas of chips, AI, quantum, biopharma, advanced manufacturing and other high-tech domains. On the other hand, as a California-bred politician,

she might also hold an innately sunnier disposition towards China (California politics on China sets it apart from the national mainstream—let alone from Beltway politics on China). Besides, in her time and work on disinformation-related matters on the Senate Intelligence Committee, it was Russia and Iran that mostly consumed her focus. Continuity on trade and technology competition with China within the framework laid down by the Biden administration can reliably be expected, going forward, should Harris be elected to office on November 5.

[Expanded Reading]

- [‘We are at an inflection point’: U.S. Trade Rep. on new Biden Admin tariffs on Chinese EVs](#), *MSNBC*, September 29, 2024 [Video]
- [‘Trickle down just doesn’t work’: The truth about tariffs and when they’re actually useful](#), *MSNBC*, September 29, 2024 [Video]
- [How much would Trump's plans for deportations, tariffs, and the Fed damage the US economy?](#), Peterson Institute for International Economics, September 26, 2024
- [Harris heads to Pittsburgh \(again\) to make a manufacturing pitch to voters](#), *npr*, September 25, 2024
- [A New Way Forward For The Middle Class: A Plan to Lower Costs and Create an Opportunity Economy](#), Kamala Harris for President, September 25, 2024
- [Trump calls for 100% tariffs on cars made in Mexico as part of US manufacturing plan](#), *AP*, September 24, 2024
- [Trump says he will put 100% tariffs on every car coming across Mexico border](#), *Reuters*, September 24, 2024
- [McConnell slaps at Trump’s tariff proposals, warns of higher prices](#), *The Hill*, September 24, 2024
- [Strategic Defense Critical Minerals: A Targeted List for National and Economic Security](#), Silverado Policy Accelerator, September 24, 2024
- [Trade Balances in China and the US Are Largely Driven by Domestic Macro Forces](#), International Monetary Fund, September 12, 2024
- [Economic implications of revoking China's permanent normal trade relations \(PNTR\) status](#), Peterson Institute for International Economics, September 2024

2 — EU and China Continue EV Tariff Negotiations as Deadline Approaches — 2

[In One Sentence]

- On October 4, the European Union member states voted to place additional tariffs as high as 45% on certain battery electric vehicles (BEVs) imported from China.
- The European Commission (EC) initiated an anti-subsidy investigation on Chinese BEVs in October 2023, citing concerns that Chinese BEVs benefited from “unfair subsidization” and threatened the economic interests of EU BEV producers.
- On July 4, the EC concluded its investigation of China’s BEV subsidization practices and on August 20 circulated a draft decision that calls for imposing tariffs at varying rates on Chinese imported BEVs: a 17% duty on BYD, 19.3% on Geely, 36.3% on SAIC, and 36.3% on all non-cooperating BEV exporters based in China.
- The result of the vote on October 4 will determine whether EU members will impose final or “definitive” duties on Chinese EVs that will be in force for the next five years (and extendable thereupon).
- The EC’s director-general for trade defense Martin Lucas has clarified that, although the Commission concluded its investigation on July 4, it “is not necessarily the end of consultations with China on finding a solution” and that a final decision to implement the “definitive” tariffs needs to be made by October 30.
- Chinese Commerce Minister Wang Wentao and outgoing EU trade chief Valdis Dombrovskis have failed to reach a breakthrough, as yet, in negotiations on a ‘price commitment’ related to BEV exports to the bloc but Chinese representatives remain in Brussels, at this time of writing, for a continuing round of negotiations.

[Mark the Essentials]

- Responding to the tense negotiations between the European Commission and China on the BEV tariffs, the Chinese Commerce Ministry underlined China's "strong commitment" to dialogue with EC and EU counterparts, and that the two sides are reportedly working through a 'price commitment' offer as a means to resolve the dispute. The negotiations are reportedly progressing at this time and both sides claim to possess the requisite "political will to resolve differences through consultations."
- Meanwhile, Chinese automobile manufacturers remain committed to expanding their presence in European markets. Companies such as Chery, Leapmotor, Geely, and BYD have either announced plans to establish production sites in target EU member countries or partnerships with European automotive manufacturers to produce their vehicles in Europe.
- Disagreeing with the proposed countervailing duties on China, German Economy Minister Robert Habeck has argued that the tariffs will lead to "countermeasures...and tariff dispute, perhaps a tariff war, with China," and he reiterated the importance of ongoing efforts to find "a political solution that will not drive us into a tariff war with China."
- The European Commission, for its part, has alerted stakeholders to the torrent of China-manufactured BEV imports into the bloc, noting that the registration of China-built EVs rose from 3.5% of the EU market in 2020 to 27.2% in the second quarter of 2024, and Chinese brands from 1.9% to 14.1%.

[Keeping an Eye On...]

- The clock is counting down to the imposition of final countervailing duties by the EU on imports of battery electric vehicles (BEVs) from China. Exactly one year to the day that the European Commission served its notice of initiation of anti-subsidy proceedings concerning the import of Chinese BEV's into the bloc, the EU member states are due to vote on October 4 on a Commission decision to impose 'definitive' countervailing duties. An affirmative vote seems all but certain. As per EU rules, unless a qualified majority of 15 EU member states representing 65% of the population vote nay, the Commission's decision will become final and with binding effect. At this time, France, Italy, Poland and Greece, comprising almost 40% of the EU's population, have already confirmed plans to vote in favor of the Commission's proposal. Arrayed against are some smaller EU member states: Cyprus, Malta, Hungary and Slovakia. Heavyweight Germany appears to be leaning towards abstaining, given the divisions within its ruling coalition, but may come around to voting nay. And Spain, another significant EU player, appears to be shifting from yea to nay, although it may abstain as well. All told, the weighted vote balance solidly favors the Commission's proposal—meaning that on October 4 the EU member states will vote to confirm the definitive tariffs, publish its implementing regulation by October 30, and have the tariffs come into effect on November 4 at the very latest. The EU member states' vote on October 4 is not the final word, though, on the BEV countervailing duties. Through much of mid-to-late September, the European and Chinese sides have been locked in intense negotiations to craft a price undertaking—a (gradually declining) minimum import price for imported Chinese BEVs along with annual volume caps—to remove the injurious effects of Beijing's subsidies. So far, the negotiations have come up short but are expected to continue even after the October 4 vote. If an agreement is reached and a Commission Decision issued thereafter in this regard—and one would be rash to count out this possibility—the Chinese BEV exporters participating in the undertaking would be exempted from the countervailing duty. The definitive duty, to be voted in on October 4, would apply only to non-participating and non-cooperating Chinese BEV exporters. As such, October 30 rather than October 4

would seem to be the drop-dead deadline by which time the negotiation needs to be concluded. And if successfully concluded, the definitive duties would not need to be rescinded at that time since they will apply to the non-cooperating BEV exporters. Clearly, over the next four weeks, the Chinese side has much on its hands to sort through and the timeline is tight. But it has not come to this fight without ammunition either. Lurking behind the negotiations are China's own anti-subsidy probes of EU pork and dairy products. And dumping margins on French brandy have already been notified, meaning that provisional anti-dumping duties could drop anytime at the Chinese Commerce Ministry's choosing. Both sides seem to have teed-up this BEV anti-subsidy tariff negotiation to perfection. As it enters the home stretch, can the two now make it across the finish line together?

[Expanded Reading]

- [German vote against EV tariffs undercuts EU's tougher China stance](#), *Nikkei Asia*, October 4, 2024
- [Will EU's Oct 4 vote on Chinese EV tariffs spark a trade war with China?](#), *Business Standard*, October 1, 2024
- [EU says it could continue China EV talks even after tariffs](#), *Reuters*, September 30, 2024
- [China targets consensus with EU on EV tariff dispute through flexible pricing solutions](#), *Reuters*, September 26, 2024
- [France Supports European Tariffs on China EVs, Foreign Minister Says](#), *Bloomberg*, September 26, 2024
- [Mission Impossible: Germany's bid to kill EU duties on Chinese EVs](#), *Politico*, September 24, 2024
- [Why EU tariffs are unlikely to dent Chinese EV makers' European expansion](#), *CNBC*, September 20, 2024
- [EU and China trade negotiators fail to strike deal on electric vehicle imports](#), *SCMP*, September 20, 2024
- [Chinese Automakers' Answer to E.U. Tariffs: Build in Europe](#), *The New York Times*, September 19, 2024
- [China's electric carmakers warn of EU investment cuts over tariff threat](#), *Financial Times*, September 20, 2024

On the Hill



[Legislative Developments]

- Senator Dick Durbin (D-IL) is again advancing a bill to impose carbon taxes on fossil fuels and a few other high emissions products and to apply a “border adjustment fee” on carbon emissions for imports “to ensure an equal playing field for American companies.”
- House Ways & Means Committee member Rep. Jodey Arrington (R-TX) has introduced a bill to expand the authority of the U.S. International Trade Commission “to proactively stop foreign, state-owned businesses from using third countries as a backdoor to evade U.S. tariffs,” eyeing companies from “non-market economies” such as China.
- House China Committee Chair Rep. John Moolenaar (R-MI) said that House Speaker Mike Johnson (R-LA) and House lawmakers are still committed to passing an outbound investment bill on China by the end of 2024. The House Foreign Affairs and the House Financial Services Committee are yet to agree on the exact policy approach to restrict outbound investment from China, but Rep. Moolenaar expressed optimism that progress may be made in next week's meetings.

[Hearings and Statements]

- During an event hosted by the American Enterprise Institute in Washington, DC on September 25, House China Committee Chair Rep. John Moolenaar (R-MI) underscored that the U.S. government was “slow” and “reactive” to the threats posed by Chinese technology companies and called for the U.S. government to take a more proactive posture on China issues beyond focusing on just explicit risks and concerns.

- In a letter to trade officials of the U.S., Canada, and Mexico, Sen. Jeff Merkley (D-OR) and Sen. Marco Rubio (R-FL) along with major sponsors of the Uyghur Forced Labor Prevention Act (UFLPA) called for stronger enforcement of UFLPA among North American trade partners and argued that the “UFLPA can serve as a model for similar legislation in Canada and Mexico.”
- Regarding the on-going labor strike in East and Gulf Coast ports, a group of Republican lawmakers have urged President Biden to “provide any and all support it can offer to both parties as these negotiations continue,” “utilize every authority at its disposal to ensure the continuing flow of goods and service,” and evade harm to consumers and the American economy.
- During a trade subcommittee hearing on September 20, House Ways & Means Committee members criticized other U.S. trading partners for their discriminatory enforcement of certain digital rules. Chair Adrian Smith (R-NE) criticized European counterpart’s Digital Markets Act (DMA), which labels five U.S. companies and one Chinese company as “gatekeepers” subject to stricter regulations but lists no European companies. House Digital Trade Caucus co-chair Darin LaHood (R-IL) also said that DMA in practice “often discriminates against U.S. companies” and undermines innovation and competition.
- After the White House announced plans to block Chinese imports subject to Section 301, 232 and 201 tariffs from getting *de minimis* exemption treatment at the U.S. customs border, House Democrats said that they are looking closely at a broader “product-specific” approach to address *de minimis* reform. According to some affiliated staffers, some House Democrats are looking to exclude certain product categories from *de minimis* benefits regardless of their direct origin, with the goal to “cut down on China as much as possible.”

[Expanded Reading]

- [East and Gulf coast ports strike, with ILA longshoremen walking off job from New England to Texas, stranding billions in trade](#), CNBC, October 1, 2024
- [Do Chinese Companies Pose a Risk to Our National Security? A Bipartisan Discussion with Reps. John R. Moolenaar \(R-MI\) and Raja Krishnamoorthi \(D-IL\)](#), American Enterprise Institute, September 25, 2024
- [Arrington Introduces Legislation to Counter Unfair Foreign Trade Practices](#), Office of Rep. Jodey Arrington (R-TX), September 24, 2024
- [ILA Strike Watch 2024: House Committee Writes Letter to Biden Urging Administration to Aid Negotiations \(w/ Full Text\)](#), Universal Cargo, September 24, 2024
- [Trade Subcommittee Chairman Smith Opening Statement – Hearing on Protecting American Innovation by Establishing and Enforcing Strong Digital Trade Rules](#), United States House Committee on Ways & Means, September 20, 2024
- [Durbin Introduces America's Clean Future Fund Act To Invest In A Clean Future And Spur Job Creation](#), Office of Sen. Dick Durbin (D-IL), September 19, 2024
- [Rubio, Merkley Introduce Bill to Double Down Against Uyghur Forced Labor](#), Office of Sen Marco Rubio (R-FL), September 19, 2024
- [FACT SHEET: Biden-Harris Administration Announces New Actions to Protect American Consumers, Workers, and Businesses by Cracking Down on De Minimis Shipments with Unsafe, Unfairly Traded Products](#), The White House, September 13, 2024