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## What's Been Happening

### 1 — Amid Election Season, Officials and Specialists Reassess U.S. Trade, Industrial and Climate Policies — 1

#### [In One Sentence]

- In support of what he referred to as a “new era of public-directed investment,” Todd Tucker, Roosevelt Institute’s Director for Industrial Policy and Trade, said that the United States needs more “actual meat on the bones” in implementing its climate and industrial policies.
- Tucker argued that U.S. climate and industrial policies should be conducted in the sequence of “survive, decarbonize and then become globally competitive,” and that tariffs should be used to “safeguard” investments incentivized by subsidies during the first two steps.
- Tucker also supported the crafting of bilateral and international agreements on a sectoral basis, provided they ensure companies follow “high-road practices,” e.g. in clean steel and aluminum production and, more generally, adhere to high climate-related standards.
- Michael Beeman, former Assistant U.S. Trade Representative, observed that the United States’ traditional bipartisan consensus on free trade and international engagement has collapsed due to the rise of zero-sum-centered politics, as politicians race to take an increasingly harder stance on tariffs in the name of protecting domestic sectors and production.
- According to Beeman, the United States has tended to “walk out” of trade negotiations in the hope of more advantageous outcomes but, instead, has often lost the chance to re-engage trade partners, and in the process surrendered its “decades-long global leadership on trade.”
- Michael Pettis, a nonresident senior fellow at the Carnegie Endowment for International Peace, criticized the existing multilateral trading system for focusing only on specific trade violations and for failing to address persistent trade surpluses.
- Accordingly, Pettis argues, the U.S. should “opt out of the existing global trade regime,” either unilaterally or with like-minded countries, and establish a new system that would “go after the trade imbalances themselves” as well as countries whose manufacturing capacities significantly exceed their consumption potential.

- According to Pettis, the new system should advocate for trade equilibrium and address trade imbalances through measures such as demanding currency appreciation, controlling capital outflows or increasing tariffs to limit the flow of imports.
- Meanwhile, U.S. Trade Representative Katherine Tai emphasized that "strategic, smart, defensive use of tariffs" has a key role to play in "worker-centered" trade policy, adding that tariffs can be used constructively to level the playing field, give everyone "a fighting chance," and create something "powerful and strong."

### [Mark the Essentials]

- Morgan Stanley analysts Ariana Salvatore and Arunima Sinha argue that a second Trump administration will be able to impose 60 percent duties on goods from China and 10-20 percent tariffs on all other global imports "seamlessly," given the multiple authorities enjoyed by the executive branch.
- As per Peterson Institute fellows Kimberly Clausing and Mary Lovely, Donald Trump's tariff proposals would cost the typical American household over \$2,600 a year, and would essentially impact poorer households disproportionately.
- Analyst Keith Rockwell concludes that Harris' trade policy will be "less predictable" compared to Trump's, whose protectionist stance is marked by "dead certainty." He also notes that the U.S. political landscape is now more anti-trade than ever in the post-war era, with few politicians supporting pro-trade policies. According to Rockwell, Harris "falls squarely" into the camp that is skeptical of trade with China.

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

- U.S. trade and tariff policy are coming full circle. The United States was among the first countries to benefit from the imposition of the MFN (most favored nation) principle on China. In the Treaty of Wanghia 180 years ago (in the wake of the British-won Opium War of 1839-42), the MFN principle—a stark novelty at the time—was among the key immunities and privileges granted to the United States. Today, by way of the Section 301 tariffs, Washington has *de facto* scrapped the principle in its trading relations with China, and some in Congress have called for its permanent revocation *vis-à-vis* Beijing. In the Anglo-American negotiations in the early-and-mid 1940s that culminated in the founding of the Bretton Woods institutions (namely, The World Bank and the IMF), the United States rejected the notion that creditor countries running current account surpluses should be compelled to make symmetric adjustment in order to ensure an equilibrium in external payments (at levels consistent with full employment). Today, some advocate for the establishment of a new system based exactly on that same idea of an external equilibrium backed by an escalating range of sanctions so as to address the U.S.' trade imbalances with China. In the late-1940s, the deal-breakers in the negotiations that saw the United States walk away from establishing an International Trade Organization (the proposed third pillar of the Bretton Woods arrangement) were four-fold. Instead of removing tariff preferences, the draft ITO charter retained the largest existing preference program (the UK's Imperial Preference system). Rather than proscribe quantitative restrictions, they were given a fresh lease of life on balance of payments grounds. Rather than make FDI more secure, it was accorded less protection than it had previously enjoyed. And finally, discrimination against American goods was provided a measure of protection, again on external equilibrium and adjustment grounds. Today, it is the United States that seeks to retain (and limit) preferences to like-minded partners, has *de facto* imposed barriers against inbound Chinese FDI, and actively discriminates against Chinese imports on trade imbalance and external adjustment grounds. On trade and tariff policy matters, where the United Kingdom was 75 years ago the United States is there today. What does this say? It probably says something that the Beltway classes would not be proud, or happy, to hear.

### [Expanded Reading]

- [Harris's record on trade paints a dire picture for American producers, consumers](#), *The Hill*, October 17, 2024
- ['Off the charts': How Trump tariffs would shock U.S., world economies](#), *The Washington Post*, October 16, 2024
- [How Industrial Policy Gets Done: Frontline Lessons from Three Federal Officials](#), Roosevelt Institute, October 8, 2024
- [Trade Intervention for Freer Trade](#), Carnegie Endowment for International Peace, October 3, 2024
- [Walking Out: New Book Unravels the Shift in America's Trade Policy and Its Global Consequences](#), Stanford University, October 1, 2024
- [Trump's bigger tariff proposals would cost the typical American household over \\$2,600 a year](#), Peterson Institute for International Economics, August 21, 2024

## 2 — EU's EV Tariffs Hang in the Balance as Beijing and Brussels Continue Talks — 2

### [In One Sentence]

- With China and the European Union as of yet unsuccessful in reaching a solution on the EU's tariffs on Chinese electric vehicles (EVs), the Chinese Ministry of Commerce announced on October 8, 2024 that it would "implement temporary anti-dumping measures on imported brandy originating from the European Union" in accordance with "Chinese laws and WTO rules."
- USTR Katherine Tai has applauded the EU's tariffs on Chinese EVs as "an important first step" to protect European industry and workers and said she looked forward to "continuing engagement" with the EU and other "market economies."
- Despite turbulence in the EV market, the retail sales of EVs in Q3 2024 reached their highest levels recorded, representing a 7.8% growth compared to Q3 2023.

### [Mark the Essentials]

- From September 20-October 9, 2024, the Chinese Ministry of Commerce held eight rounds of negotiations with EU counterparts on the EV tariffs issue. As per the ministry, China remains "committed and sincere towards finding solutions through dialogue and consultation," and expressed hopes to "reach a proper solution as soon as possible." It also cautioned the EU to avoid "conducting separate price commitment negotiations with some companies" so as not to jeopardize the overall negotiation process.
- At the recent Paris Motor Show from October 14-20, Chinese automakers put on a trade show despite the impending EU tariffs. Chinese EV startup Leap Motor showcased three models: its compact electric SUV, the B10, which is to be manufactured in Poland; a smaller electric commuter car, the T03, which will retail at a competitive price of 18,900 euros (\$20,620), be imported from China and assembled in Poland; and its larger family car, the C10, which will sell from 36,400 euros (\$39,700) on. Additionally, the decade-old Chinese EV brand Xpeng announced plans to deliver its P7+ model in Europe from 2025.
- Also at the Paris Motor Show, the CEOs of BMW and Stellantis voiced criticism against the proposed tariffs on Chinese EVs. The CEOs of BMW, Oliver Zipse, argued that European brands need "fair trade rules," not "protection" and that Europe should not "give up before the [EV competition] has even started." Carlos Tavares, CEO of Stellantis, which owns the Fiat, Jeep and Chrysler brands, echoed a similar sentiment and was joined by the CEO of French automaker Renault, who argued that European cars need to "learn from [their] competitors."

### [Expanded Reading]

- [We should be learning from Chinese EV players, not shutting them out of Europe — auto bosses say](#), *Business Insider*, October 15, 2024
- [Paris Motor Show opens during a brewing EV trade war between the EU and China](#), *AP news*, October 14, 2024

- [Hard to see Chinese EV price deal by end of October, says EU official](#), *Reuters*, October 14, 2024
- [China invites EU team for more talks to hammer out EV tariffs dispute](#), *South China Morning Post*, October 12, 2024
- [Electric Vehicle Sales Mark Another Record in Q3, Thanks to Higher Incentives, More Choices](#), *CoxAutomotive*, October 11, 2024
- [China warns EU against separate EV price negotiations](#), *Reuters*, October 8, 2024

## On the Hill



### [Legislative Developments]

- Senator Bill Cassidy (R-LA) has announced plans for an energy security summit to advocate for “a U.S. foreign policy integrating national, economic, and energy security”—including through the introduction of carbon tariffs.
- House Ways & Means Committee member Michelle Steel (R-CA) introduced a bill to “effectively end” port strikes by requiring a mediation mechanism between maritime workers and employers and by setting stricter conditions for dock workers to strike.
- In her recently introduced bill, House Ways & Means Committee member Carol Miller (R-WV) has called for the Office of the U.S. Trade Representative (USTR) to investigate Korea’s recent anti-monopoly bill and its effect on U.S. technology firms and digital trade.
- House Democrat lawmaker Rep. Jared Golden (ME) proposed to levy a 10% tariff on all U.S. imports to “incentivize American manufacturing and job creation and address the nation’s ballooning trade deficit.”

### [Hearings and Statements]

- Arguing that imports of Chinese-origin cooking oil was displacing U.S. domestic feedstocks in the production of biofuels, a bipartisan group of Senators have called for the U.S. government to exclude biofuels made from foreign feedstocks to receive federal clean fuel subsidies.
- A group of Democrat Senators, led by Senator Sherrod Brown (D-OH), has called on the new Mexican President to join U.S. efforts and address the “threat posed by China’s connected vehicles,” including those linked to joint ventures between Mexican and Chinese businesses.
- Challenging USTR’s notion that the U.S. cannot take a stance on international digital trade rules absent domestic regulations at the federal level, Senate Finance Committee member Maria Cantwell (D-WA) criticized USTR for failing to “stand up against digital protectionism abroad.”
- In a recent non-binding resolution, the U.S. Export-Import Bank’s Board of Directors reaffirmed their support for critical minerals transactions, including by boosting the usage of its financing tools to support U.S. exporters facing competition from China.

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

- As the election approaches, the 118th Congress remains steadfast in its push for further U.S.-China decoupling. During its designated "China Week," the House passed at least 16 China-related bills aimed at addressing strategic competition in critical technologies, with a particular focus on reducing reliance on Chinese supply chains and restricting China's access to key technologies. Beyond these bills, China was also prominently invoked by lawmakers during the 118th Congress’ penultimate policy discussions, even in cases where a direct connection was tenuous. Competition with China has become a convenient justification for a variety of policy proposals, especially during election season, when domestic interests take center stage. Both Republican and Democratic candidates have ramped up anti-China rhetoric on the campaign trail,

reinforcing the bipartisan consensus that views China as a strategic competitor—or, more bluntly, an adversary. This dynamic is expected to significantly influence the policy direction of the upcoming 119th Congress, which is likely to be controlled by Republicans in both chambers, regardless of whether Harris or Trump wins the presidency. Of the 34 Senate seats up for election this November, Republicans currently hold a lead in 13, positioning them to potentially secure a majority in the next Senate given that they already control 38 of the remaining 66 seats. While Democrats are expected to make some gains in the House, the GOP has a slightly clearer path to retaining its majority, needing to win just 3 of 10 competitive seats. As the 118th Congress wraps up its China-focused and China-bashing initiatives, the incoming 119th Congress stands to play a crucial role in shaping the future of U.S.-China ties.

**[Expanded Reading]**

- [Brown Calls on New Mexican President Sheinbaum to Take Action to Address Threat Posed by China's Connected Vehicles](#), Office of Sen. Sherrod Brown (D-OH), October 4, 2024
- [Their View: boosting energy independence and biofuel production with Ohio farmers](#), *Sidney Daily News*, October 3, 2024
- [Steel Introduces Legislation to End Port Strike](#), Office of Rep. Michelle Steel (R-CA), October 2, 2024
- [Export-Import Bank of the United States Board of Directors Increases Support for Critical Minerals Transactions](#), Export-Import Bank of the United States, October 2, 2024
- [Miller Introduces U.S. - Republic of Korea Digital Trade Enforcement Act](#), Office of Rep. Carol Miller (R-WV), September 27, 2024
- [Golden introduces bill to restore American manufacturing with 10 percent tariff on all imports](#), Office of Rep. Jared Golden (D-ME), September 26, 2024
- [Cassidy Announces Energy Security Summit to Be Held in Baton Rouge](#), Office of Sen. Bill Cassidy (R-LA), September 16, 2024