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What's Been Happening

1 — Election 2024: Trump's Big Tariff Stick or Harris' Vague Economic Agenda — 1

[In One Sentence]

- The latest monthly poll from Open Source shows 44% of registered U.S. voters favor Trump's economic management abilities while 43% express confidence in Harris' approach; in terms of popularity, Harris holds a narrow lead, leading 51% to Trump's 47%.
- In a recent interview, Trump argued that a "10% tariff is not enough," advocating rather for a "50% tariff" as necessary to incentivize American companies to repatriate manufacturing, and with further intent to impose tariffs on European carmakers like Mercedes-Benz and on Mexican imports as high as "100, 200, or even 2000% tariffs."
- On the national debt, both Harris and Trump have sidestepped the issue in debates and on the campaign trail, focusing instead on advancing tax cuts and spending programs while opposing cuts to Social Security and Medicare benefits.

[Mark the Essentials]

- Market speculation on a Trump victory has driven up U.S. bond yields and the dollar, yet mainstream investors remain cautious attributing recent volatility more to strong U.S. economic data than political shifts. On Trump's "disruptive" tariff plans, ex-Biden administration staffer Peter Harrell has noted that the Trump team plans to counterbalance it with a "robust deregulatory agenda" paired with an "American energy production agenda" to help lower costs.
- Trump's tariff proposals have faced criticism from industry stakeholders and economists. Maurice Obstfeld, an ex-IMF chief economist and a senior fellow at the Peterson Institute, described Trump's sweeping tariffs as a "grenade thrown into the heart of the [multilateral trading] system," adding that such tactics fragment the global trade landscape for both countries and businesses.
- Trump's former U.S. Trade Representative Robert Lighthizer defended the tariff strategy, noting that in the late 19th century, the U.S. maintained tariffs over 40% on dutiable goods while achieving trade surpluses and fiscal stability.
- A recent study has revealed that should China reimpose tariffs on U.S. agricultural products as it did in 2018, U.S. soybean exports could drop by 51.8% and corn exports by 84.3%. Meanwhile, on October 15, USTR

announced a new initiative allowing stakeholders to request temporary exclusions for certain machinery imports from the Section 301 duties.

[Keeping an Eye On...]

- “Are we adversaries, or partners? That is the number one question for us,” President Xi Jinping had queried President Joe Biden during his meeting last November at the Filoli Estate in Woodside, California. Returning to the question five months later in his phone conversation with Biden, Xi asserted that the two sides needed to first get the “issue of strategic perception” right, “just like the first button of a shirt that must be put right.” Be it a Harris administration or a second Trump administration, the first button is not likely to be worn as per Xi’s liking. The era of engagement in U.S.-China relations has drawn to a close and strategic competition is the order of the day. The operative question going forward, rather, is whether the two sides are capable of stabilizing ties by placing guardrails on the relationship, even as the negative tendencies in their relationship deepen. Or whether extreme competition will degenerate into outright strategic rivalry with the possibility of the bottom falling out of the relationship entirely. Both a Harris administration and a second Trump administration’s approach towards China is likely to feature many common elements. These include maintaining America’s innovation edge over China; countering China’s trade and industrial policy practices from distorting global markets and harming U.S. competitiveness; promoting U.S. values and counterbalancing Chinese models of government and influence operations; maintaining an intelligence advantage over Beijing; and, foremost, deterring China from the use of military force regionally. The philosophical basis of the common approach towards China derives from the Trump administration’s National Security Strategy of December 2017. Having declared China a “revisionist power” that was engaged in “long term strategic competition” with the United States, the administration worked to redraw the region’s ‘hub-and-spokes’ architecture into a four-cornered network featuring Washington, Tokyo, Canberra and New Delhi as the “principal hubs” to preserve a favorable strategic balance over China. On the geo-economic front, tariffs were imposed on \$370 billion worth of Chinese imports and, after declaring that Chinese control of advanced technologies “pose[d] profound challenges to free societies,” the United States’ technology control regime was reimagined via an expansive ICTS (information and communications technology and services) rule that was trained initially on kneecapping the telecoms giant, Huawei. The Biden administration’s three-part approach to ‘invest, align and compete’ against China has been built on this foundation. Its punitive ‘small yard, high fence’ controls—be it with regard to chips, supercomputing or connected vehicles—derive from the ICTS order. Trump’s Section 301 tariffs have not only been retained but also selectively increased, not scaled down. The administration has also expanded domestic productive capacity in key strategic and high value-added manufacturing sectors, by introducing landmark legislation such as the CHIPS and Science Act and the Inflation Reduction Act (IRA) as well as by employing a number of industrial policy authorities, such as the Defense Production Act, Buy American Act and the Bayh-Dole Act. Geopolitically, the Biden administration’s strategy on China has centered on crafting a bespoke “latticework” of trilateral and multilateral coalitions to build “situations of strength” and dictate the terms of effective competition with China. Having assembled these coalitions (i.e., AUKUS, the Quad, the ROK-Japan-U.S. trilateral, the Squad) to shape the strategic environment around China, the administration has, since the November 2022 G20 Summit in Bali, sought to cement a ‘floor’ under its working relations with Beijing. On November 5, the U.S. will elect a new president. Harris and Trump are down-to-the-wire in a bitter and divisive race. On China policy though, the broad brushstrokes of the last two presidencies will persist, regardless of who wins. The U.S. and China are fated to remain locked in an

intensely competitive relationship over the next four years. It remains to be seen if the two sides are able, or willing, to embed this competitive dynamic within a steady strategic framework. Success or failure in this regard will have huge implications for the Indo-Pacific region and the world.

[Expanded Reading]

- [Companies Ready Price Hikes To Offset Trump's Global Tariff Plans](#), *The Washington Post*, October 30, 2024
- [Trump's Foreign Policy Plan: Embrace Unpredictability](#), *Financial Times*, October 28, 2024
- [Economists Warn Of New Inflation Hazards After Election](#), *The Wall Street Journal*, October 28, 2024
- [The Problem With The Trump Trade](#), *Financial Times*, October 26, 2024
- [Kamala Harris And Trade: Better Than The Alternative, But Not Much](#), *The Interpreter*, September 30, 2024

2 — EU's China EV Tariff Saga: Definitive Tariffs Imposed; Now What? — 2

[In One Sentence]

- On October 29, the European Commission (EC) imposed definitive countervailing duties on imports of battery electric vehicles (BEVs) from China for a period of five years.
- A day earlier, on October 28, Beijing issued renewed warnings to the EU, cautioning that separate negotiations with individual Chinese EV companies will “shake mutual trust” and disrupt the bilateral negotiation underway between two sides.
- After eight rounds of negotiations between Brussels and Beijing, “significant gaps” continue to remain in the negotiations, as per the Commission.
- Several Chinese EV companies including Dongfeng Motor Group Co., Chongqing Changan Automobile Co., and Chery Automobile Co. have announced a pause to their plans to localize production in the EU and launch new brands in Europe.

[Mark the Essentials]

- Beijing condemned the EU's tariffs on Chinese EVs as “unfair, non-compliant, and unreasonable protectionist practices,” arguing that these actions violate WTO rules and disrupt the international trade order. China also criticized the EU's “separate price commitment talks” with individual Chinese EV companies claiming they undermine the formal negotiation process.
- That being said, China's Commerce Ministry has also expressed its interest in conducting the “next stage of price commitment negotiations” calling for both sides to take account of “each other's core concerns” and on this basis establish a “communication mechanism for the [finalization], implementation and supervision of price commitment” related to Chinese EV imports into the bloc.
- Customs data show that Chinese automakers shipped 60,517 EVs to the 27 countries in the EU bloc in September, marking a 61% increase from 2023. This figure represents the second-highest record for Chinese EV shipments to the EU, despite the EU's tariffs on these imports. Additionally, BYD Co. announced plans to offer electric vehicles in Germany priced between €25,000 (\$27,340) and €30,000.
- Paolo Gentiloni, the EU's Economic Commissioner, has remarked that three or four years ago, the EU held “a more optimistic attitude on trade with China.” However, he stated that to ensure “a level playing field,” the EU now needs to exercise caution regarding “how much subsidies are working and how several sectors are affected by overproduction.” However, Gentiloni clarified that the EU's “new approach” should not be seen as being protectionist.

[Keeping an Eye On...]

- Nobody said that it would be easy to finalize a price undertaking arrangement for Chinese battery electric vehicle (BEV) imports into the EU, and so it has turned out to be the case. Lacking a negotiated solution thus far, on October 29, the European Commission (EC) concluded its anti-subsidy investigative process by imposing definitive countervailing duties on imports of BEVs from China for a period of five years. The automaker BYD is to be assessed an additional duty of 17%, Geely 18.8% and SAIC 35.3% respectively. All other cooperating companies are to be assessed an additional duty of 20.7% and non-cooperating producers an additional duty of 35.3%. In parallel, discussions are to continue on finding an alternative, WTO-compatible solution—i.e., negotiation of price undertakings—that is effective in addressing the underlying subsidization problems identified by the Commission’s investigation. At this time, the primary sticking point appears to be the inadequacy of the minimum import price (MIP) proposed by the China Chamber of Commerce for Import & Export of Machinery & Electronic Products (CCCME), the industry body that is negotiating with the Commission on behalf of 12 Chinese BEV exporters. CCCME has proposed a single MIP for a wide range of product models (that are to be subject to varying EU duty rates) that amounts to an effective duty rate of 21.3%. It has also proposed the implementation of an annual quota for the initial three-year period during which time imports would be assessed at a discounted duty level. As for establishing a price benchmark, CCCME has sought to index the MIP to the Lithium-ion Batteries Price Index. Both the proposed duty rate and the price benchmark are considered inadequate by the Commission. Side-by-side, three exporting producers—SAIC, and two belonging to the Geely Group—have individually offered alternative price undertakings too but which, upon consideration, have not been accepted by the Commission for reasons of adequacy, effectiveness and enforceability. China’s Ministry of Commerce has frowned upon these individual offers, fearing that breaking ranks within CCCME could undercut the Chinese side’s negotiating position. Going forward, both parties—the Commission and the Commerce Ministry-CCCME duo—have stated their commitment to finalizing a price undertaking. It is a matter of when, not if, the negotiations will be successfully brought to a conclusion. There is too much riding in the negotiation for both sides to walk away without a mutually satisfactory arrangement. That being said, it would be wise for the Chinese side to pay heed to the Commission’s key BEV-related industrial policy objective, which is also the EC’s bottom line in the negotiation. And that being the uncompromisable need for the EU’s domestic BEV industry to reach economies of scale and thereby be able to decrease its unit cost of production in the future. CCCME’s price undertaking proposal should be structured to accommodate this bottom line, so that this key European industry can survive and prosper and Chinese BEV manufacturers too, both as exporters and as Chinese-invested companies on EU soil, can profitably play the role of co-contributor to the building-out and the greening of Europe’s automotive transportation sector.

[Expanded Reading]

- [EU Set To Send Envoys To China To Explore Ev Tariff Alternative](#), *Bloomberg*, October 31, 2024
- [Definitive Duties On Bev Imports From China](#), European Commission, October 28, 2024
- [Byd Hires Ex-Stellantis U.K. Boss Maria Grazia Davino For Europe Expansion, Report Says](#), *Automotives*, October 29, 2024
- [Ev Shipments To Europe Soar Ahead Of Planned Eu Tariffs](#), *Autonews*, October 22, 2024
- [Byd To Woo European Ev Buyers, But Not For Less Than €25,000](#), *Fortune*, October 15, 2024
- [Mofcom Spokesperson On The European Union’s Adoption Of Draft Definitive Findings Of Anti-Subsidy Investigation Into Imports Of Battery Electric Vehicles From China](#), Ministry Of Commerce In People’s Republic Of China, October 8, 2024

3 — Derisking Efforts Continue Days Ahead of the Election — 3

[In One Sentence]

- Within the past week, the Biden administration, through the Departments of Justice, Treasury, and Commerce, has introduced several key regulations: a data restriction rule to protect U.S. bulk private data from foreign adversary access; a ban on outbound investments in China's semiconductor, quantum technology, and AI sectors; and a tax credit rule to boost U.S. clean energy manufacturing related to critical minerals and battery components.
- Earlier, in late-September, the administration had issued a proposed rule to secure connected vehicle supply chains from foreign adversary threats, including from China and Russia.
- U.S. Trade Representative Katherine Tai emphasized the need for “a very considerable amount of attention” to address the “concerning developments” of Chinese companies acquiring sites in Mexico for factory construction.

[Mark the Essentials]

- Reps. John Moolenaar (R-MI) and Raja Krishnamoorthi (D-IL) have urged the Commerce Department to impose further restrictions on the “flow of semiconductor manufacturing equipment to Huawei’s clandestine network of semiconductor companies.” Separately, a group of lawmakers have pressed USTR to “swiftly conclude” its investigation into unfair trade practices in China’s shipbuilding industry and criticized CFIUS for failing to appropriately review Chinese EV battery manufacturer Gotion’s investment in a Michigan plant.
- Mexico’s economy ministry has warned that the Biden administration's prohibition on Chinese automotive software and hardware could disrupt supply chains, raise costs, and risk unemployment in its automotive sector.

[Expanded Reading]

- [Treasury Issues Regulations To Implement Executive Order Addressing U.S. Investments In Certain National Security Technologies And Products In Countries Of Concern](#), U.S. Department of Treasury, October 28, 2024
- [Memorandum On Advancing The United States’ Leadership In Artificial Intelligence; Harnessing Artificial Intelligence To Fulfill National Security Objectives; And Fostering The Safety, Security, And Trustworthiness Of Artificial Intelligence](#), The White House, October 24, 2024
- [Advanced Manufacturing Investment Credit Rules Under Sections 48D And 50](#), Federal Register, October 23, 2024
- [Justice Department Issues Comprehensive Proposed Rule Addressing National Security Risks Posed To U.S. Sensitive Data](#), U.S. Department of Justice, October 21, 2024
- [Commerce Announces Proposed Rule To Secure Connected Vehicle Supply Chains from Foreign Adversary Threats](#), Bureau of Industry and Security, September 23, 2024