



China Business Group

Impact of US election on China and UK/global business relations

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Steven Lynch

Lead, IoD China Business Group





Brandon Barford

Senior Advisory, GMTL Advisory



Institute of Directors China Group: Impact of US election on China and UK/global business relations

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Key Takeaways

- US concern about security and over-reliance on China is one of the only areas of bipartisan agreement in Washington and will be one of biggest impediments to any deepening of the UK/Chinese economic relationship
- Tariffs from Trump risk escalating a global trade war, but are an “invitation” to begin broad discussions on all aspects of each bilateral relationship
- No matter who wins the election, US concerns about Chinese dominance of certain technologies will be “exported” to close allies in UK and Europe—could result in a bifurcation of certain markets
- Depending on the state of US/China relations there may be an increased willingness globally to pay a “Ex-China premium” for products to future-proof supply chains in the event of an escalation of tensions between China and the US

Election Outcome

- Politico referred to the election as a “knife fight in a phone box”
- Election outcome is too close to call, but Harris is trending downwards after summer excitement and bump in polls
- Trump wins (tossup), R’s control both the House (likely if Trump wins White House) and the Senate (highly likely no matter who wins White House)
- Trump wins (tossup), D’s control House after Harris wins the popular vote but loses Electoral College (less likely, but possible), R’s control Senate (highly likely no matter who wins the White House)
- Harris wins (tossup), D’s control House (likely if she wins) and R’s control Senate (likely no matter who wins White House)

Trade Policy

Trump

- Universal tariff is centerpiece of Trump economic agenda: 10-20 percent on goods from all countries; 60 percent or higher on all Chinese goods, including Hong Kong and exports via third-party countries (ex. EVs made in Mexico)
- International Emergency Economic Powers Act or Section 338 of the Tariff Act of 1930 will allow for unilateral application
- Non-tariff barriers on Chinese goods will also increase, such as bans on federal contracting with drug and biologic makers partnering with certain Chinese companies (Biosecure Act)
- Onshoring mandates and tariffs will force companies to reevaluate Chinese supply chains if they want to continue to sell in the US
- “Security” vs “economy” argument will hinder any effort to open Chinese factories in US as part of a “deal” to reduce US trade deficit

Harris

- Unlikely to levy tariffs as broadly, will maintain Trump/Biden tariffs against China and add more as events/politics warrant
- Non-tariff tools include ramping up “exportation” of US security policies via trade (ex. Huawei) and this could have biggest impact on defense and green transition technologies
- “Blue” vs. “Green” conflict amongst Democratic base will increase as Harris is viewed as greener than “Scranton Joe”
- New free trade deals unlikely under either candidate, but Harris could use promise of one to Labour to pressure UK to distance itself from China

Foreign Policy

Trump

- “America First” continues—universal tariffs a tool to reset relations on non-tariff issues as well as trade (ex. Mexico)
- Personnel choices will define whether alliances against China are pursued
- Despite promise of Ukraine peace deal, few in US care about this issue and it has terrible risk/reward profile
- Insistence on NATO countries shouldering greater burden for European defense—full US withdrawal highly unlikely
- Near certain exit from Paris climate agreement and possibly UN framework, instead US gas and oil exports used to help build/maintain friendships

Harris

- Little foreign affairs experience, but advisors on progressive left are anti-intervention and emphasize realism about diminished US role in the world
- Likely to be “tested” quickly by adversarial nations, such as China/Russia/Iran and her reaction will define early years in office
- Re-engagement with Iran likely, alongside constraints on Israel—desired Asia pivot complicated by unfolding events
- Continued support for NATO and Ukraine despite challenges in Congress to secure funding

China Policy

Trump

- Biden was extension of Trump's China policy—but slower, less rhetoric, more emphasis on security
- Trump advisors in competing orbits with America First as unifying theme, but big differences remain and dominance of certain personalities over others will have consequences for US policy
- Economic decoupling will dramatically accelerate—mandates on multiple sectors (pharmaceuticals, electronics, steel, etc.) for reshoring to friends/allies or the US; revocation of PNTR
- “Bans” on Chinese products and purchases in the US, either via tariffs or under national security grounds (ex. data flows or land/agriculture)
- Executive order to pull the US Thrift Savings Plan (TSP) out of investments containing Chinese firms—MSCI Index—and potential for forcing all US pension funds to follow suit
- Increased use of the “entity list” and other tools to decapitate Chinese national champions' ability to compete globally and rival Western firms
- Acute desire to avoid military conflict, while restructuring the economic relationship so the US is not dependent on Chinese (or Taiwanese) goods or commodities
- Increased pressure on Taiwan to better provide for its own defense
- Risk of escalating disagreements impacting trade flows should not be underestimated

China Policy continued

Harris

- Few explicit policies have been articulated, but trade unions and human rights allies, plus desire to look tough, will mean that Trump/Biden tariffs and import/export restrictions remain in place and are expanded as needed
- Relationship with China will more likely be reactive than pro-active—Harris will be “tested” early and would prefer to focus on domestic affairs that are more in her comfort zone
- “Blue” versus “green” domestic conflict will complicate Harris drafting and implementing her own China-focused policies
- Personnel appointments in national security and diplomatic posts related to China will be important to gauge whether and how her focus shifts
- Harris will mirror Trump and insist that Taiwan take steps to provide for its own defense, while continuing to be more supportive than traditional “strategic ambiguity” approach
- Every effort to avoid perception of weakness, but no desire to take proactive provocative steps to endanger the current status of the US/China relationship

Prepared by Brandon Barford
brandonbarford@gmail.com