



DEZAN SHIRA & ASSOCIATES

Your Partner for Growth in Asia

RECENT TRENDS IN SUPERPOWER RELATIONS

*How Will Trade Relations with China
Change Under the Biden Administration*

Prepared For:

Finnish Business Council

March 02, 2021





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US Trade War Actions



US-China Trade War *actions taken by US*



Phase One Trade Agreement

*effective February 14 2020;
predominantly covers China policy and
purchase commitments over a 2 year
period*



Tariffs

*since 2018, four tranches (lists) of
tariffs introduced by US and China
covering up to USD 550 billion in US
imports from China and USD 185
billion in Chinese imports from US*



Other Public Actions

*in 2020, the US government took at
least 210 public actions related to
China that spanned at least 10
departments*

US Government Public Actions *related to China, 2020*



60 public actions

visa restrictions, travel advisories, diplomatic actions and public statements



27 public actions

executive orders, signing bills into laws and signing of the Phase One trade agreement



24 public actions

sanctions



23 public actions

freedom of navigation operations, Taiwan Strait transits, and release of reports and other info



22 public actions

indictments and arrests



16 public actions

blocking import of items made through forced labor and the release of reports and statements



13 public actions

export controls, additions to entities list and advisories



6 public actions

designating Huawei and ZTE as national security threats



US Government Public Actions *related to China, 2020*



3 public actions

*release of reports and
public statement*



2 public actions

*designating China as a
"foreign adversary."*



2 public actions

~



2 public actions

*a letter and a list of goods
made with forced labor*



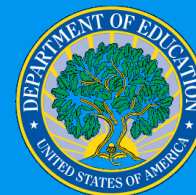
1 public actions

*interim report on agricultural
trade with China*



1 public actions

*cybersecurity advisory
regarding China-linked
cyber actors*



1 public actions

*letter sent to university
officials regarding Confucius
Institutes*



US-China Trade War Tariffs

US Section 301 Tariffs

July 6, 2018	25%	\$34 billion <i>in products</i>
Aug. 23, 2018	25%	\$16 billion <i>in products</i>
Sept. 24, 2018 <i>original</i>	10% <i>original</i>	\$200 billion <i>in products</i>
May 10, 2019 <i>raised</i>	25% <i>raised</i>	
Sept. 1, 2019 <i>original</i>	15%	\$300 billion <i>in products</i>
Feb 14, 2020 <i>decreased</i>	7.5%	
Dec. 15, 2019	<i>Canceled</i>	
		\$550 billion <i>in total products</i>

China Retaliatory Tariffs

\$34 billion <i>in products</i>	25%	July 6, 2018
\$16 billion <i>in products</i>	25%	Aug. 23, 2018
\$60 billion <i>in products</i>	5 or 10% <i>original</i>	Sept. 24, 2018 <i>original</i>
	10, 20, or 25% <i>Increase on select products</i>	June 1, 2019 <i>Increase on select products</i>
		5 or 10%
\$75 billion <i>in products</i>	5 or 2.5% <i>decreased</i>	Feb 14, 2020
		<i>Suspended</i>
		Dec. 15, 2019
		\$185 billion <i>in total products</i>

Phase One Trade Deal *overview of policy commitments*

Intellectual Property

requires various IP protection commitments in the areas of trade secrets, pharmaceutical-related IP, geographical indications, trademarks, patents, e-commerce infringement, and enforcement against pirated / counterfeit goods

Forced Technology Transfer

prohibits forced technology transfer and prevents either government from directing or supporting domestic companies to acquire foreign technology that could create “distortion” in sectors and industries

Food & Agricultural Products

commits China to certain science-based / risk-based standards for assessing import and export of food & agricultural goods

Financial Services

commits China to improved market access for financial services, including banking, insurance, asset management, and payment / fund management

Exchange Rate Policies

prohibits manipulation of exchange rates or interest rates to devalue their currency

Trade & Service Expansion

china pledges to purchase a minimum of \$200 billion worth of additional US goods and services over the next two years

China Imports of U.S. Products *Increased Purchase Commitments Under Phase One Trade Deal*

Product Category	Overview	2020 (USD)	2021 (USD)	2-Year Total (USD)
Manufactured Goods	Industrial machinery, electronic equipment and machinery, pharmaceutical products, aircraft (orders and deliveries) vehicles, optical and medical instruments, iron and steel	\$32.9 billion	\$44.8 billion	\$77.7 billion
Energy Goods	Liquified natural gas (LNG), crude oil, refined products, coal	\$18.5 billion	\$33.9 billion	\$52.4 billion
Services	Business travel and tourism, financial services, insurance, reinsurance, management consulting, telecom services, data hosting, cloud computing services, charges for use of IP	\$12.8 billion	\$25.1 billion	\$37.9 billion
Agricultural Goods	Soybeans, oilseeds meat, cotton, seafood, wheat, fruit, jams, jellies, corn, flour, horses, honey	\$12.5 billion	\$19.5 billion	\$32.0 billion
Total		\$76.1 billion	\$123.3 billion	\$200 billion



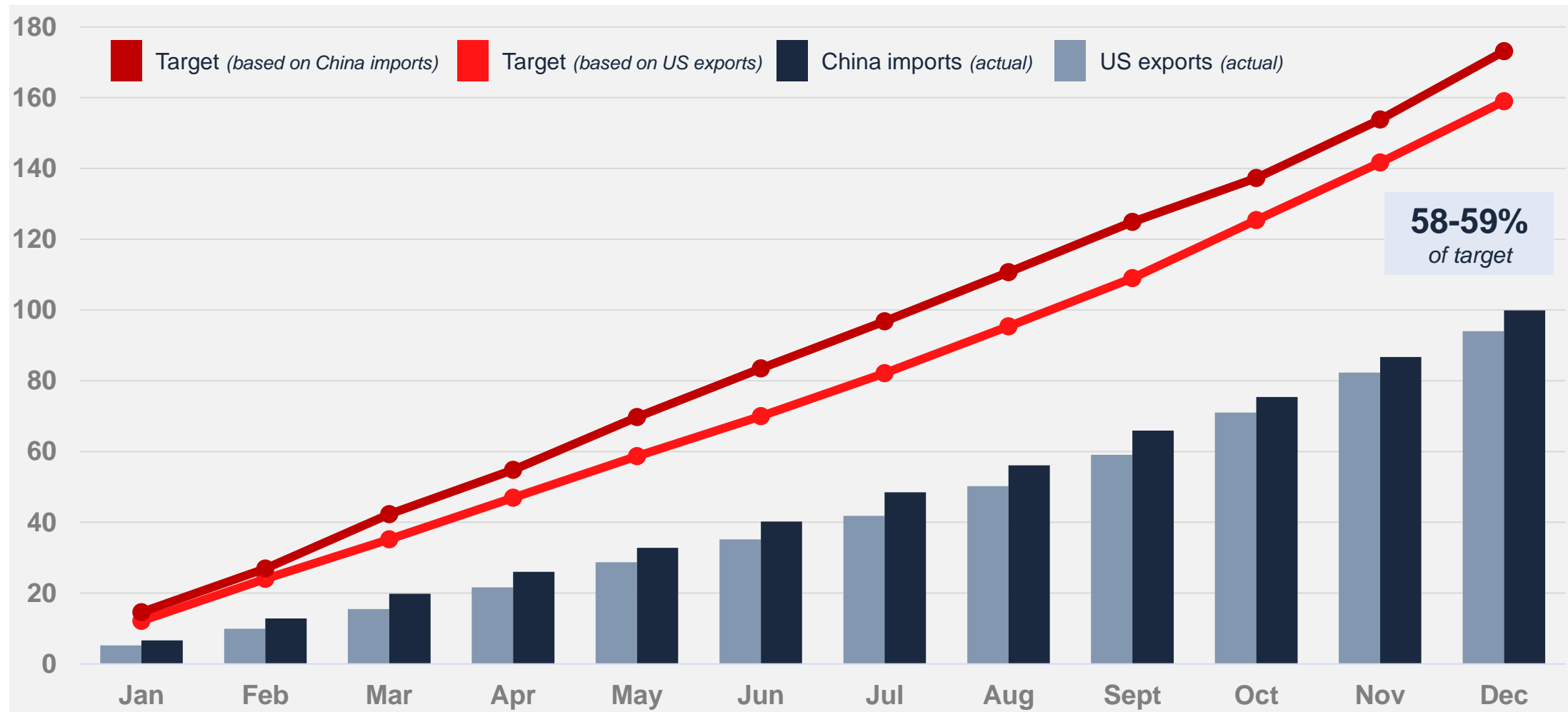
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Effect of Trade War on Trade

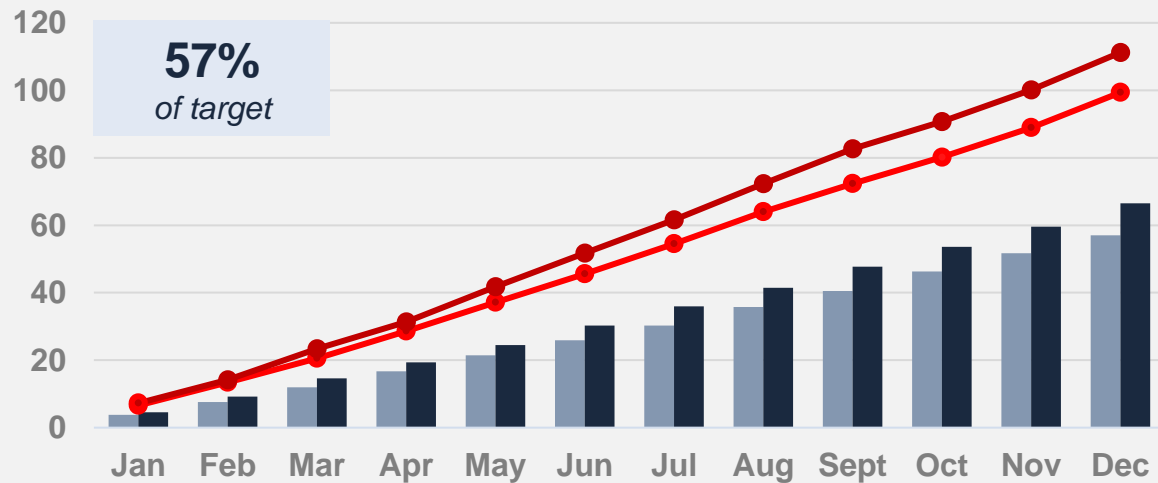


China's Purchase of US Goods

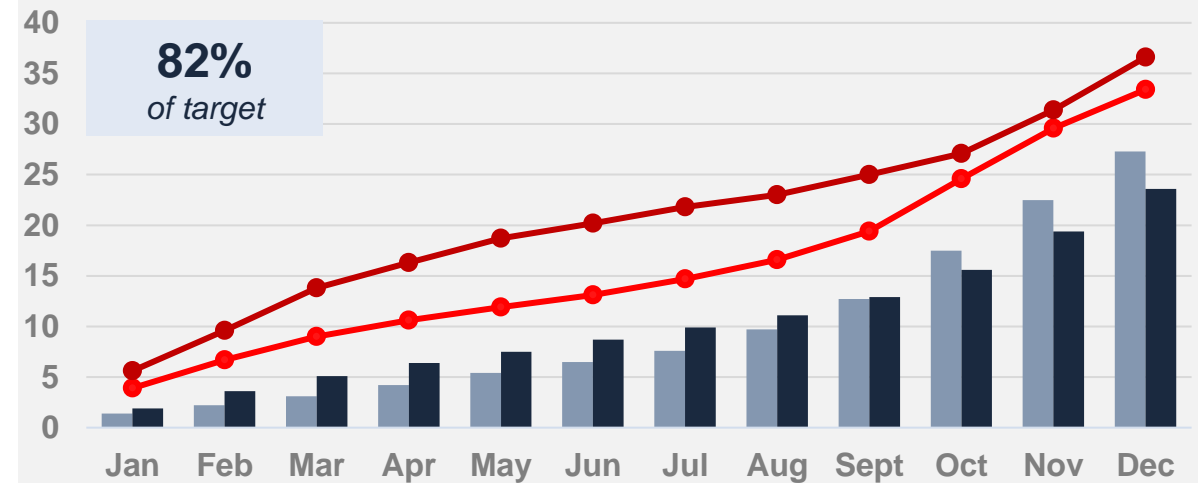
US exports & China imports of all covered goods in 2020, USD billions



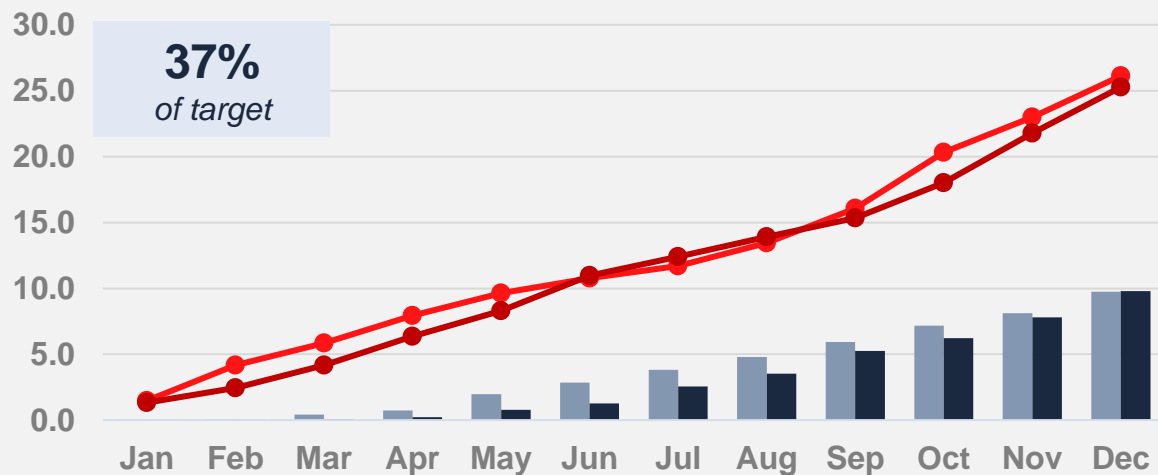
Manufactured Goods



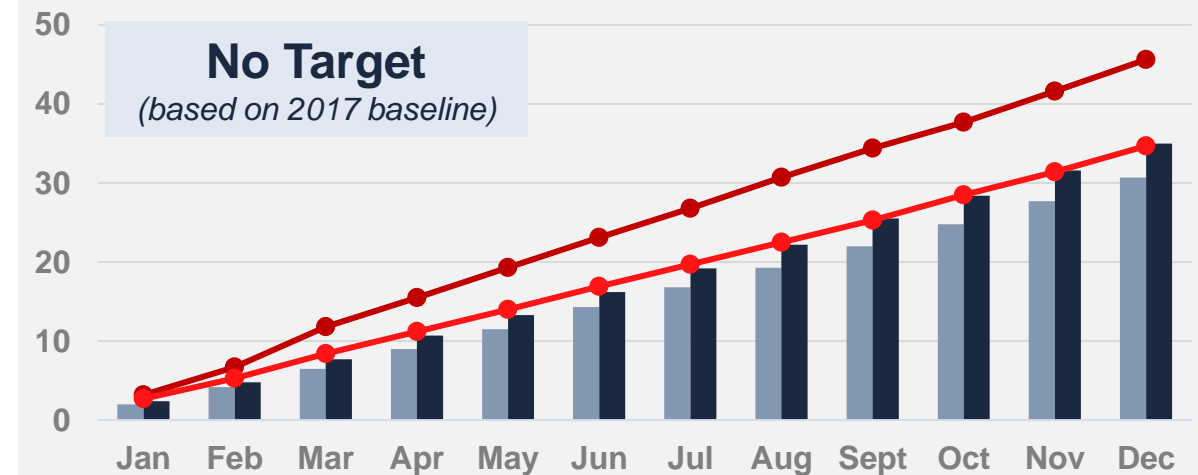
Agricultural Goods



Energy Goods

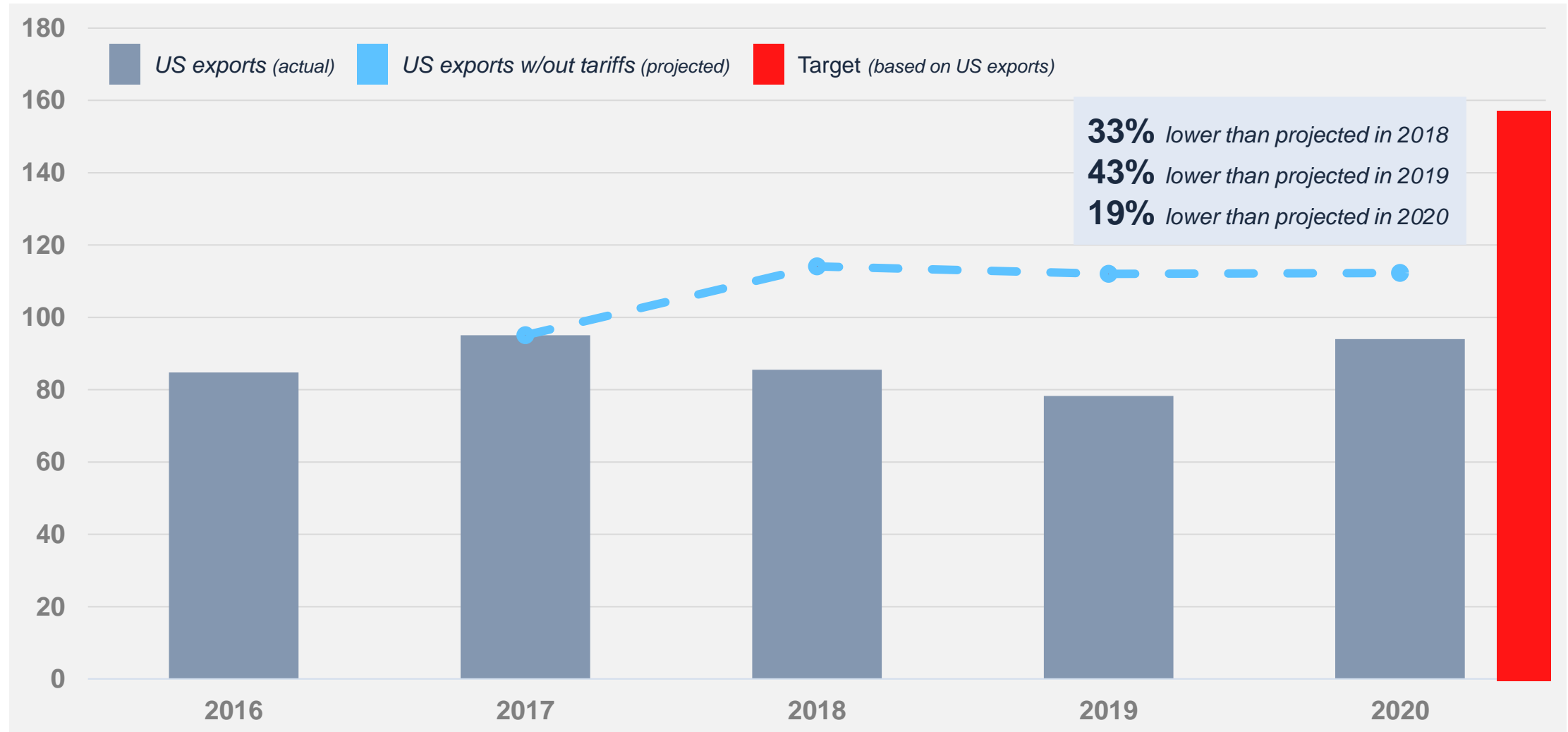


Uncovered Goods

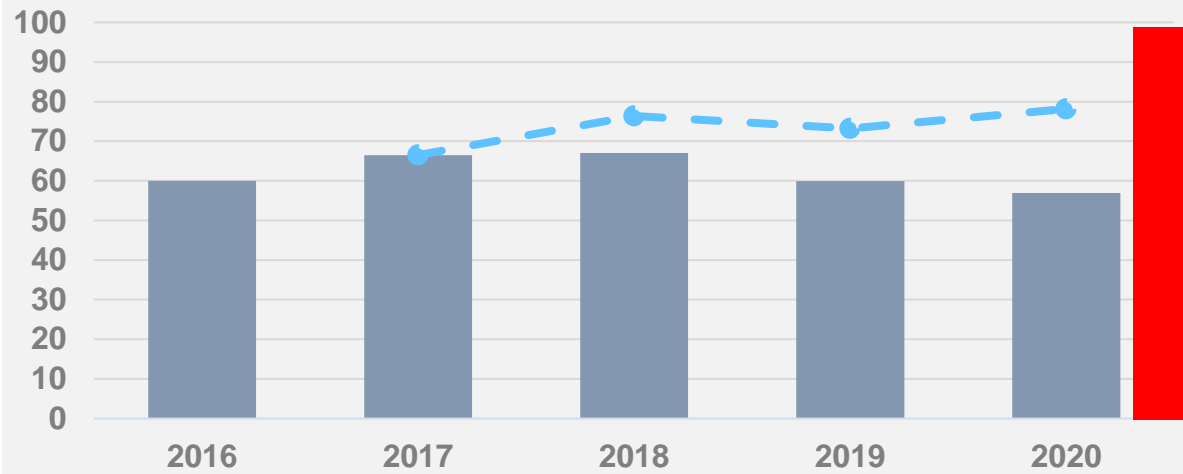


Projected US Exports w/out Trade War

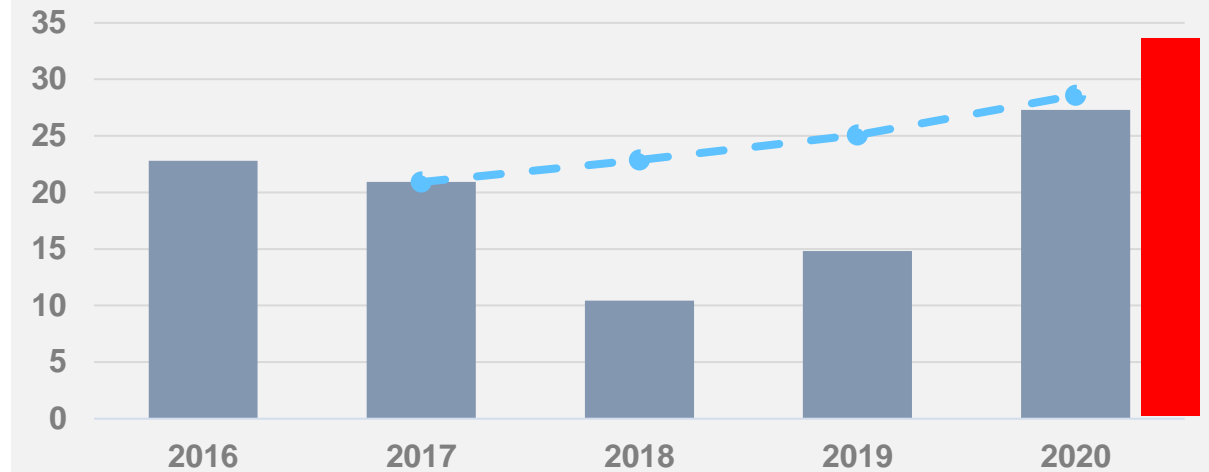
US exports to China of all covered goods, USD billions



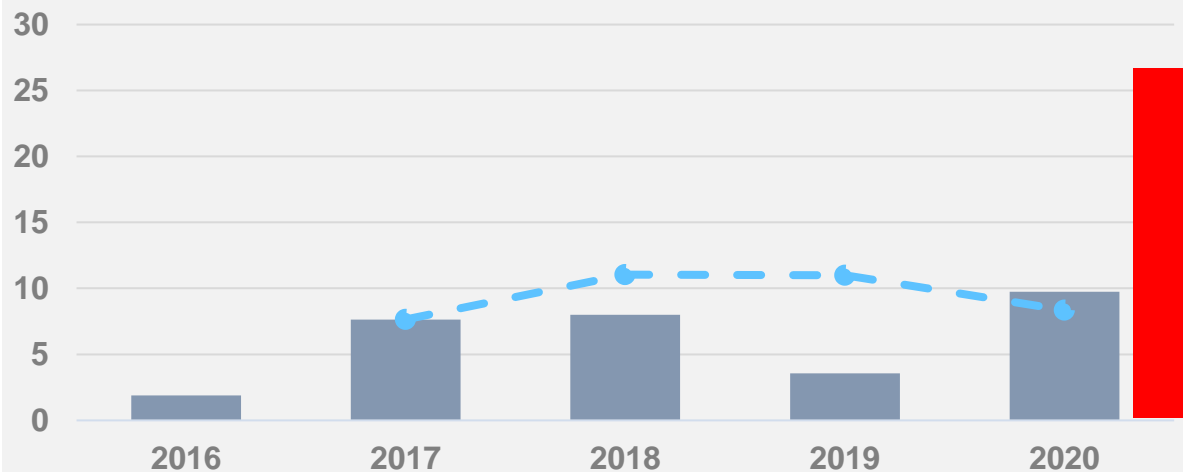
Manufactured Goods



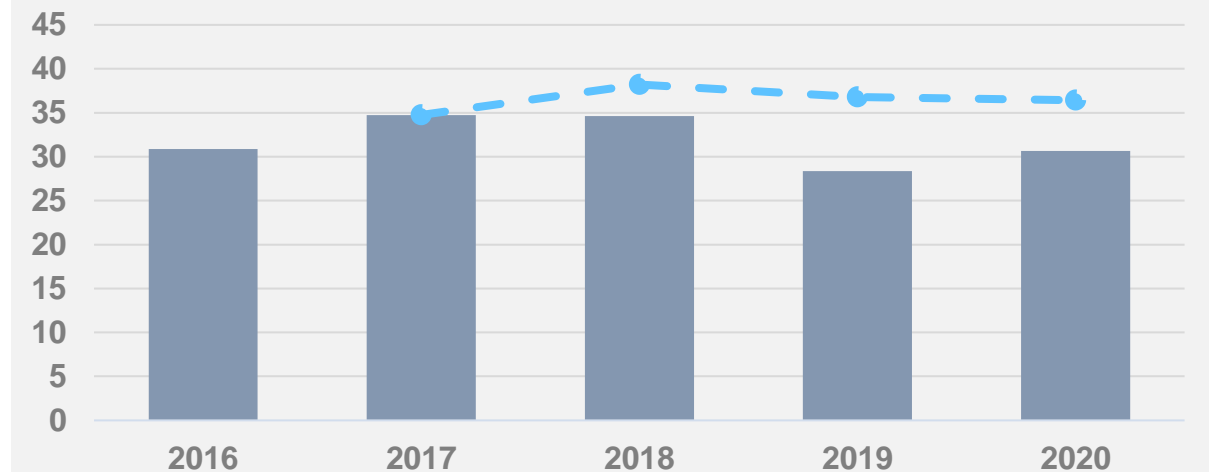
Agricultural Goods



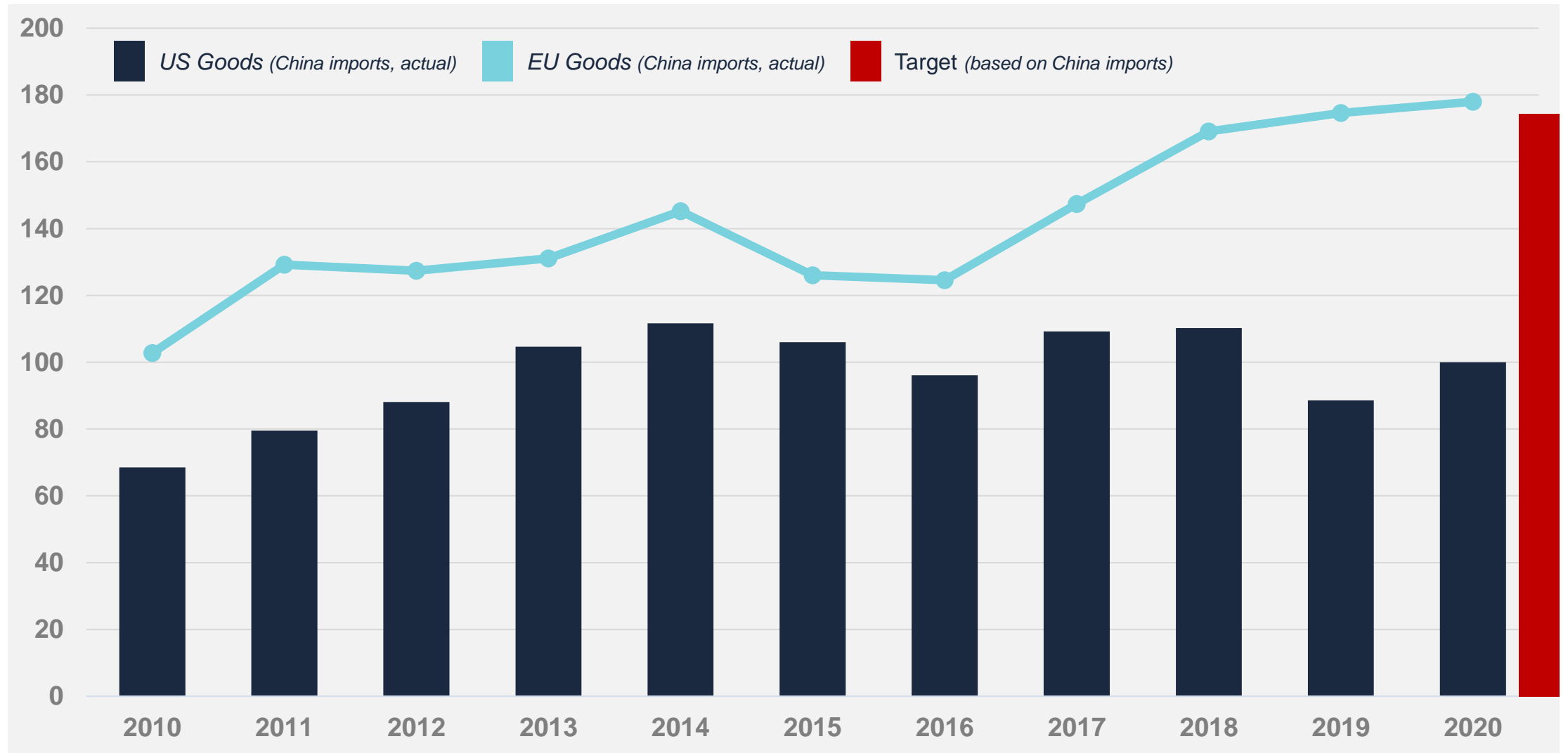
Energy Goods



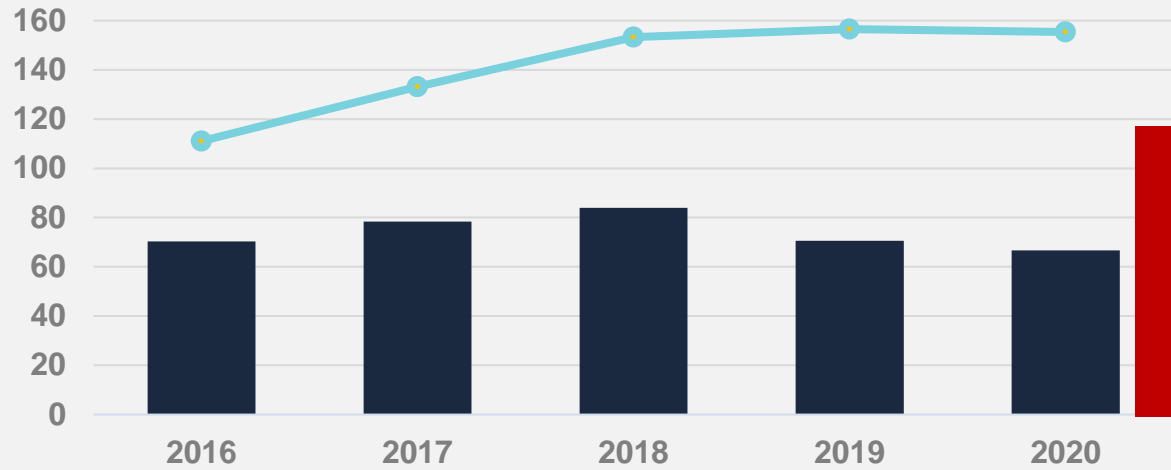
Uncovered Goods



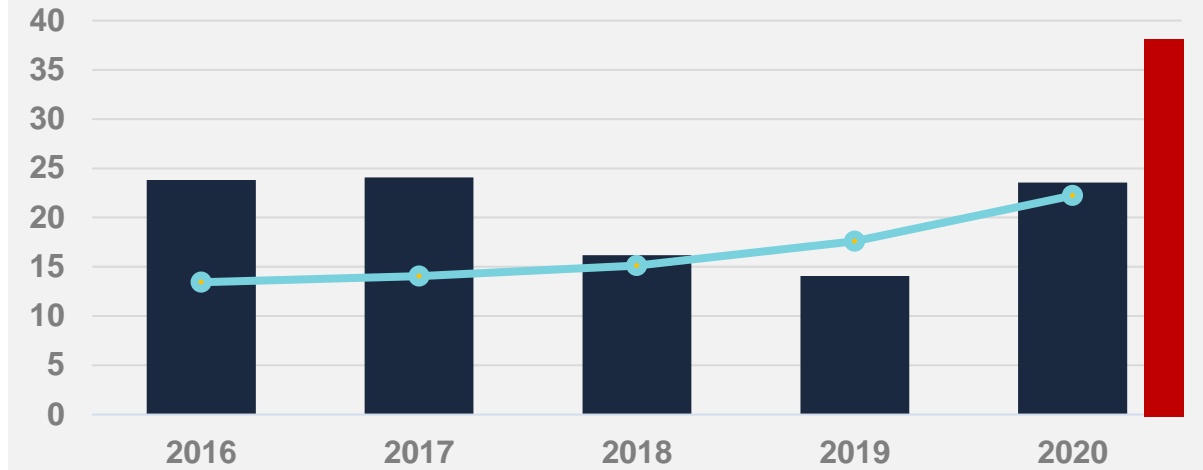
China's Imports of US & EU Products China imports of all covered products, USD billions



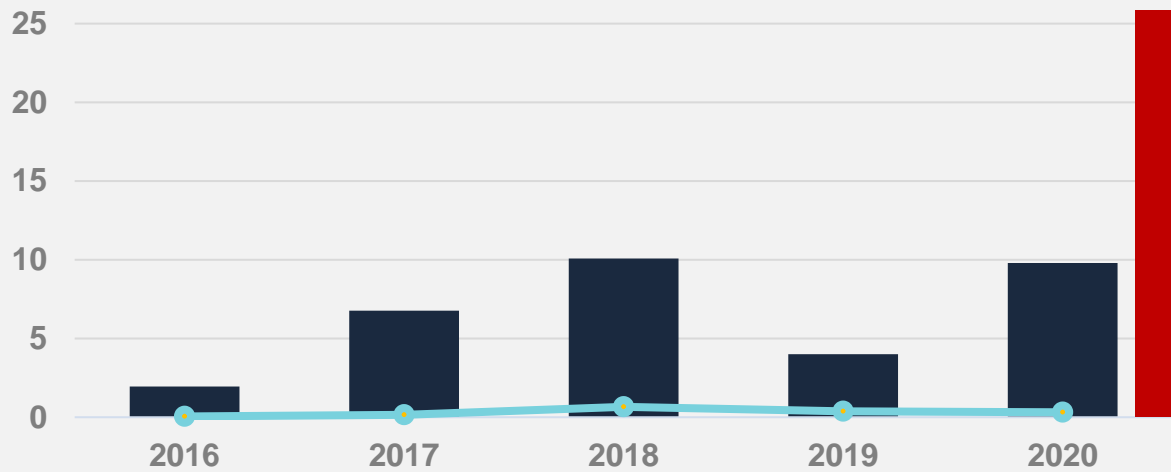
Manufactured Goods



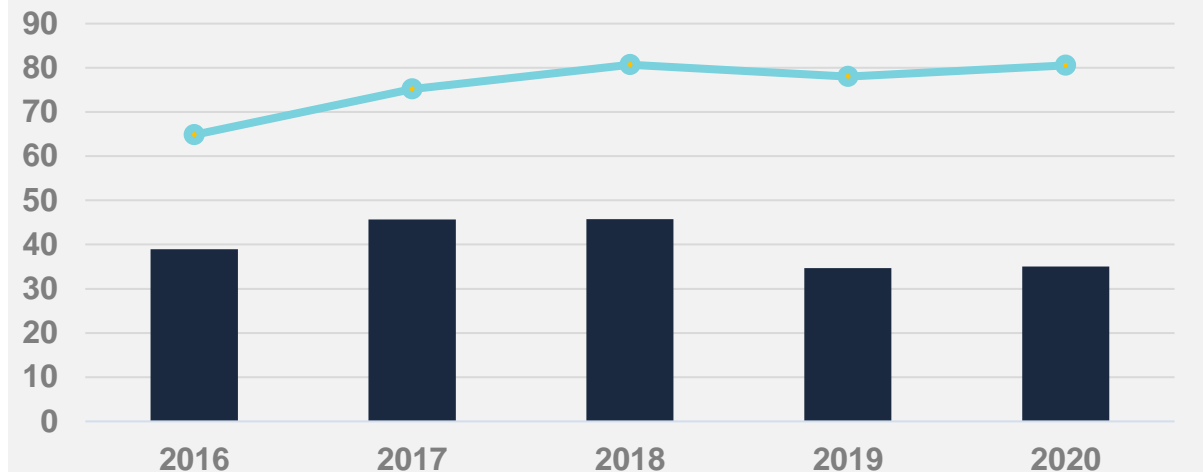
Agricultural Goods



Energy Goods



Uncovered Goods



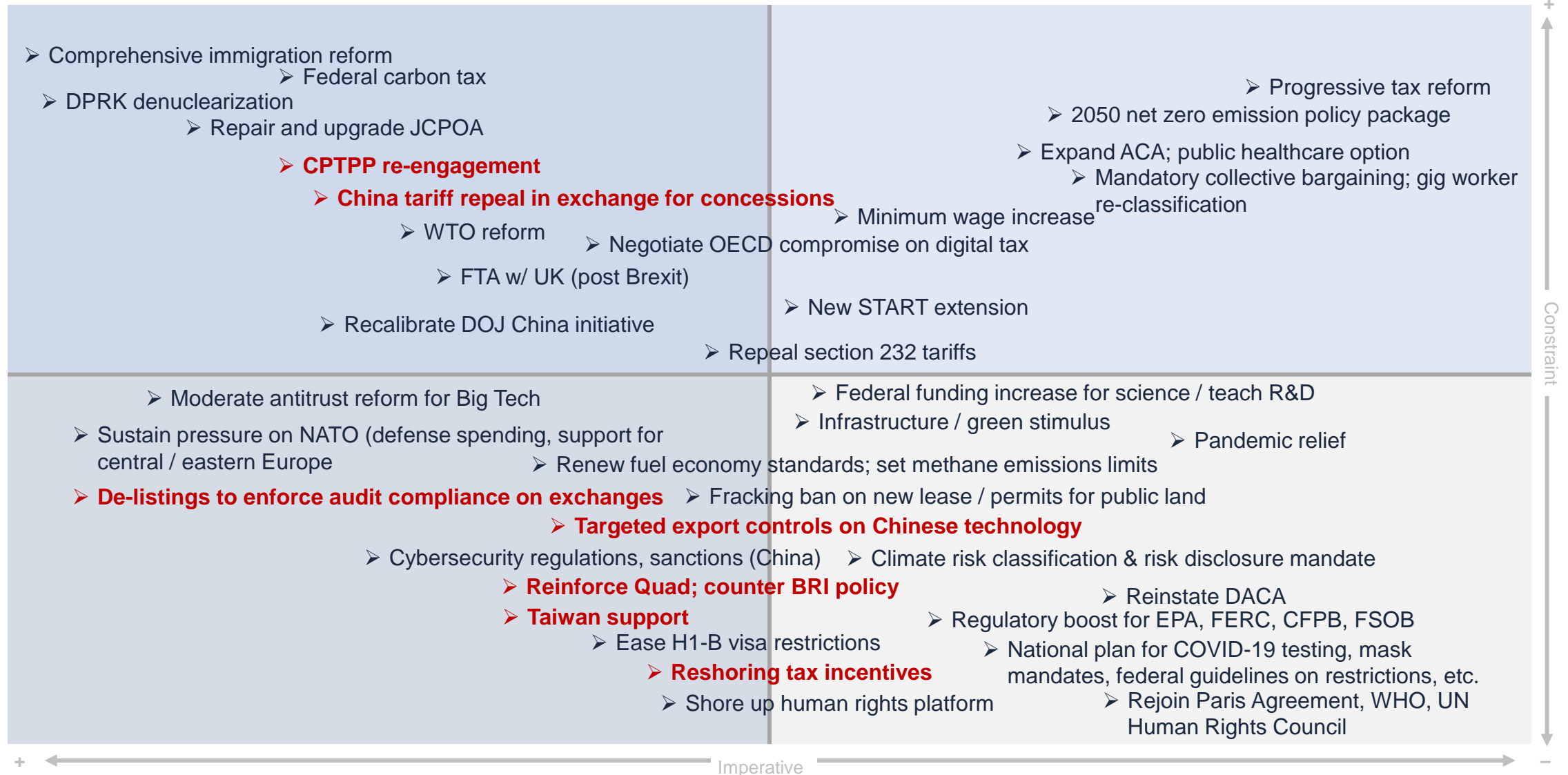


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Outlook Under Biden Administration



Biden Administration Agenda *imperatives & constraints*



Biden Administration China Outlook

Unilateral Multilateralism

change w/out negotiation

- Section 232 tariffs
- WTO: director general candidate
- US troops in Europe & Asia
- WHO
- Iran nuclear deal ((JCPOA)

Bilateral Stabilization

resolve through dialogue with China

- Section 301 tariffs
- Journalist expulsions
- Consulate closures
- Tik Tok & WeChat bans
- Visa - general restrictions (pandemic, CCP members)
- Fulbright & Peace Corps programs

Isolate China

maintain & expand via domestic (US) debate

- Hong Kong sanctions
- Xinjiang sanctions
- Delisting of non-compliant US-listed Chinese firms
- Revocation of US operator licenses for Chinese telecom firms
- Confucius Institute closures

Modify Restrictions & Reforms

adapt via domestic debate & dialogue with allies

- Huawei tech restrictions (executive order, entity list, FDPR)
- Entity lists – Commerce and DOD (general, military, South China Sea)
- “Clean Network” initiative (carrier, cloud, apps, cable)
- Defense Production Act, other measure to secure and relocate supply chains
- DOJ / FBI China Initiative on cyber & IP theft
- Trans-Pacific Partnership (TPP)
- WTO – Appellate Body, broader reforms

Restrictive

Negotiation

Decoupling



Marco Decoupling

Political and financial



Trade Decoupling

Supply chains and critical inputs



Innovation Decoupling

Standard and R&D



Digital Decoupling

Data, network equipment, and telecommunications services



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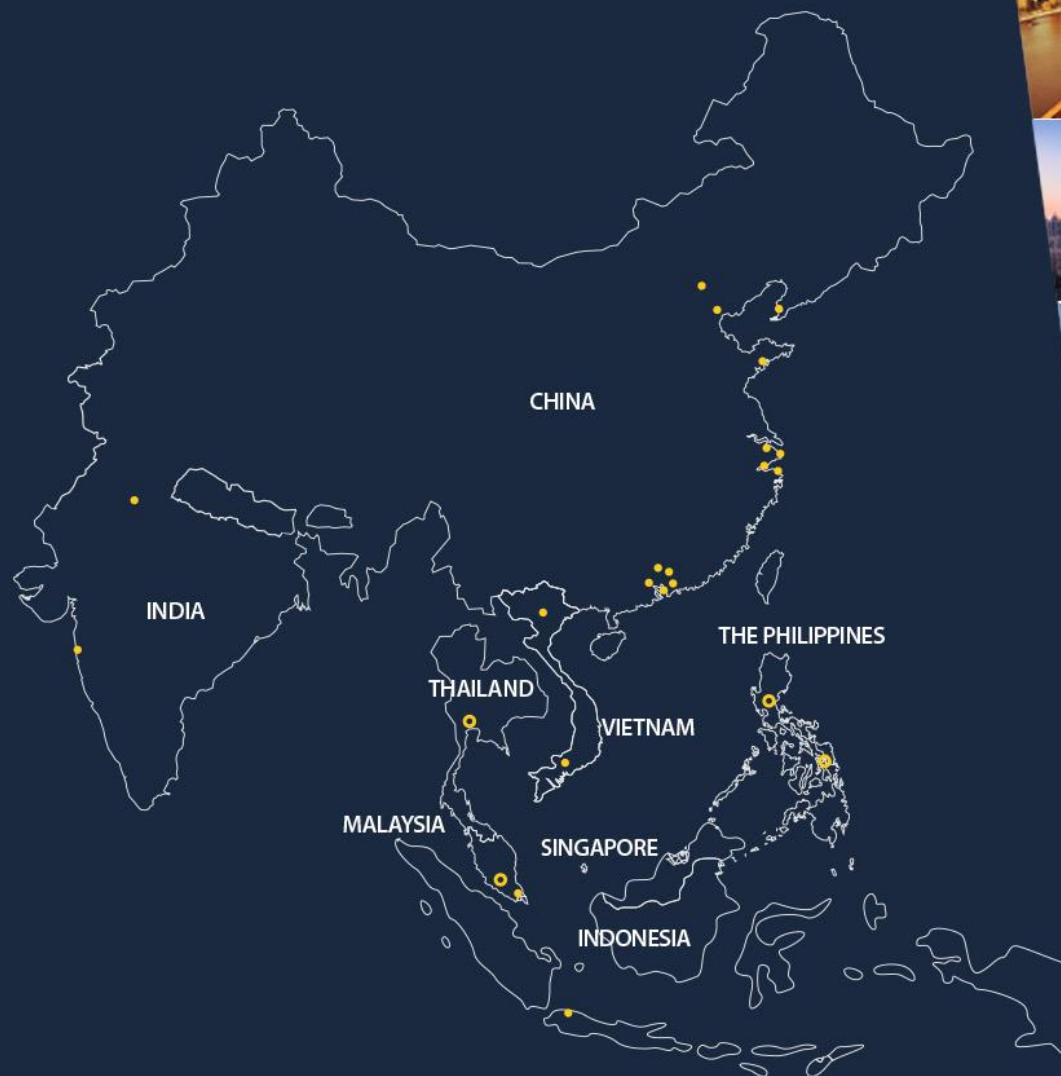


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