

China-US Trade Disputes Series

Issue 36

What would a Biden presidency mean for China and trade?



Key takeaways

- Democratic presidential candidate Joe Biden is projected to win 306 Electoral College votes (out of 538), crossing the threshold for victory, based on the votes reported as of 2:00 am on 9 November (US Eastern time).
- Under a Biden presidency, the confrontational and combative approach to China currently adopted by Trump will likely moderate, as Biden is considered more diplomatic and less erratic.
- China policy is likely to take a back seat to domestic issues as policy focus of the US. The China policy under a Biden administration is also likely to be more pragmatic, and there would be more cooperation in areas like public health and climate change.
- Although some changes in the US's China policy are expected, a fundamental U-turn in China-US relations is still doubtful, and we do not expect China-US tensions to ease significantly.
- There are also fears that if the Biden administration chooses to adopt a hard line against China, it could be even more dangerous as Biden would work with allies to develop more coordinated actions against China.
- Amid lingering China-US trade tensions, production and supply chains now need to be even more diverse, agile, and technology driven. Businesses with a strong global supplier network and deep relationships with suppliers will be in the best position to meet the new challenges.

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Biden wins the 2020 US presidential election

On Tuesday (3 November), the US held the presidential election and elections for all 435 seats in the House of Representatives and 35 out of the Senate's 100 seats.

Based on the votes reported as of 2:00 am on 9 November (US Eastern time), Democratic presidential candidate Joe Biden is projected to win 306 Electoral College votes (out of 538), crossing the threshold for victory.

The Democratic Party is also expected to maintain its majority in the House of Representatives despite a net loss of about 10 seats. Meanwhile, the Democratic Party gained at least one seat in the Senate but failed to take back the Senate majority outright, with the Republican Party currently holding a 50-48 advantage in the new Senate and two seats in Georgia to be decided in run-off elections on 5 January.¹ The new Congress will convene on 3 January 2021.

Biden's positions on China, trade, and more

The table below provides readers with a quick reference to Biden's positions on selected issues.

Issue	Policy stance
China	<p>Biden pledged a tough stance against China on trade, but he is harshly critical of Trump's approach to China. Biden said that while China should be held accountable for its 'unfair trade practices' and he would 'take aggressive trade enforcement actions against China', Trump has mismanaged the response. Rather than engaging a 'go-it-alone' trade war, Biden said he would form a united front with allies to bring multilateral pressure on China to tackle the trade issues.</p> <p>Biden also criticized Trump's tariff war and the 'Phase One trade deal' with China as harmful to US consumers and farmers. He said he would re-evaluate the additional tariffs on Chinese products upon taking office. However, he has not indicated whether he would keep or abandon the 'Phase One Trade Deal' with China.</p> <p>Biden also condemned Trump administration as weak towards perceived human rights issues in China. Biden said he would sanction Chinese officials responsible for 'human rights abuses' in Tibet and step up support for the Tibetan people.</p>
Trade	<p>Biden is not keen to new trade deals, as he said 'I won't enter into any new trade agreements until we've made major investments here at home, in our workers and our communities'. He also pledged that all future trade negotiations would include input from labour and environmental leaders.</p>

Although Biden wins the presidency, he risks being a lame duck President from day one if the Democratic Party fails to control the Senate.

As the President, Biden will have freedom of manoeuvre in trade policy and foreign policy, but he could have difficulty to push through his domestic agenda if the Senate is in the control of the Republican Party.

¹ As no candidates received over 50% of votes in either of Georgia's two Senate races, the top two vote-getters in each race will face off again in run-off elections. If the Democratic Party wins both seats, it would result in a 50-50 tie in the Senate, and Kamala Harris as vice president would cast tie-breaking votes in the case of a tie.

	<p>Biden helped craft and promote the original <i>Trans-Pacific Partnership</i> deal during his vice presidency, but now said that he would not rejoin it as ‘initially put forward’, and that parts of it should be renegotiated, especially on the protection of labour rights and the environment.</p> <p>Biden also warned the UK that it must not create a hard border between Northern Ireland and Ireland if it wants a trade deal with the US. This could slow the trade talks for a US-UK trade agreement, which is viewed as a priority for the Trump administration.</p>
<p>Foreign policy and global cooperation</p>	<p>Biden mocked Trump’s ‘America First’ foreign policy as ‘America alone’. He promised to reverse some of Trump’s foreign policy moves and ‘restore US leadership on the world stage’.</p> <p>Biden said he would begin ‘the day after the election’ repairing relationships with allies, particularly the North Atlantic Treaty Organization (NATO) alliance.</p> <p>Biden also vowed to re-commit the US to international organizations and accords that Trump has quit. He said that he would immediately rejoin the <i>Paris Agreement</i> on climate change if elected. He would also reverse Trump’s decision to withdraw from the World Health Organization (WHO).</p>
<p>Domestic economy</p>	<p><u>Wages and taxes</u></p> <p>Biden said the US needs to build an economy that ‘rewards work, not wealth’. He supports raising the federal minimum hourly wage to US\$15 from the current rate of US\$7.25.</p> <p>Biden also proposed tax increases on corporations and high-income earners. He would raise the corporate tax rate from 21% to 28% and implement tax hikes for individuals with more than US\$400,000 of annual taxable income.</p> <p><u>Manufacturing</u></p> <p>Biden proposed the ‘Made in America’ manufacturing plan. He called for the federal government to spend, over four years, an extra US\$400 billion on products, materials and services made in the US, as well as another US\$300 billion on high-tech research and development to spur domestic manufacturing.</p> <p>Biden would also work to bring back critical supply chains, including those of medical supplies, semi-conductors and communications technology, to the US.</p> <p>He also proposed to penalize US companies for outsourcing jobs overseas and then selling their products back to the US.</p>

Our take

The Trump administration has adopted the most hawkish policy towards China since the two countries established full diplomatic relations four decades ago. Over the past four years, the Trump administration has adopted the 'blame China strategy' and criticized China on a wide range of issues, including 'unfair trade practices', 'cyber theft', and recently, the COVID-19 pandemic. Under a Biden presidency, the confrontational and combative approach to China currently adopted by Trump will likely moderate, as Biden is considered more diplomatic and less erratic.

Biden's campaign advisers said a Biden administration would prioritize domestic issues over international matters like trade. Thus, China policy is likely to take a back seat to COVID-19 containment, economic issues and racial issues as policy focus of the US. In fact, Biden's China policy would start with boosting the strength of the US, as he said, 'our approach to China will focus on boosting American competitiveness, revitalizing our strengths at home, and renewing our alliances and leadership abroad'. Biden has also indicated that the US will collaborate with China when it is in US interest. Thus, the China policy under a Biden administration is likely to be more pragmatic, and there would be more cooperation in areas like public health and climate change.

However, although some changes in the US's China policy are expected, a fundamental U-turn in China-US relations is still doubtful, and we do not expect China-US tensions to ease significantly. First, Biden has said he would raise questions of human rights and democratic values to confront China, opening new fronts for bilateral tensions. More importantly, a tough stance against China has become bipartisan consensus in the US establishment. There are also fears that if the Biden administration chooses to adopt a hard line against China, it could be even more dangerous as Biden would work with allies to develop more coordinated actions against China.

Implications for sourcing businesses: We need more diverse and flexible supply chains

The lingering China-US trade tensions have caused disruptions in the global trade landscape, bringing fresh challenges and greater unpredictability to sourcing businesses. Under such circumstances, production and supply chains now need to be even more diverse, agile, and technology driven. Businesses with a strong global supplier network and deep relationships with suppliers will be in the best position to meet the new challenges. To navigate the challenging situation, businesses should continue to carry out strategic planning and re-planning for their supply chains, through diversifying sourcing base, nearshoring and onshoring production, and digitizing supply chains.

Although some changes in the US's China policy are expected under a Biden presidency, a fundamental U-turn in China-US relations is still doubtful, and we do not expect China-US tensions to ease significantly.

Amid lingering China-US trade tensions, production and supply chains now need to be even more diverse, agile, and technology driven. Businesses with a strong global supplier network and deep relationships with suppliers will be in the best position to meet the new challenges.

Fung Business Intelligence

Fung Business Intelligence collects, analyses and interprets global market data on sourcing, supply chains, distribution, retail and technology.

Headquartered in Hong Kong, it leverages unique relationships and information networks to monitor, research and report on these global issues with a particular focus on business trends and developments in China. Fung Business Intelligence makes its data, impartial analysis and specialist knowledge available to businesses, scholars and governments through regular research reports and business publications.

As the knowledge bank and think tank for the Fung Group, a Hong Kong-based multinational corporation, Fung Business Intelligence also provides expertise, advice and consulting services to the Group and its business partners on issues related to doing business in China, ranging from market entry and company structure, to tax, licensing and other regulatory matters.

Fung Business Intelligence was established in the year 2000.

Fung Group

Fung Holdings (1937) Limited, a privately-held business entity headquartered in Hong Kong, is the major shareholder of the Fung Group of companies, whose core businesses operate across the entire global supply chain for consumer goods including sourcing, logistics, distribution and retail. The Fung Group comprises over 34,000 people working in more than 40 economies worldwide. We have a rich history and heritage in export trading and global supply chain management that dates back to 1906 and traces the story of how Hong Kong and the Pearl River Delta emerged as one of the world's foremost manufacturing and trading regions. We are focused on both creating the Supply Chain of the Future to help brands and retailers navigate the digital economy as well as creating new opportunities, product categories and market expansion for brands on a global scale.

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