

Mr. Vipin Malik,
(Chairman, Infomerics Ratings)

Mr. Sankhanath Bandyopadhyay
(Economist)

THE TRADE TUSSLE BETWEEN USA AND CHINA: WHAT LIES AHEAD?

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The US Trade Representative (USTR) increased tariffs on \$18 billion worth of Chinese imports under the current Biden administration after the agency reviewed existing tariffs under Section 301 of the Trade Act of 1974. The new tariffs target major growth industries and national security sectors expressed concern about China's unfair trade practices regarding technology, transfer, intellectual property, and innovation.

The Biden administration has imposed a tariff hike on solar panels, semiconductors, and certain metals imports, including tariffs on Chinese Electrical Vehicles (EVs). This may have exemptions for certain critical solar manufacturing equipment.



According to a USTR report published on 14 May 2024,¹ the People's Republic of China (PRC) has not eliminated its technology transfer related acts, policies, and practices, which continue to impose a burden or restriction on U.S. commerce, which further found that the PRC has persevered, and in some cases to become aggressive, including through

¹ "FOUR-YEAR REVIEW OF ACTIONS TAKEN IN THE SECTION 301 INVESTIGATION: CHINA'S ACTS, POLICIES, AND PRACTICES RELATED TO TECHNOLOGY TRANSFER, INTELLECTUAL PROPERTY, AND INNOVATION" (14 May 2024)
The USTR,
[https://ustr.gov/sites/default/files/05.14.2024%20Four%20Year%20Review%20of%20China%20Tech%20Transfer%20Section%20301%20\(Final\).pdf](https://ustr.gov/sites/default/files/05.14.2024%20Four%20Year%20Review%20of%20China%20Tech%20Transfer%20Section%20301%20(Final).pdf)

cyber intrusions and cybertheft, in its attempts to illegitimately acquire and absorb foreign technology in an entirely unethical and even illegal manner.

Chinese tech firms like Alibaba, Meituan and Tencent are exploring options in the Middle East to grow and diversify. The increased connectivity between China and the Middle East holds latent potential for greater investment opportunities. Moreover, China is exploring purchase of unsold homes to prop up the property market.

Despite the tussle on trade front, the US and China have agreed to enhance cooperation on replacing coal with clean energy following high-level meetings in Washington, with plans to engage in technical exchanges on climate issues, including emission measurement and renewable energy deployment. Despite rising trade tensions, the discussions were amicable, emphasizing the crucial role of US-China collaboration in tackling climate change. This cooperation follows the fossil fuel substitution to achieve global net-zero emissions by 2050.

Electric vehicles (EV) from China are increasing over the border to Vietnam, the home of VinFast LLC, as low-cost EV makers are eyeing a rapid penetration in markets from Thailand to Brazil, which comes at a time of oversupply in China and newly announced 100% tariffs in the U.S.

The White House in a Press briefing published on 14 May 2024, highlighted that China's forced technology transfers and intellectual property theft have contributed to its control of 70 ~90 per cent of the global production of critical inputs necessary for the US technology, infrastructure, energy, healthcare creating enormous risks to US supply chain and economic security.

The International Monetary Fund (IMF) on 16 May 2024 underscored that the U.S. would be better served by maintaining open trade policies that have been vital to its economic performance. The IMF also suggested that U.S. and China should work together towards a solution that addresses the underlying concerns that have exacerbated trade tensions between the two countries.

The Chinese economy is struggling with property slump, weak consumption growth and accumulating debt risks, amidst which the economy is desperate to grow rapidly.

Currently amid other challenges, including inflation and geopolitical issues, could further complicate the multi-layered tussle between two global giants in line with what has been emphasised by the Malaysian Prime Minister Anwar Ibrahim. Another conflict dividing the strife-torn world could be manifested in the jostling for power and global leadership by U.S. and China. It is, however, important for Asian countries, as also highlighted by Nikkei Asia, to exercise caution and neutrality by balancing their relationships with both powers, "other than being part of a Cold War sort of grouping." This involves tight-rope walking; knife-edge equilibrium so that differences between countries do not degenerate into a no-holds barred war and a sense of balance and perspective is maintained in the intractable negotiations.