



Biden vs. Trump: Business and Politics after the 2024 U.S. Election



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1

Outline

1. The Pursuit of both Industrial Policy and New Economic Statecraft
2. Trade policy
3. High technology policy
4. Broad foreign policies
5. Conclusion

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2

2

1. Industrial Policy and New Economic Statecraft

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Aggarwal and Reddie: Approach

- Classify types of intervention in trade and investment
- Examine when are states most likely to pursue strategic intervention in markets
- What determines the types of state intervention in markets: at the border, behind the border, and beyond the border?

New Economic Statecraft: Industrial Policy in an Era of Strategic Competition


Issues and Studies, 2020

VINOD K. AGGARWAL AND ANDREW W. REDDIE

World Trade Review (2021), 1–15
doi:10.1017/S1474562000049X

ORIGINAL ARTICLE

Economic Statecraft in the 21st Century: Implications for the Future of the Global Trade Regime

Vinod K. Aggarwal* and Andrew W. Reddie* 

GLOBAL ASIA Cover Story How US-China Tech Rivalry Is Squeezing Asia's Middle Powers

The New Reality of Economic Statecraft

By Vinod K. Aggarwal
& Andrew W. Reddie

GLOBAL ASIA Vol. 17, No. 4, December 2022

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4

What's the Difference between Industrial Policy and New Economic Statecraft?

1. Focus:

- **Industrial Policy:** Focuses primarily on domestic economic development and sector-specific.
- **New Economic Statecraft:** Focuses on achieving strategic geopolitical objectives using economic means.

2. Scope:

- **Industrial Policy:** Primarily concerned with internal economic policies and improving specific industries.
- **New Economic Statecraft:** Encompasses both domestic and international economic policies with strategic objectives.

What's the Difference between Industrial Policy and New Economic Statecraft (cont.)?

3. Methods:

- **Industrial Policy:** Utilizes subsidies, tax incentives, regulations, and R&D funding.
- **New Economic Statecraft:** Employs sanctions, trade agreements, foreign investments, and economic aid.

4. Goals:

- **Industrial Policy:** Aims at economic growth, employment, innovation, equality, regional development, and competitiveness.
- **New Economic Statecraft:** Seeks geopolitical influence, national security, and economic leverage in international relations

2. Trade Policy

Tariffs and Trade Agreements



7

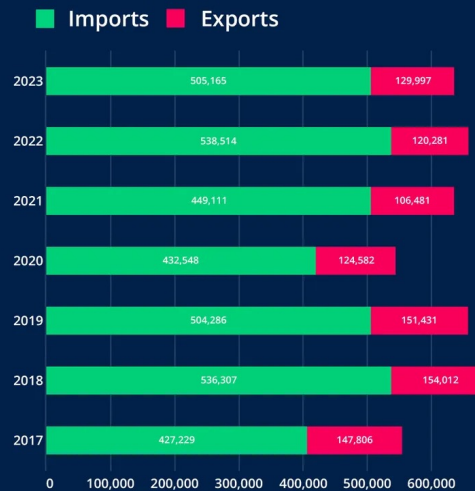
Unilateral Trade Policy: Biden

- Biden **increasing tariffs** in strategic sectors on **\$18b worth of imports (4%)** in response to China's trade policies: Range from 25% (Steel, Aluminum) to 100% (EVs)
- Aims to roll out tariffs he believes are "smarter" to buy some votes in swing-states, such as Michigan
- **Believe limited inflationary impact** as mainly targeting strategic sectors where US I is ramping up domestic investment

8

Imports vs Exports: US-China

Total value of U.S. trades in goods, export and import, with China 2017-2023



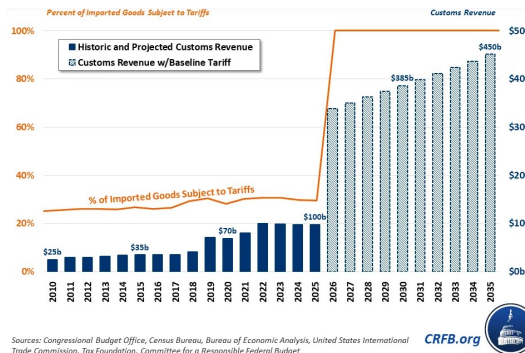
Unilateral Trade Policy: Trump-- “Tariff Man”

Trump’s trade policy is based on “victimization” and “unilateralism”



Unilateral Trade Policy: Trump

- Plans to enact a “universal baseline tariff” on US imports: 10% across the board, 60% on imports from China; suspend **Most Favored Nation (MFN)** for China



Sources: Congressional Budget Office, Census Bureau, Bureau of Economic Analysis, United States International Trade Commission, Tax Foundation, Committee for a Responsible Federal Budget

- “Recipe for corruption”: Trump could wield unilateral authority to grant exemptions to countries of his choosing

Bilateral Trade Arrangements: Biden

- **US-Taiwan 21st Century Trade Initiative:** Continuing negotiations for 2nd agreement
- **Americas Partnership for Economic Prosperity:** USTR working with partners to establish a Council on Trade and Competitiveness
- **US-France Partnership:** Deepening cooperations in defence, energy, space cooperation and cybersecurity

Bilateral Trade Arrangements: Trump

- **“America First” Policy:** Highly protectionist
 - Trump emphasizes his priority being on American workers and US independence from Chinese imports
- Aggressive trade policy towards any country that US considered involved in **unfair trade practices**, especially China
- **Trump Reciprocal Trade Act**
 - “If any country makes us pay a tariff, ... we will make them pay a reciprocal identical tariff”



Minilateral and Global Trade Policy: Biden

- **Retained Trump's decision** to leave the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)
 - No indication Biden will rejoin or renegotiate the partnership
- Working to **rebuild ties with Mexico** after Trump's attitude in past years
 - Biden looking to have a stronger presence in the United States-Mexico-Canada Agreement (USMCA)

Minilateral and Global Trade Policy: Biden (cont.)

- Push Indo-Pacific Economic Framework for Prosperity (IPEF) members to finalize agreements that would **expand trade between members**
 - Highlights **4 key pillars**: supply chain resilience, clean energy, transparent trade facilitation, and fair economic practices
- Supportive of the World Trade Organization (WTO) but **advocating reforms**
 - Reform environmental and labor standards and crack down on China trade

Minilateral and Global Trade Policy: Trump

- Trump has shown **no indication of rejoining** CPTPP after his withdrawal
 - After China's formal request to join CPTPP, Trump's likelihood of rejoining significantly decreased
- Plans to put greater **trade restrictions on Mexico** which could jeopardize the US role in the USMCA
- **Skeptical of WTO** and its authority



3. High Technology Conflict

NEW ECONOMIC STATECRAFT: ESSAYS BY
 Vinod K. Aggarwal & Andrew W. Reddie; Hideyuki Miura; Florence W. Yang; Jennifer Jaccott; Seungjoo Lee; Heejin Lee; Laxman Kumar Behera; Margaret Kenney; Jaesik Choi

PLUS
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 Wonho Yeon and S. Joon Kwon on a focal point of tech rivalry

FEATURE: XI JINPING'S HARD YEARS AHEAD
 William H. Overholt looks at threats facing China's leader

GlobalAsia
 A JOURNAL OF THE EAST ASIA FOUNDATION | WWW.GLOBALASIA.ORG | VOLUME 17, NUMBER 4, DECEMBER 2022



Management of High Technology: Broad Policy

- Biden and Trump rare **significantly aligned** in their AI, quantum information science (QIS) and cybersecurity policymaking agendas
- Trump: Maintain **American Leadership** in tech
- Biden: **Expanding on Trump**, seeking to manage and regulate tech



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Management of High Technology: AI

- Executive Order on the **Safe, Secure, and Trustworthy** Development and Use of Artificial Intelligence, October 2023
 - Mandates **rigorous safety and privacy standards** for AI development
 - Promotes AI research, supports small businesses, enhances US leadership
- Executive Order on Addressing United States Investments in Certain National Security Technologies and Products in **Countries of Concern**, August 2023
 - Mandates notifying Treasury of certain transactions

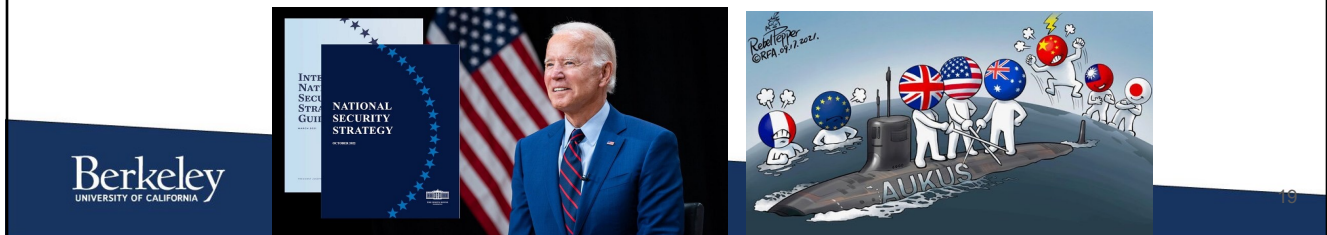


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18

Management of High Technology: Artificial Intelligence

- **Foreign Direct Product Rule:** Export controls to prevent Chinese companies from acquiring/producing advanced computer chips for AI
- **National Security Strategy**
 - Emerging technologies believed to “transform warfare” subject to “tools such as export controls and a collaborative foreign policy”
- **AUKUS (US, UK, Australia)**
 - Collaborate in cyber, AI, quantum technologies and undersea capabilities



19

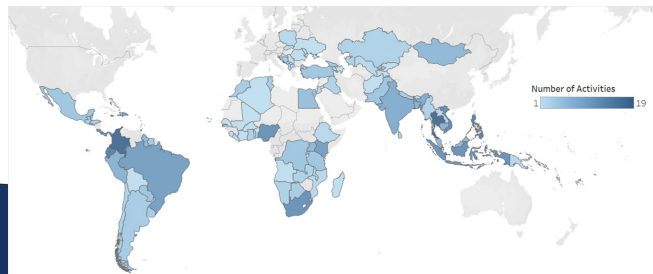
Management of High Technology: Quantum

- Trump 1.0: National Quantum Initiative Act & National Quantum Initiative Advisory Committee
- Biden placed committee directly **under White House authority** & enacted **CHIPS and Science Act** of 2022
- Both administrations **utilized federal agencies** (Department of Energy, National Science Foundation) for **research endeavors**
- Aug 2023 EO: **Prohibits investments** in quantum computing, sensors, and networking

20

Management of High Technology: Cybersecurity

- Trump 1.0: Executive Order on Strengthening the Cybersecurity of Federal Networks and Critical Infrastructure
- Biden’s **National Cybersecurity Policy**: “rebalance the responsibility to defend cyberspace”
- Biden’s **International Cyberspace and Digital Strategy**: “digital solidarity”



Management of High Technology: US-China

US-China Tech Wars: Costs estimated ~1.2% of global GDP; battles primarily unfolding in **chipmaking and green technology**

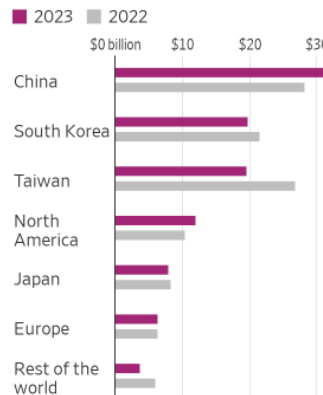
Tool Time

China loaded up on chip-manufacturing tools in 2023, representing about a third of global sales.

The US is restricting China's access to advanced chips.

The move is forcing China to be self reliant.

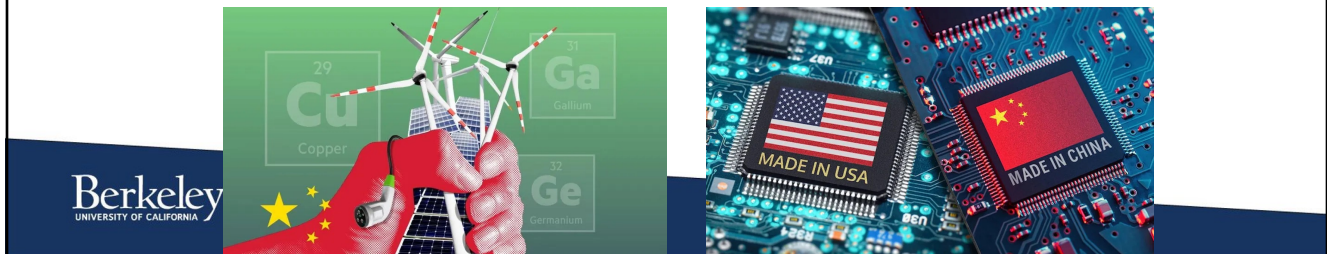
Chip-tool purchases, by buyer



Source: SEMI

Management of High Technology: US-China cont.

- US aims to **limit Chinese access** to its market and persuade allies to do the same – intensifying actions against Chinese tech firms, e.g Huawei
- US toolkit: Inflation Reduction Act, high tariffs, subsidies to build fabs
- China seeks to dominate less advanced chip manufacturing and expand its global market presence in green tech (Longi, CATL)



23



TikTok

Corporate Impact Case: TikTok

2020 - 2021

- 2020: The Trump administration **attempted to ban** TikTok in the US at the national level. The move was blocked by a Federal judge. Subsequent discussions began on potentially selling the US division.
- 2021: Biden administration announced a deal to allow the app to continue operating in the US

TikTok would be managed by Oracle and Walmart, and its US user data would be stored only in the US.

- **The deal was shelved**, but was reconsidered in 2023 with new scrutiny.

2022 - 2023

- 2022-2023: Over 24 states passed legislation **banning TikTok** from government-owned devices.
- 2023: Montana passed a total ban in 2023, with other states closely behind. *In February 2023, Texas Attorney General Ken Paxton filed a lawsuit against TikTok, alleging that the app is a threat to national security.*

How to respond to restriction pressure? Strategy: defuse concern with TikTok

24

Market Tactics: Proactive Self-Governance

Key action: develop a US-based division with internally developed protocols to secure user data.

Home News Media Research Myths vs Facts FAQ About

About Project Texas

TikTok's Commitment to U.S. National Security

TikTok's mission is to inspire creativity and bring joy. With more than a billion people using our platform to discover content and share their voice each month, it's our responsibility to ensure the safety, privacy, and security of our community. TikTok faces a high level of scrutiny as a result of our parent company's Chinese heritage, and that scrutiny requires a unique level of transparency—and accountability. In that spirit, we are sharing details about how we're meeting this commitment and working to address U.S. national security concerns through an initiative called Project Texas.



25

Non-Market Tactics



Lobbying at multiple levels of US decision-making

- Spent **\$16+ million on federal lobbying in the U.S. since 2019**, according to public disclosures. But the total that the company has **expended to save its existence** in the United States is almost **certainly dramatically higher**. That figure does not include lobbying at the **state level**, or the company's spending on **PR firms** and in-house communications staff responding to its crisis.

Engaged 3rd party advisors & allies for defense:

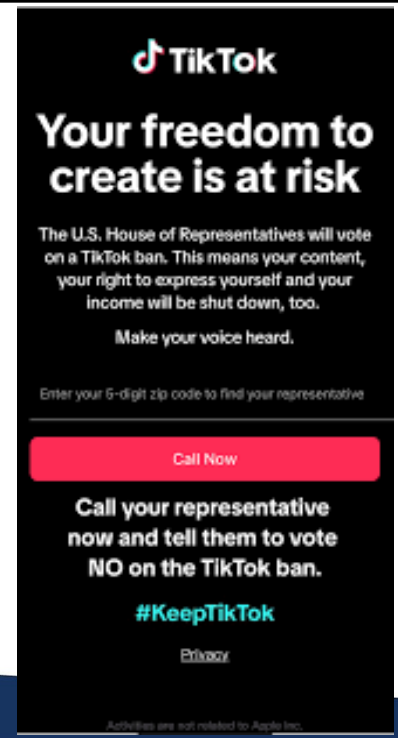


- **Hired:**
 - US law firm K&L Gates as policy advisor for content moderation (including 2 former Congressmen)
 - US consulting firm Special Counsel to analyze TikTok's app data
- **Joined** NetChoice, a trade association that is aggressive in pushing back on critics of tech companies with principled rationales

26

TikTok's Response: Non-Market Tactics (cont.)

- **Grassroots:** Posted pushes on March 8 and 9, 2024
- **Too clever.....!**



27



March 13, 2024: Congress passes bill to ban Tiktok "Protecting Americans from Foreign Adversary Controlled Applications Act"

April 24, 2024: Pres. Biden signs bill approved by Senate as well



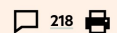
What's next for TikTok after Biden approves ban

Video app vows legal battle to prevent effort to separate it from Chinese parent



The overwhelming support from lawmakers signals widespread agreement in Washington that TikTok represents a threat to US national security while it is owned by ByteDance © FT montage/Bloomberg/Getty Images

Tabby Kinder in San Francisco APRIL 24 2024



28

4. Foreign Policy

Asia, Europe, and Latin America



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29

Biden: Asia Policy

- Biden has taken a strong stand **against China** and has retained many former Trump tariffs
 - Intends to continue trying to build diplomatic engagements with China
- Promotes **multilateral cooperation**
 - Newly formed “**Quad**”: an alliance between US, Australia, India, and Japan
 - Aims to build open Indo-Pacific trade and increase security in the region
- Prepared to **support strong military presence** in Taiwan if China invades
 - Openly denounced human rights concerns in China

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30

30

Trump: Asia Policy

- Unilateral approach and is skeptical of Asia alliances
- Trump may continue diplomatic **engagements with North Korea**, started in his previous term



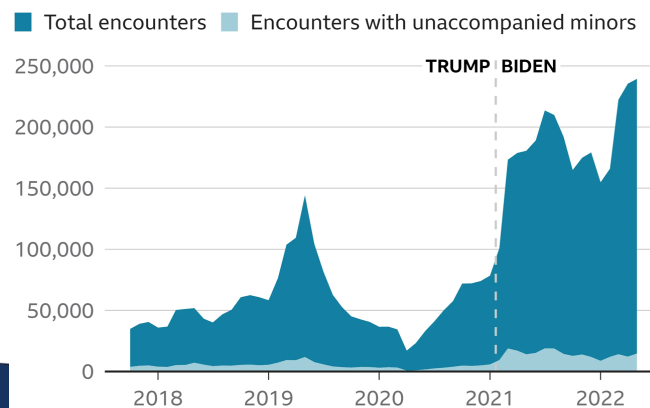
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Biden: Latin America

- AP-NORC Poll, April 2024: 56% say “Biden’s presidency has **hurt** the country on the issue of **immigration and border security**”
- Biden has since moved **closer to the right**
- Instituted a **broad asylum ban** on US-Mexico border
- Exposed **divisions** within Democratic Party

US-Mexico border has seen high levels of migrants in the past year



Source: US Customs and Border Protection Agency (data to May 2022)

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Trump: Latin America

- Views Latin America as means to advance domestic agenda
- Likely to **continue Trump 1.0 into Trump 2.0**
- May **impose tariffs** on countries that fail to reduce flow of undocumented immigrants to the US
- Ironically denounced Biden's ban:
 - "outrageous" & "concession of 'death and defeat'"

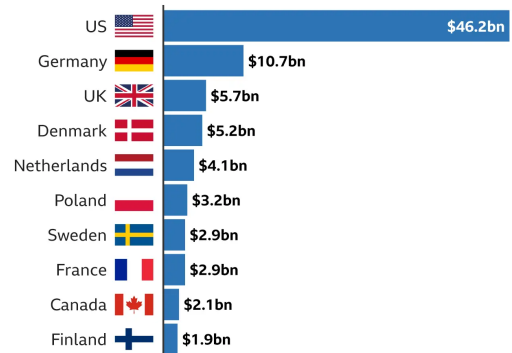


Biden: Europe Policy

- Will focus on further **strengthening NATO**
- Looking to strengthen relations with Europe
 - Specifically on issues of climate change, trade, and regional security
- Biden has long **supported Ukraine** and has strong policy there
 - Will continue supporting and funding Ukrainian efforts against Russia

Top donors of military aid to Ukraine

Allocations of weapons and equipment, to 29 Feb 2024



Source: Kiel Institute for the World Economy



Trump: Europe Policy

- Different approach to Ukraine
 - Will encourage Zelensky to **cede land** (Crimea and the Donbas region) to convince Putin to end the invasion
 - Likely would stop sending weapons and funding to Ukraine



Trump: Europe Policy

- Hardline stance against NATO members
- Failure to meet goal of 2% defense spending

The Military Spending of NATO Members

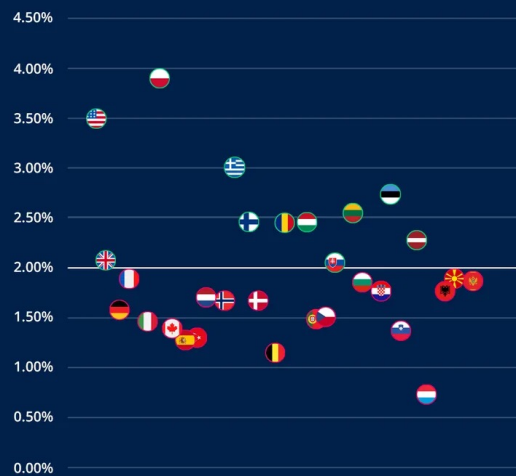
Estimated military spending of NATO countries in 2014 and 2023, USD billions

2014 2023

Country	2014 (USD billions)	2023 (USD billions)
United States	~580	~580
United Kingdom	~45	~45
Germany	~35	~35
France	~30	~30
Italy	~25	~25
Poland	~15	~15

Who meets their target?

While NATO sets a target of 2% GDP on defense spending, which members actually meet this goal?



5. Conclusion

- **New Economic Statecraft and Industrial Policy** are supported on a bipartisan basis in by the U.S.
- **Liberal Trade** is under threat by both Biden and Trump
- **Both Biden and Trump are keen** on developing cyber, AI, quantum technologies, and other high technologies
- Trump will continue with **unilateral** and aggressive pressure in foreign policy; Biden will be more cooperative
- Firms need to develop **market and nonmarket** strategies to cope