

Trouble Ahead?

US-China Competition and Implications for Europe

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US-China Strategic Competition

A high degree of continuity from **Trump** to **Biden** to....

Channel	Tool	Examples
Trade	<ul style="list-style-type: none"> Tariffs Export controls 	<ul style="list-style-type: none"> Section 301 & 232 (steel, chips, EVs, solar cells, batteries, cranes, medical products) ECRA + Entity Listings + Chip-related controls
Investment	<ul style="list-style-type: none"> Inbound restrictions Outbound restrictions 	<ul style="list-style-type: none"> FIRRMA + Executive Order expanding scope of CFIUS Ban on investments in firms linked to Chinese military-industrial complex Outbound investment restrictions
Industrial policy	<ul style="list-style-type: none"> Subsidies Local content requirements 	<ul style="list-style-type: none"> CHIPS Act + Inflation Reduction Act
Data	<ul style="list-style-type: none"> Limits on cross-border flows 	<ul style="list-style-type: none"> Executive Order on data security Restrictions on connected vehicles
Critical infrastructure	<ul style="list-style-type: none"> Procurement restrictions 	<ul style="list-style-type: none"> Executive Order on Securing the ICTS Supply Chain Secure & Trusted Communications Networks Act National Security Memorandum on Critical Infrastructure
Human rights	<ul style="list-style-type: none"> Sanctions Import restrictions 	<ul style="list-style-type: none"> Global Magnitsky Act Hong Kong-related sanctions Uyghur Forced Labor Prevention Act
Indo-Pacific security	<ul style="list-style-type: none"> New alliance structures Shift in resources 	<ul style="list-style-type: none"> AUKUS + Revival of the Quad Enhanced cooperation with Japan, South Korea, Philippines US financial and military support for Taiwan

China policy post US-election: Trade

US redefinition of trade in “post WTO” world

Strategic drivers	Harris	Trump
<ul style="list-style-type: none">• Push to recreate exclusivity in trade by applying shared standards for like-minded countries (market economy, digital, cyber, supply chain resilience, human rights, environmental, AI standards)• Security blocs as foundation for FTAs (AUKUS)• Strategic impulse to accelerate diversification and claw back China-owned assets in sensitive industries	<ul style="list-style-type: none">• Build on plurilateral momentum in G7• Move beyond IPEF/APEP frameworks to focus mini trade/investment blocs across strategic industries• Incremental building on de-facto separate tariff column for China while assessing pace of diversification to mitigate large-scale disruption	<ul style="list-style-type: none">• Fixation on trade deficit targets: China, Mexico (note USMCA review coming in 2026), Vietnam, EU/Germany, India• Energy- and time-consuming transactional deal-making at bilateral level, at the expense of plurilateral coordination• Tariff differentiation with blunter import bans targeting China

China policy post US-election: Technology

A loaded weapon in US tech controls

Strategic drivers	Harris	Trump
<ul style="list-style-type: none">• Intent to undercut China's chip production, self-reliance• Theories of harm converging (dual use, competitiveness, human rights, sanctions circumvention)• Concerns over dual use amplified by AI	<ul style="list-style-type: none">• Intensive effort by Commerce to assess spillovers, understand industry dynamics• Incremental scope expansion (biotech, connected systems as emerging priorities)• Willingness to apply long-arm jurisdiction when warranted but focus on coordination efforts at bilateral and plurilateral levels (G7, US-EU TTC)	<ul style="list-style-type: none">• Assumption that industry will adapt. Better to move fast on tech controls.• Trade/investment/tech control list proliferation and harmonization, with DoD in lead• Blunt application of ICTS controls (including outright import bans).

China policy post US-election: Taiwan

Climbing the Taiwan escalation ladder

Strategic drivers	Harris	Trump
<ul style="list-style-type: none">• Chinese military coercion shifting rules of the game in Taiwan Strait, but also in the South China Sea/Philippines.• US focus on deterrence-building• Beijing sees US defense support as violation of One-China Policy• Divided TW government constrains Lai's ability to respond to aggressive actions by China.	<ul style="list-style-type: none">• Heavy emphasis on diplomatic and military guardrails to assess Chinese response to tech/trade controls and Taiwan measures, create offramps to de-escalate• Focused effort on building up plurilateral security coordination (AUKUS, Quad, Japan-South Korea-US trilateral)• Effort to build plurilateral understanding on sanctions response to gray zone escalation• De-facto shift toward "strategic clarity" on defending Taiwan rather than strategic ambiguity.	<ul style="list-style-type: none">• Inherent tension between isolationist president with more hawkish national security cabinet on China/Taiwan defense• Trump's reluctance to intervene, strike deals, could be viewed as opportunity by Beijing to ratchet up pressure on Taiwan• Emphasis on presidential-level dialogue as opposed to cabinet-level exchanges, raises risk of communication vacuums• Willingness to leverage security partnerships in transactional trade negotiations

Outlook

Chemicals and biotech in US-China tensions

Level-playing field

Overcapacity and dumping concerns in the chemicals field could trigger more US trade defense action, so could environmental considerations

Resilience

API and ag-related chemicals, both considered critical inputs, could see more de-risking action (via carrots like subsidies and sticks like tariffs)

Sanctions

Because chemicals is considered a military-adjacent sector, Chinese chemical firms could come become greater sanctions or export control targets

Companies of concern

Certain Chinese biotech companies will come under greater scrutiny for their links to China's human rights abuses or military complex

Compute power

Biotech relies on technologies (AI) and inputs (chips) that are considered crucial to China's militarization

Sensitive data

Biotech's reliance on health and personal data will create barriers to cross-border work and data flows

Bio-weapons

Concerns that biotech research could enable the development of next-gen bio-weapons could lead US leaders to impose greater controls

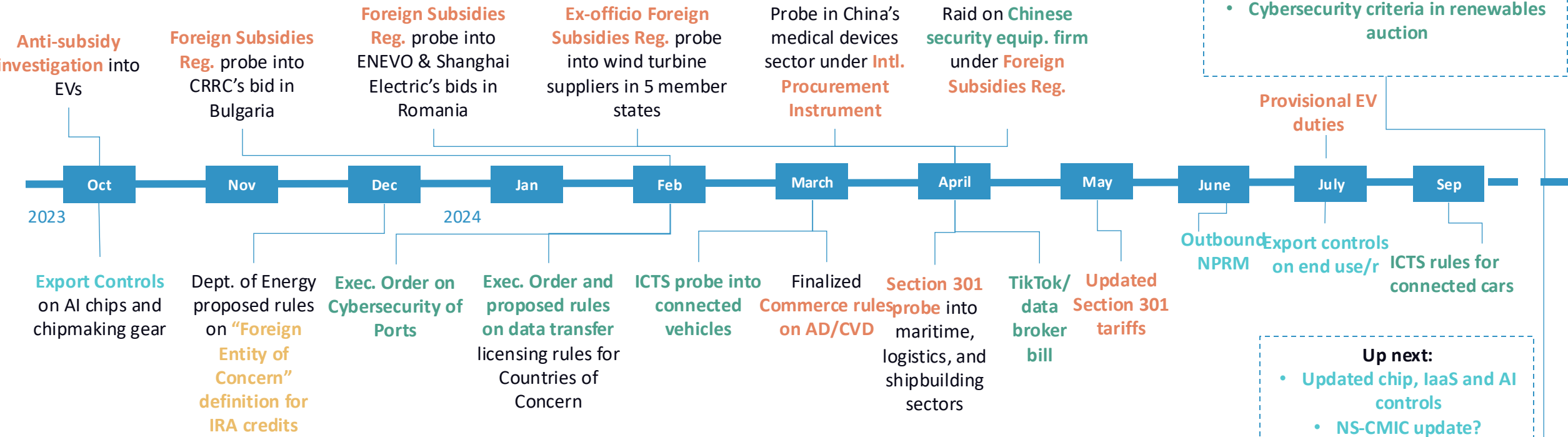
Increasing EU/US convergence, even as tactics vary

EU has leaned on trade defense, but is reaching for additional tools

Legend:

- Trade Defense/Level Playing Field tools/import restrictions
- Local content requirements
- Export controls/outbound investment/sanctions
- Data/Cyber security

EU Actions



- Up next:**
- Trustworthiness criteria for clean tech (incl. cybersecurity criteria)
 - Connected vehicle risk assessment
 - Cybersecurity criteria in renewables auction

- Up next:**
- Updated chip, IaaS and AI controls
 - NS-CMIC update?
 - Sec 232 component tariffs
 - DoJ data security rules
 - Climate trade task force

US Actions

Long-term trends: Implications for Europe

Intensifying industrial competition

- **Greater use of industrial policy, trade defense & level playing field tools by EU**
- **Risk of job losses in Europe triggering a political backlash**

US-China strategic rivalry

- **More US pressure on Europe to align with US policies on China**
- **Greater need for Europe to invest in own defense as US pivots to Indo-Pacific**
- **New risks in US market for European companies with China links**

More assertive China under Xi Jinping

- **Risk of military accident/conflict linked to South China Sea or Taiwan**
- **Growing focus on China-Russia ties as war in Ukraine drags on**
- **Risk of economic retaliation as trade tensions mount**

Structural slowdown in the Chinese economy

- **Need to look for growth in other markets**
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