

Post-Election Update — Part Two

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Today's Presenters



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Our Discussion Today

- Lame Duck Landscape
 - Relief
 - Extenders
- Foreshadow of Supply Chain and Trade Policy
- Tariff and Quota as Tactics
- Impact on Global Supply Chains

Lame Duck Congress: Unfinished Business

- Needing more time to negotiate, Congress extending government spending by one week, to Dec. 18
- Likely include unfinished items in one omnibus bill
 - \$1.4 trillion federal government funding bill is “vehicle”
 - COVID-19 relief provisions
 - Expired/expiring tax credits, deductions (tax extenders)
- Override of IRS Position on Deduction of PPP expenses
 - Included in \$908b bipartisan proposal; not in Senate GOP bill
 - Treasury continues to oppose inclusion despite broad support on Capitol Hill, among small business lobbying community
- Disagreement remains over state funding, employer liability protection a red line requirement for McConnell



Year-End Tax Extenders Bill

- Sources indicate lawmakers leaning towards moving all expiring provisions or none – all or nothing
- Extension likely for one year (some want shorter/longer)
- Fate of extenders not tied to passage of both government spending bill *and* COVID relief
 - Extenders can move on spending *or* COVID bill as a vehicle if one fails to pass
 - While COVID provisions are coming together, spending bill needs more time (300 provisions still in dispute as of 12/7)



Post-Election Trade & Tariff: Key Takeaways

- Most tariffs on China to remain possibly into 2022
- Could lift tariffs on consumer, COVID-related imports
- Pressure from Congress towards China will continue
- U.S. will engage global partners more against China
- Biden will seek to repair relations with allies; likely will not lift all tariffs “right away”
- Not expecting major new trade agreements
- Supply chains will start to see more changes



New Normal? Supply Chains and Trade Policy

- Supply Chain Changes Proposed
 - Senate GOP bill authorizes improvements for sustained on-shore manufacturing surge capacity; grants for stockpiles
- COVID PPE shortages, vaccine production highlighted domestic supply chain vulnerabilities – a bipartisan issue
- Trump Commerce Department proposed rule on actions to strengthen public health industrial base
- Not just medical: approaches to domestic supply chain
 - Organic growth of existing capabilities
 - Grant and tax incentives for companies to reshore/onshore
 - Penalties, taxes, tariffs if do not onshore

Post-Election Trade: Free Trade Agreements

- Sources on Biden transition team indicate free trade agreements will take a “back seat” in 2021
- Trade Promotion Authority (Fast Track) will likely expire
- Biden will seek to repair and restore relations with allies
- Unlikely to rejoin Transpacific Partnership (TPP)
- U.S.-UK talks slow; U.S.-India talks likely on hold
- Talks on an OECD-led global minimum tax for multinationals will expedite in 2021 (BEPS 2.0)



Post-Election Trade: Tariffs on Chinese Imports

- Biden says to expect little change on China tariff policy
- Expectation is tariffs remain for at least 2021
 - Discussions within Trump administration to increase tariffs now
- Biden team views tariffs on China as leverage in talks
- If tariffs remain, what happens with exclusion process?
 - Trump administration approved 12.95% of 52,746 requests
 - Still no action on 617 COVID-19 related exclusion requests
 - Biden under pressure to reopen exclusion process



Post-Election Trade: Tariffs on “Traditional Allies”

- Europe seeking quick lifting of Section 301 aviation, and digital services tax tariffs and 232 steel/aluminum tariffs
- Biden under pressure from unions/steel to keep tariffs
- First focus likely on resolving 301 Boeing-Airbus tariffs
 - U.S. exporters eager to have retaliatory tariffs lifted
- If tariffs not lifted in 1Q 2021, look for action by June
 - Will take time to install senior trade staff at USTR
- If tariffs lifted, how does Biden appease domestic politics?



Post-Election Trade: Do Quotas Replace Tariffs?

- Absolute quotas place limits on imports of goods
 - Once quarterly or annual quota reached, imports stop
 - U.S. Customs publishes quota status each Monday by HTS code
- As Trump reached agreement with Canada, Mexico, Brazil, Argentina, South Korea, replaced tariffs w/quotas
- Even if no quotas, domestic constituencies (unions, steel industry, farmers) putting pressure on Biden to take some action against imports if he lifts tariffs



New Government Views of Global Supply Lines

- COVID causing all governments, international, federal, state, local to rethink critical sourcing
- Biden looking at increasing U.S. government purchases of U.S. goods; increasing regulatory standards to limit imports; require more compliance of importers
- Will use rejoining Paris Climate Change agreement as a means to buy sustainable and American-made goods
- Increase use of Buy American provisions in infrastructure

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Questions and Answers





Thank you!

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