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LOGISTICS REPORT

# Commentary: Postelection U.S.-China Trade Relations May Not Take the Expected Path

Assumptions that trans-Pacific tensions would ease if the White House changes hands are misguided



The Port of Los Angeles, the largest U.S. gateway for imports from China.

PHOTO: MARK RALSTON/AGENCE FRANCE-PRESSE/GETTY IMAGES

*By Yossi Sheffi*

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The Trump administration's aggressive stance toward China has compounded uncertainty on U.S.-China trade relations. In considering how the presidential elections may affect the flow of international trade, companies should avoid the accepted wisdom.

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Business leaders should keep in mind that the trans-Pacific trade war hasn't curtailed export shipments to the degree many feared. As The Wall Street Journal reported recently, China's exports to the U.S. were down by only 3.6% in the first eight months of 2020, even while global trade was being thrown for a loop by coronavirus lockdowns.

Much of this business was driven by surging exports of items needed to

combat the Covid-19 pandemic. This is despite the recent outcry that the U.S. relies too much on China for vital supplies such as personal protection equipment. In fact, global demand for PPE and other virus-related goods is helping China offset declines in exports of other goods.

Assumptions the Covid-19 pandemic and deteriorating U.S.-China trade relations would trigger an exodus of U.S. companies from China also have been off the mark.

Trump administration officials joined this bandwagon, arguing that a flight from China was imminent. "The fact is," Secretary of Commerce Wilbur Ross said in late January as China was gripped by the coronavirus, "it does give business yet another thing to consider when they go through their review of their supply chain...So, I think it will help to accelerate the return of jobs to North America."

The exodus hasn't materialized. Although some companies—notably those in labor-intensive industries—left China before the pandemic, the decision to leave involves multiple considerations.

Many enterprises have good reasons to stay. For example, why leave behind one of the world's richest markets? China has the second-largest economy in the world and consumes about 20% of the world's output. Companies in industries such as the technology and automotive sectors are unlikely to abandon their investments in sophisticated and highly integrated supply based in China any time soon.

An American Chamber of Commerce survey in March 2020 found that more than 70% of the companies in China had no plans to relocate manufacturing, their supply chains or sourcing out of China because of the pandemic.

It is tempting to assume President Trump in a second term would double down on his trade war with China, leading more companies to reconsider their Chinese operations in the face of even greater volatility.

In contrast, it is easy to expect a Joe Biden victory to pave the way for more stability and perhaps even normalized relations between the two trade giants.

However, anti-China sentiment might be the only thing Democrats and Republicans have in common. China may have reason to fear a Biden administration more than the return of their Republican antagonist.

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China, after all, has learned how to manage the Trump administration's trade policies. However, a more thoughtful approach from a President

Biden could involve the creation of a coalition involving the U.S., the European Union, Japan and other large trading blocs.

Instead of going it alone—the Achilles heel of the Trump interventions—Mr. Biden could wield the combined buying power of these allies to pressure China into making meaningful changes in sensitive areas such as international property theft.

Such changes could profoundly affect Chinese manufacturing and supply chains.

The bottom line is to expect the unexpected when evaluating U.S.-China trade outcomes.

*—Yossi Sheffi is director of the Massachusetts Institute of Technology's Center for Transportation & Logistics. His most recent book is, "The New (Ab)Normal: Reshaping Business and Supply Chain Strategy Beyond Covid-19."*

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