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Perspectives

‘Made in America’ can’t steamroll American allies’ tech industries

November 4 2024

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As Kamala Harris and Donald Trump remain locked in a tight and unpredictable race for the US presidency, one thing is certain: whoever next occupies the White House will need to stare down significant foreign policy challenges. Among these is the question of how to deal with the People’s Republic of China (PRC).

There is currently a bipartisan consensus in Washington that Beijing constitutes the nation’s primary great power rival. And a President Harris or Trump is likely to continue to prosecute the Biden and first Trump administration’s tech war against the PRC. Both candidates have, if anything, criticised each other for not going far enough on this front, with Trump pledging to apply tariffs of 60 percent or higher on all PRC exports to the US, while Harris has implied an even harder line than Trump on blocking the PRC’s access to advanced semiconductors.

But there is also a critical difference between both candidates' approaches to tech competition. And this intersects with an area in which the Biden administration has shown considerable strength – consolidating American alliances.

Under Biden, the US has worked to derisk supply chains and out-compete a rising PRC in green energy technology and semiconductors. Key symbols of these efforts have been the passing of the Inflation Reduction Act (IRA) and the CHIPS and Science Act.

While these pieces of legislation aim to strengthen technological sovereignty, this agenda has been balanced by friendshoring provisions and a commitment to advanced tech collaboration with key allies – most prominently, with Australia and the UK through AUKUS, and Japan and South Korea through a reinvigorated trilateral partnership.

Washington’s overall strategy has been to incentivise solidarity for US tech war measures by expanding a US-led, multilateral tech sector symbiosis in order to extend a key advantage over Beijing – whose key partners are relatively tech-poor and whose industrial overcapacity and push for fuller spectrum tech sovereignty has made it a competitive threat to the advanced nations which had once participated in fostering its industrial rise. Harris is expected to continue the Biden administration’s policies on this front.

Trump’s tech sovereignty drive vs America’s tech partnerships

Trump, by comparison, has himself pushed a domestic tech industry sovereignty hardline, which has already worried America’s tech partners. He has accused Taiwan, for instance, of ‘tak[ing] about 100 percent of our chip business’ and criticised US financing of its semiconductor sector. He has committed to not only winding back the IRA, but also pledged to ‘stop Chinese and *other countries* producing automobiles and autonomous vehicles’ (authors’ emphasis).

On this front Trump's 'America first' policies carry consequential risks. While winding back green policies may protect legacy technology like internal combustion automobiles from foreign competition in the US market, it is questionable that it would alter the trajectory of global green policies – potentially putting US industry priorities at odds with its allies.

This could, in particular, damage US carmakers by decoupling their domestic and export markets, reducing the incentive for multinational tech collaboration in the industry, while undermining Washington's role in leading the construction of green tech critical mineral supply chains – potentially perpetuating the PRC's dominance in this key strategic sector.

Trump's 'America first' tech industry approach could also have a broader adverse effect on Washington's alliances. By emphasising industrial sovereignty and economic competition at the expense of collaboration, 'made in America' policies could fundamentally alter the calculus of partner nations hitherto willing to absorb the opportunity costs of cooperating with US policies, including those aimed at constraining the PRC's technological rise.

The PRC's technological rise and the Japan-South Korea rapprochement

The notion that tech industry competition vs cooperation can reshape nations' foreign policy is the subject of a report published last month by the Australia-China Relations Institute at the University of Technology Sydney.

Using the recent Japan-South Korea rapprochement as a case study, one of the report's core findings was that in advanced countries with strong ideologies of techno-nationalism, aspirations for preserving tech-sovereignty may not only shape domestic industrial policies but can alter even well-consolidated international relations' postures.

Tokyo and Seoul's long-running tensions prior to the rapprochement have often been associated with historical animosities and territorial tensions. But it is just as instructional to understand them in relation to competing trade structures.

Japan and South Korea's broadly similar techno-nationalist beliefs are seen to have manifest in the two nations pursuing largely parallel industry and trade policies. The combination of these parallel ideologies and policies made the struggle for tech industry success in both countries not only seem economically and politically existential, but, increasingly, a zero-sum game. This is in contrast with the higher degree of economic complementarity between European neighbours – where historical animosities have not retained equal currency.

Yet increasingly, the two nations have come to view the PRC, shifting as it has from complementary trading partner to prime competitor to their cutting-edge industries, as the major threat to their status as advanced tech industry leaders, overshadowing the longstanding trade tensions between them. This has driven the two nations to set aside entrenched animosities -with the focus of closer cooperation having overwhelmingly been in high-tech industries and their supply chains, particularly in semiconductors and EV technology.

Tech industry external balancing - the Japan-Korea-US trilateral partnership

The PRC, however, was not the only shared threat for Japan and South Korea's advanced tech industries. Also of concern were competitive threats posed by Washington's tech subsidies – with high level industry figures from both Japan and South Korea having prosecuted the argument that the two countries should join forces to counter the US' tech sovereignty drive.

Despite this, Japan and South Korea, with some caveats, leaned towards the US for tech collaboration – a trend confirmed by the 'Spirit of Camp David' joint statement in August 2023, as well as this year's inauguration of a US-Japan-Korea Commerce and Industry Ministerial.

Aside from Washington's importance as a security partner, there were several key economic reasons why this was so, despite the challenges and costs this imposed or could potentially impose upon both nations' still-important PRC trade.

First, the PRC's shift from a complementary partner to a core industry competitor coincided with the US overtaking the PRC as both nations' largest export market.

Second, particularly in the area of advanced semiconductors, the US, Japan and South Korea's industries form a symbiosis. Then-Japanese prime minister Kishida Fumio stated in November 2023, 'Japan's component and materials technology, Korea's mass production technology and America's AI chips are all required. And if there is one element missing, there will be no innovation.'

Third, the US implemented friendshoring agreements, made reasonable concessions to South Korean companies with economic interests in the PRC, and opened up access to its subsidy programs to both nations. The latter turned out to be particularly lucrative for South Korean firms – who saw in US subsidies a resource to bridge the major asymmetry of industry support that the PRC had showered on its strategic industries. By July 2023, Korean firms had secured roughly a third of manufacturing investments under the IRA, propelling it to the status of the US' largest foreign creator of domestic employment via direct investment. Both Japan and South Korea made reciprocal investments with the US in the EV and semiconductor sectors, with Japan – a former semiconductor powerhouse – benefitting from collaboration with South Korean and US industry leaders.

All of these could come under pressure should a new Trump administration pursue a 'made in America' policy that places US technological and industry sovereignty above a strategy of collective gain through collaboration.

There are already signs that Korean firms are considering preparations to reverse US investment decisions in the event of a Trump election win. But the bigger concern is not only that such a move could dismantle the gains of US collaboration with two advanced tech industry leaders, it could more broadly weaken its relationship with the two East Asian nations whose strategic location, American bases and military capacity make them vital for US efforts to retain the regional balance of power.

With technological sovereignty drives emerging in Europe and several middle power nations, many of which are beginning to push back against PRC overproduction in EVs and other industries, a 'made in America' policy that too aggressively erodes market space for partners and trade rivals could also threaten to have a broader impact on American partnerships, especially in the case of emerging tech hubs with equidistant foreign policies such as Malaysia.

With the increasingly complex research ecosystem and value chains needed for the production of modern advanced technologies, collaboration and segmentation is no longer optional for attaining or retaining a cutting edge. A proportionate 'made in America' policy can retain the US' standing as a tech industry leading partner and help reverse some of the hollowing out of American industry that has had an adverse impact on the lives and communities of many working-class Americans. A disproportionate or ill-designed one could see a more isolated US lose the tech war, and a lot more.

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