Research & Forecast Report

A TALE OF TWO OUTCOMES - PART 2: THE U.S. ELECTION RESULT AND IMPLICATIONS FOR GLOBAL REAL ESTATE

December 2020

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Introduction

The results of the much-anticipated U.S. presidential election hung in the balance for several days after Election Day. In the end, a number of key states finalized a historic level of vote tabulation resulting in Democratic challenger and former Vice President Joseph Biden accruing enough electoral college votes to secure victory as president-elect. Biden will be inaugurated as the 46th president of the United States on January 20, 2021.

In this second edition of our two-part series, we take a more in-depth look at the projected impact of Biden's policy approaches and the associated economic, business, market and real estate impacts within the United States, Europe/Middle East/Africa (EMEA) and Asia-Pacific (APAC) markets.

It is important to note that, although still undecided, it is unlikely that Democrats will take outright control of the Senate, or with a majority significant enough to create broad, bipartisan support on key issues. In addition, while Democrats retained control of the House, they did concede several seats to Republicans. As a result, it is anticipated that most of Biden's more progressive initiatives will be vigorously challenged and potentially upended altogether by Senate Republicans. We expect most near-term policy changes to be enacted via executive order or through less-aggressive legislation that can potentially garner bipartisan support.

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US Overview

At the core of Biden's campaign was supporting the middle class at the expense of large corporations and the top 1% of earners, expanding Obamacare, mitigating the impact of COVID-19, improving global relations, and moving towards sustainable energy. Biden's "Build Back Better" plan focuses on innovation in clean energy, medicine and biotech, advanced manufacturing, artificial intelligence, and high tech. While the Build Back Better plan is expected to benefit all industries, service-oriented industries will likely see greater benefits than goods-producing industries and states with a more significant percentage of high-tech, and professional and business services jobs will likely outperform other states.

Spending and Taxation:

- A new **federal stimulus bill** is likely to get done next year; however, it will be smaller in scale and size and most likely have a lower fiscal multiplier.
- A rise in **corporate tax rates** could restrict business investment and productivity growth; however, the proposed increase to 28% now seems very unlikely, given the likelihood of a Republican-controlled Senate.
- Biden's desire to increase taxes on foreign earnings and eliminate 1031 exchanges for real estate investors making over $400,000 in annual income could impact **capital markets.**

Congress is expected to shift its attention back to a federal stimulus package with the election behind them. However, despite a need for additional fiscal stimulus, President Trump would likely veto any stimulus bill passed during the lame-duck session. Democrats will continue to push for the bill to include local and state government budget relief and unemployment benefit extensions —initiatives with a higher fiscal multiplier than additional tax cuts — and an extension of the Paycheck Protection Program that Republicans favor. We could likely see a smaller ($1 trillion) short-term stimulus bill in the meantime that focuses on COVID-19 relief.

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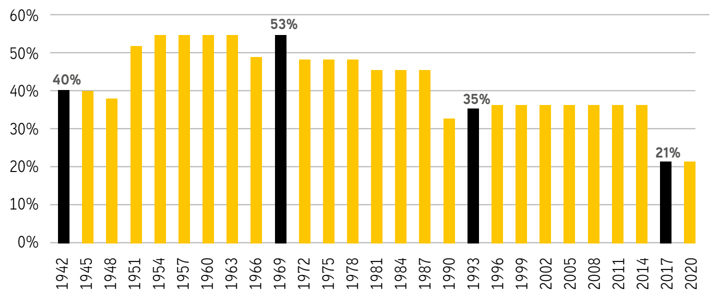
Biden is proposing a $7 trillion spending blueprint and looks to increase federal revenues by $4 trillion via tax increases on the top 1% and raising the corporate tax rate from 21% to 28%. His Emergency Action Plan to Save the Economy proposal echoes several CARES Act initiatives such as increased unemployment benefits, additional stimulus payments, support for small businesses, emergency sick leave and fiscal support for struggling states.

Biden is not anticipated to push to raise the tax burden until the economy exhibits more strength. Yet it stands to reason that the biggest benefactor industries of the 2017 Tax Cuts and Jobs Act (TCJA), could see the most significant increase in tax burdens – notably real estate, along with manufacturing and mining. However, it is expected that a Republican-led Senate will push back on wide-sweeping TCJA rollbacks and would nix the idea of eliminating 1031 exchanges for investors making over $400,000 in annual income.

Historic US Tax Rate



Source: Tax Policy Center

International Trade

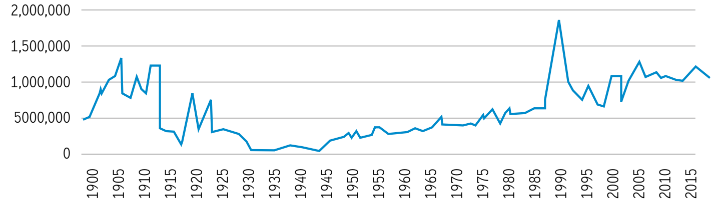
- While the **move towards deglobalization** would spur U.S. production, it is likely to be at the expense of lower revenue to U.S. manufacturers.
- With a greater emphasis on local manufacturing, **demand for industrial space** will increase; however, escalated trade tensions could have a negative impact on industrial space in port markets.

Biden's international trade approach looks to repair relationships with allies and apply pressure on China through a unified front. It is expected that the U.S. would mend its relationship with the World Trade Organization and seek to gain China's adherence to international trade laws. The Biden campaign vowed to earmark $400 billion as part of its "Buy America" plan to spur U.S. manufacturing investment. Although Biden has indicated that he would not be quick to lift tariffs with China, he believes that agricultural tariffs should be lifted first.

Immigration

- A **relaxed immigration policy** will apply downward pressure on labor costs and foster growth. The retail and industrial sectors stand to gain the most from loosened restrictions.
- Over the last five years, **labor constraints** have hindered businesses from growing and have caused wages to rise.

Annual Number of New Lawful Permanent Residents in US 1900 - 2019



Source: Migration Policy Institute

Throughout the presidential campaign, Biden has indicated that he would seek to reverse the majority of President Trump's immigration policies and create a path to citizenship, reinstating DACA (Deferred Action on Childhood Arrivals), and shifting border wall construction funding. Under Biden's plan, net migration would be expected to return to the Obama administration levels, thereby expanding the labor force and boosting GDP.

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Energy and Climate Change

- Biden environmental policies may result in increased costs to comply with **tighter governmental regulations.** New developments would seek to incorporate these new environmental standards, thereby increasing construction costs. Meanwhile, landlords of existing buildings could experience **substantial retrofitting expenses.**

Biden seeks to re-commit to the Paris Agreement, rescind Trump's de-regulations, end federal subsidies for the oil and gas industry and inject $2 trillion into clean energy measures to achieve net-zero greenhouse gas emissions by 2050. However, without full congressional control, significant infrastructure spending under Biden's lighter version of the far-reaching Green New Deal proposal could be in jeopardy. Despite a lack of Senate support, Biden could begin to reverse Trump's 125+ deregulatory moves, tighten regulations on oil and gas development on public land, and implore the Environmental Protection Agency to implement stricter standards.

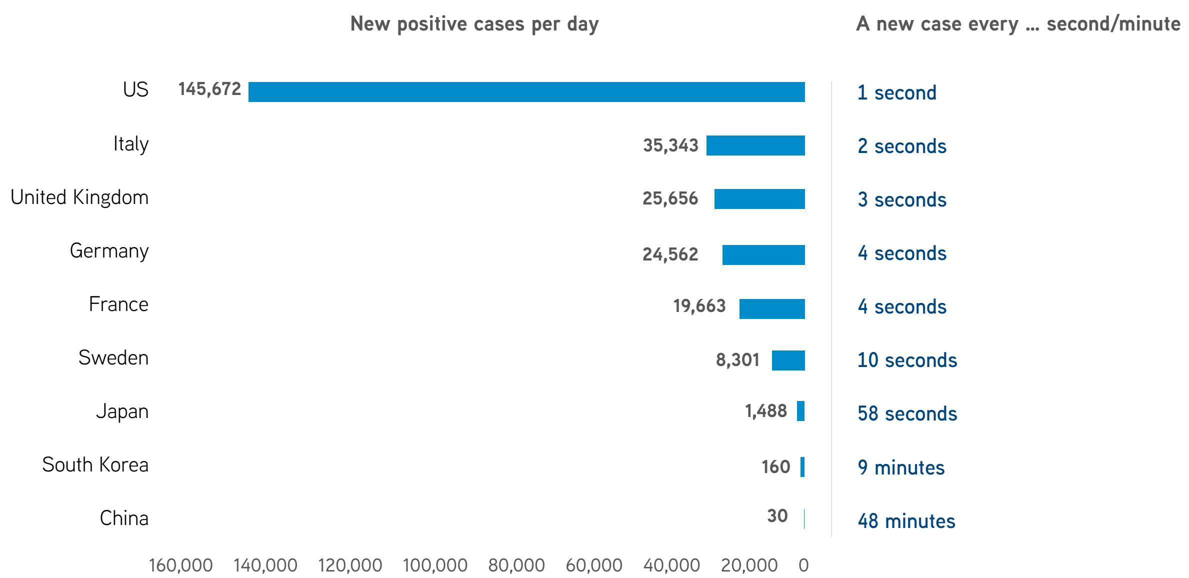
COVID-19 and Health Care

- The recent surge in COVID-19 cases has prompted local municipalities to **tighten their return to work restrictions.**
- Rising health care costs will **impact wage decisions** in the form of lower wages, increased premiums, and higher out-of-pocket costs.
- The pandemic has drawn public attention to the **life sciences sector,** and this asset class is expected to flourish, translating into increased demand for lab space. A continuation of the CDC (Center for Disease Control) eviction moratorium set to expire in December will negatively impact many tenants.

Biden will seek to expand coverage for the Affordable Care Act and augment the program, a plan that is expected to meet strong resistance from Republicans. Biden is open to the idea of purchasing drugs from other countries as well as allowing Medicare to negotiate directly with pharmaceutical firms.

Biden's pandemic plan seeks to coordinate efforts at a national level and substantially ramp up testing and tracing efforts. A national mask mandate could increase compliance responsibilities for property managers. Part of Biden's Build Back Better plan is to pursue innovations and advancements in medicine and biotech. This should foster more tech integration into biosciences and healthcare and increase demand for life science projects throughout the country.

New COVID-19 cases by country | Two ways of reading the infection rates



Source: Politico

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APAC Overview

Trade policy and climate change – implications for APAC

- U.S.-China trade tensions will potentially ease over time, as Biden is expected to be more willing to lift tariffs in exchange for **cooperation on climate change** – a policy agenda which China shares.
- Under Biden, the prospect of a **gradual easing of trade tensions** should improve foreign as well as domestic business confidence in most APAC markets in the long run, including China.

The most obvious implications of the U.S. presidential election for APAC lie in trade relations, notably regarding China, the largest economy in the region and the second-largest globally after the U.S. President-elect Biden is by no means a pure free trader, as evidenced by his "Buy America" plan, which allocates $400 billion for government purchases of U.S.-made goods. Biden has also said that he will not negotiate any trade agreements until significant investments in U.S. manufacturing have been made.

Nevertheless, Biden has pledged to repair relations with traditional allies in order to work jointly to pressure China to change its trade policies. Oxford Economics expects that Biden will lift tariffs on products like steel and aluminum imported from countries other than China early in his first term[1]. Threats of tariffs against perceived allies in the APAC region such as Japan and India will presumably disappear quickly under Biden. Most tariffs on Chinese goods may remain, but Biden has said he will quickly lift tariffs on agricultural products.

[1] See Research Briefing (U.S.): How Trump and Biden differ (or don't) on key policies by Oxford Economics (October 21st 2020).

China is rebounding strongly from the COVID-19 recession (see table below), and so we assume that the tangible impact on economic growth of the U.S. tariffs that remain will be limited. Over time, the prospect of a general easing of trade tensions should improve foreign and domestic business confidence in most markets in the region, including China.

Real G.D.P. growth forecasts by APAC market

COUNTRY	2019F	2020F	2021F	2022F
China	6.1%	2.0%	7.8%	5.0%
Japan	0.7%	-5.6%	2.7%	2.5%
India	4.9%	-8.2%	9.1%	5.5%
South Korea	2.0%	-1.0%	2.9%	3.2%
Australia	1.8%	-3.1%	2.4%	2.7%
Hong Kong S.A.R.[1]	-1.2%	-5.8%	4.4%	3.4%
Singapore	0.7%	-6.0%	5.6%	4.3%
New Zealand	2.3%	-5.1%	6.3%	3.7%

Source: Oxford Economics (most recent forecasts)
[1] Special Administrative Region [of the People's Republic of China]

Looking further ahead, Biden has an ambitious climate policy agenda that sets 2050 as a deadline for the U.S. to achieve net-zero greenhouse gas emissions. Oxford Economics argues that Biden's trade and climate policies would be closely intertwined and that he might use tariffs as both an incentive and a threat towards other nations. Over time, Biden might therefore continue to lift tariffs on Chinese goods to secure cooperation on global climate policy.

Importantly, China shares Biden's goal of acting over climate change. In a speech to the U.N. General Assembly in late September 2020, Chinese President Xi Jinping declared his country's aim "to have CO2 emissions peak before 2030 and achieve carbon neutrality before 2060" [1]. This was the first time that the Chinese government had adopted a domestic long-term goal for greenhouse gas emissions.

[1] See, for example, https://www.eastasiaforum.org/2020/10/26/xi-jinpings-pledge-will-china-be-carbon-neutral-by-2060/.

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Multinational Company (MNC) Presence in Greater China/APAC

- Signs that large MNCs are considering relocating away from China are minimal. With Biden, we expect most MNCs to **maintain their presence**, given high long-run growth prospects.
- We have seen **big industrial groups "reshore" some production or adopt a "China + 1"** strategy with a supplementary presence in another country. This trend may persist, boosting demand for industrial and office space in markets like India, Vietnam, Taiwan and Japan. However, with Biden likely to moderate the U.S. approach to trade with China, the trend is unlikely to speed up.
- There is a question about **South Korea's potential to attract investment** by foreign enterprises under Biden. Continued détente ought to attract greater investment to South Korea, and Biden will hopefully assign the same importance to relations between the two Koreas as Trump. Biden has already pledged to keep pressing for denuclearization and a unified Korean peninsula.

In our report of August 2019, Specter of Long Trade War Looms Over Property, we argued that deteriorating U.S.-China trade relations would reduce confidence among MNC occupiers of office and industrial property in greater China. Trade tensions have moderated since that time, as the U.S. lifted tariffs as part of its Phase One agreement with China. This easing of tensions, coupled with China's rapid recovery from the COVID-19 recession, explains why, so far, there has been very little sign that U.S. groups or other large foreign enterprises are considering relocating away from greater China.

However, there has been evidence of large enterprises "reshoring" some industrial production to other markets, both developed and emerging. For example, we have noted a boost to demand for office space and industrial facilities in Taiwan resulting from reshoring of manufacturing[1]. Certain large industrial groups seem to have adopted a "China + 1" strategy with supplementary production operations in another market. One example is Foxconn, the Taiwan-based manufacturer of Apple's iPhone, which in July was reported to be planning to invest US$1 billion to expand iPhone production in southern India as well as China[2]. Moreover, there were numerous reports over the summer that the Japanese government (headed then by Prime Minister Abe) had decided to subsidize partial relocation of production out of China by 87 Japanese companies, with operations shifting either to south-east Asia or back to Japan[3].

[1] See, in particular, our report New Policy Focus on South Taiwan and Industrial Upgrading to Create Investment Opportunities (March 18th 2020). [2] See https://www.reuters.com/article/us-foxconn-india-apple-exclusive-idUSKBN24B2GH. [3] See https://asia.nikkei.com/Economy/Japan-reveals-87-projects-eligible-for-China-exit-subsidies.

For reasons of business strategy, we expect the trend for MNCs to pursue a "China + 1" strategy to persist. However, with the U.S. approach to trade policy likely to be less confrontational under Biden, the trend away from China is unlikely to accelerate. On the contrary, we think more MNC occupiers in China will look beyond near-term tensions, and concentrate on the market's long-run growth prospects.

Prospects for Hong Kong S.A.R. should also improve. We estimate multinational occupancy of Grade A office space in the city at 60%, the highest level in greater China. China's decision to draft new security laws for Hong Kong, and the U.S. decision under Trump to revoke trade and visa privileges in response, have raised questions about its role as a commercial center. However, these questions look less likely to intensify now, and we suspect that most MNCs will choose to stay put in the city rather than relocate.

[1] See our report on Hong Kong S.A.R., Property Market Can Withstand Recent Waves, of June 10th 2020.

There is an interesting question about investment in South Korea by foreign MNCs under Biden. The South Korean authorities have been promoting the country as a location for the Asian headquarters of financial groups, citing large and stable financial markets and growing strength in asset management and fintech[1]. However, foreign investment in South Korea has been held back for decades by concerns about unpredictable, nuclear-armed North Korea, the border with which lies only 35 miles from Seoul. President Trump has achieved greater détente on the Korean peninsula through direct engagement with Kim Jong-un, Supreme Leader of the North. Continued détente ought to boost investment in South Korea, and it is to be hoped that Biden will assign the same importance to relations between the two Koreas as Trump, even if his approach is likely to be more conventional. It is encouraging that Biden found time during his election campaign to write a special piece for a South Korean media agency, in which he pledged to keep pressing for denuclearization and unification on the Korean peninsula[2].

[1] See our report Korean Opportunities for Global Financial Occupiers, of September 18th 2020.
[2] See Special contribution by U.S. Democratic presidential candidate Joe Biden in Yonhap News, October 30th 2020.

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Property Investment, Currency Movements and Capital Flows

- Likely fiscal stimulus under Biden may **depress the U.S. dollar** over time, while adding to upward pressures on the Chinese renminbi (aka yuan). This would reduce the competitiveness of U.S.-dollar-domiciled funds in APAC, potentially restricting their activity to higher-yielding assets.
- Chinese capital actively targeted other APAC markets over 2017 and early 2018 during a period of renminbi appreciation. If a Biden victory does add to upward pressure on the renminbi, Chinese capital will potentially start **targeting other APAC property markets** again, notably Hong Kong S.A.R., but also traditional destinations like Australia.
- **Progress on climate change** will be a common policy agenda between China under President Xi and the U.S. under Biden, since both have proposed ambitious carbon neutrality targets.
- **Energy efficiency and sustainability** will rise in importance in all aspects of property occupation and investment. If Biden's victory accelerates progress on climate change, the incentive for developers to adopt high "green" standards will grow. While this may push up retrofitting costs for building owners, investors are likely to assign a premium to buildings with such standards.

The appreciation of the Chinese renminbi against the U.S. dollar over 2020 has implications for capital flows and investment volumes in APAC real estate. Since the end of May, the renminbi has strengthened about 9% against the U.S. dollar to US$/RMB6.58 (as of November 30th), its highest level since June 2018. Initially, the renminbi rose as the dollar declined; however, since early August, the renminbi has continued to rise while the dollar has been stable against a basket of currencies, suggesting that the trigger is renminbi strength rather than dollar weakness[1].

[1] Research Briefing (China): Why there is more room for the renminbi to strengthen by Oxford Economics, October 26th 2020

The renminbi's strength also reflects the fact that China has not eased monetary policy as much as other countries, leaving its interest rates significantly higher. Higher rates make Chinese financial assets more attractive, driving capital inflows. Oxford Economics expects appreciation pressures on the renminbi to persist but ease in 2021, as economic recoveries in other major markets start to catch up with China.

Biden's victory in the presidential election may well depress the U.S. dollar over time, since he is more likely to try to push through a major fiscal stimulus program to help the U.S. recover from COVID-19. Biden's victory should also add to upward pressures on the Chinese renminbi, since the trade war, which has weighed heavily on the renminbi over the past two years, is less likely to escalate again.

For property markets, the chief implication of continued renminbi appreciation is that, if existing capital controls are eased, it should permit renewed investment in property assets elsewhere in APAC by Chinese developers and enterprises, since acquiring assets will be cheaper for them. There have already been signs of mainland Chinese demand returning to Hong Kong S.A.R. in recent months, despite slow overall market momentum; see our report Mainland Chinese demand to stimulate opportunities for Hong Kong S.A.R.'s real estate sector (August 26th) for details. Looking forward, it is reasonable to expect Chinese investors to spread their interest to the rest of the APAC region again, potentially renewing the acquisition drive that they made in 2017 and the first half of 2018 during an earlier period of renminbi appreciation.

Australia (especially Sydney and Melbourne) is a traditional target market for Chinese investors. While Australia's borders remain closed for the moment, ongoing easing of COVID-19 restrictions in the state of Victoria is encouraging. Over the medium to long term, we think that property investors and occupiers will continue to see Australia as a global safe haven, with high standards of hygiene and governance alike, as well as solid yields for investors.

Over time, we expect the importance of energy efficiency and sustainability to increase steadily in all aspects of property occupation and investment. Biden has stated that under his leadership the U.S. will rejoin the Paris accord and future agreements as part of an ambitious climate policy agenda. This sets 2050 as a deadline for the U.S. to achieve net-zero greenhouse gas emissions in line with the U.K. and the E.U. – and not very different from China's recently announced target year of 2060.

With Biden's victory set to accelerate global progress on climate change, the incentive for property developers to adopt high "green" standards and certifications will increase. This may cause substantial near-term retrofitting costs for owners of existing buildings. However, large occupiers may start to concentrate leasing in energy-efficient buildings, while property investors are likely to assign a premium to such assets given increasing attention to environmental, social and governance (ESG) considerations. While data centers are a very popular asset class in APAC due to surging data usage, from a sustainability perspective reducing their power consumption represents a long-run challenge.

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EMEA Overview

The geopolitical diversity of the EMEA region means that there are multiple economic and business permutations to consider in light of a new first term for President Biden and the Democratic party. There is a strong likelihood that the E.U. and national EEA (European Economic Area) governments will cooperate more openly with the United States under President Biden. Outside of the EEA, in Middle East, Africa, Russia and Turkey ongoing relationships will be more mixed.

NATO/Security Measures

- **Reparation of NATO and alliance relationships** should take much short-term economic and trade uncertainty off the agenda, yet renewed alliances are likely to come at an extra cost to European members. Europe needs to become much more independent and absorb the cost of its own security. This would come at the cost of higher taxes over the mid-term but enables the European region to develop better partnerships both West and East. Renewed Iran sanctions would be of much lower risk under a Biden presidency.

The official relationship between Britain, the E.U. and the U.S. continues to endure, given the long-standing military, diplomatic, and intelligence links that run deep into the fabric of these nations. With Biden winning the election, the U.S. will be more cooperative with the valued international organizations Britain and the E.U. are part of, such as the United Nations, WHO and NATO.

Biden's promise of a "summit of the democracies," and the importance of alliances as a route to leverage are at the heart of Biden's support for a D10, an expanded G7 of democracies. This is an idea that was first developed by Washington's Scowcroft Center in 2014 and is now frequently mentioned by Dominic Raab, the U.K. foreign secretary, as a possible new intelligence network. Also, divisions over Iran may become less stark under Biden as he has promised to re-engage with the nuclear deal, negating the pressure the U.K. may have faced to split from European allies or risk tougher U.S. sanctions.

International Trade & Corporate Expansion

- Under Biden, a first term in office will most likely see **tariffs diminish** as old alliances are repaired and reformed. However, if a large U.S. fiscal stimulus package paves the way for tax hikes, this could curtail U.S. demand for European exports. Equally, Biden's proposal to increase the corporate tax rate from 21% to 28% would be more harmful for U.S. than European earnings; **European corporates may have a stronger bounce back in earnings than their U.S. peers in 2021, limiting U.S. FDI into EMEA, but providing European companies with the opportunity to expand.**
- If Biden is able to enact change, a larger ($2 billion) **fiscal stimulus will likely counteract a higher taxation and regulatory burden**, particularly for the U.S. consumer, limiting the impact on European export demand. **Reduced tariffs will support European import and export business, supporting and stabilizing demand for industrial real estate.** The Brexit trade agreement is of greater relevance, with the prospect for a more immediate impact on import/export flows between the U.K. and E.U.
- If Biden gets to enact regulatory and tax changes, this could result in **weaker U.S. earnings short-term**, particularly for U.S. tech stock. Given the prevalence of the tech sector in European office markets, especially the fabled "FAMANG" group (Facebook, Amazon, Microsoft, Apple, Netflix, Google) the ability of Biden to enact regulatory/taxation change could have an impact on European office demand. On average, the tech sector accounts for 15% of office-based employees and 18% of the office-based economy in European cities. This can be as high as 25% and 42% respectively, based on a growth path that has seen the tech economy expand by 50%, on average, since 2009.
- A more positive domestic economic growth scenario for the U.S. under a Biden presidency may eventually **weigh on the U.S. dollar**, reducing its global buying power. The appreciation of the Euro in 2020 against other global currencies has served to reduce the currency (FX) hedging attractiveness of the European market to global and U.S.-based investors. **A weaker dollar could further reduce the competitiveness of U.S.-domiciled investors and funds,** restricting their activity to higher-yielding assets and opportunities. **In turn, it could increase the attractiveness of the US market to European-domiciled investors.**

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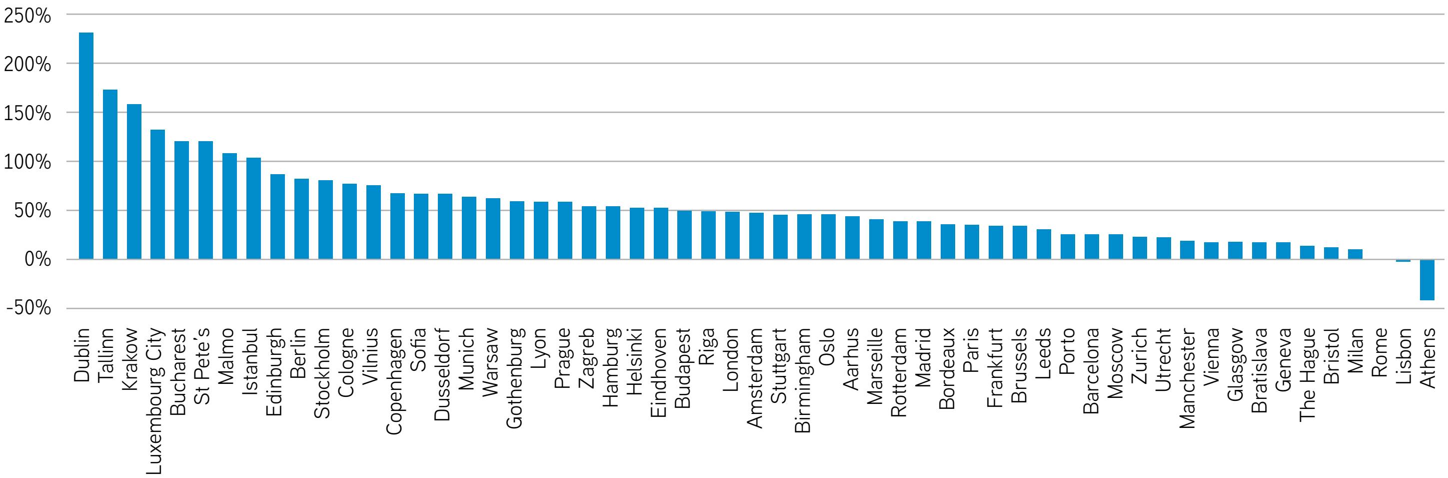
Tech sector GDP growth by city, 2009-2020



Source: Colliers/Oxford Economics

The transatlantic trade dispute has continued to rumble on in 2020, with the World Trade Organization recently approving the E.U.'s plan to place tariffs on $4 billion of U.S. exports over illegal government aid handed by Washington to Boeing, the aircraft maker. Biden's camp has made it clear that it would take concrete steps to end what they call Trump's "artificial trade war" with the E.U. while working to address imbalances in trade between the partners.

Equally, Biden has expressed concern about the potential impact of Britain's departure from the E.U. could have on Ireland's economy and Northern Ireland's security, which will have some bearing on the UK/EU trade deal. However, UK Prime Minister Boris Johnson's wider foreign policy goals are much more aligned with Biden, suggesting a bilateral relationship between the U.S. and U.K. can fit a wider transatlantic alliance with the E.U. The U.K. has already taken the opportunity to simplify/eliminate certain tariffs and E.U. nations have reduced their exposure to the U.K. market. If the EU/UK trade agreement cannot be settled quickly and amicably, there would be a negative impact on E.U. and U.K. economies, as the cost of goods between the two rises under WTO standards. For the U.K., a more favorable trade deal with the U.S. could take longer as a result.

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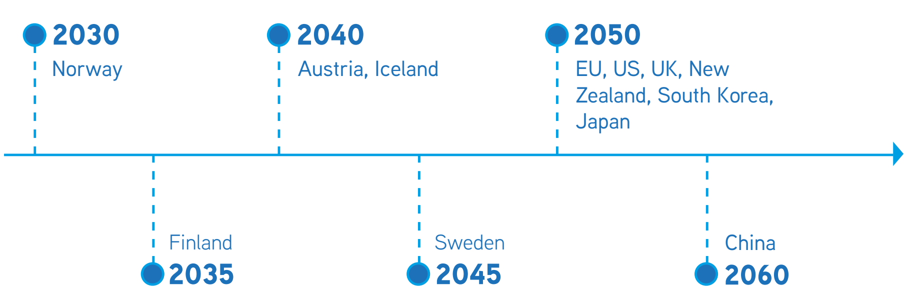
Climate Change

- A Biden victory not only supports the global climate change agenda, but also accelerates the growth of the **burgeoning renewable energy sector**. The sector has been a key component of FDI activity in EMEA in recent years and this could open the door to European-domiciled companies to expand into the U.S., given their advancement in the renewable energy sector. Renewable energy is one of the key pillars of the new, long-term E.U. 2027 budget to generate an extra 500 GW of renewable power, alongside 3 million new hybrid vehicle charging points and 1.000 hydrogen stations by 2030.
- Improved energy efficiency has major **implications for real estate construction, management, use, flexibility/adaptability, and location,** especially as cities come to terms with how to operate in a new, post-COVID "normal." Legislation is already coming into play in the Netherlands, with the U.K. to follow, restricting commercial leasing to assets that meet high energy efficiency standards, with government support, to reduce emissions as part of national standards. Given their high dependence on power, Data Center assets are likely to come under scrutiny as to their long-term ESG credentials.
- A Biden victory supports the growth and adoption of **more consistent ESG strategies** across North America and Europe, if not globally. This should enable global investment managers to **increase the weighting of sustainable real estate assets in their portfolio,** which is of increasing relevance to corporate occupiers and equity stakeholders. The UK Chancellor, Rish Sunak, recently set out plans to launch the UK's first **green gilts to fund low-carbon infrastructure projects**, to bolster the UK's position as a world-leading green finance hub. The UK will join 16 countries to have launched green gilts, including Germany and Sweden – both of which saw their initial green gilt issues oversubscribed.

Much of Biden's proposal to spend $2 trillion on infrastructure is tied to his climate policy, likely to boost U.S. economic growth and offset any downside on the hydrocarbon industry from regulatory burden and reduced use of fuels. Biden's trade and climate policies would be closely intertwined, levying "carbon adjustment fees" on imports from countries that fail to meet agreed-upon climate objectives. Over time, tariffs on Chinese goods could be offset against greater cooperation on global climate policy. This has grown in probability on China's surprise September announcement that it aims to decarbonize by 2060, the first time it has set a date. This shifts the dial on global climate action in advance of the upcoming UN climate summit, COP26, in 2021.

Timing of Countries' Net-Zero Emissions Targets



Source: World Resources Institute

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