



Biden Considers Rolling Back Some Trump-Era Tariffs on China

By Rob Garver

July 8, 2022

As soon as this week, President Joe Biden may announce the removal of some of the tariffs that former President Donald Trump levied on China at the outset of a trade war in 2018. The move would allow the administration to claim it is acting to reduce the effects of inflation on American consumers, even though the impact might be quite small.

Reports in the Wall Street Journal and Bloomberg over the July 4 weekend suggested that the administration is still debating the issue internally. The expectation is that tariffs on some goods, with no connection to national security, would be lifted immediately, and that the administration would restart a process that allows businesses to petition for “exclusions” for certain goods, which could further lift tariffs on a case-by-case basis.

On Monday, Politico reported that the administration is considering lifting approximately \$10 billion worth of tariffs immediately. If correct, that would represent a very small fraction of the \$370 billion worth of tariffs imposed on Chinese goods during the Trump administration.

A lengthy process

The Biden administration has been under pressure from the business community to address tariffs, which in practice function as a tax on American consumers, since taking office in early 2021.

In a number of public statements, dating back to September of last year, the administration has indicated a willingness to at least consider revisiting the tariffs, but advocates have so far waited in vain for a concrete proposal.

In testimony before Congress last month, Treasury Secretary Janet Yellen said, “This administration inherited a set of ... tariffs imposed by the Trump administration that I think really weren’t designed to serve our strategic interests.”

Yellen added, “We are taking a look at those and looking to reconfigure those tariffs in a way that would be more strategic.”

According to a release from the Treasury Department, Yellen and Chinese Vice Premier Liu He discussed tariffs during a videoconference on Tuesday. Secretary of State Antony Blinken is

expected to meet with Chinese Foreign Minister Wang Yi on Saturday during a trip to Asia, and sanctions may be on the agenda there as well.

Biden and Chinese President Xi Jinping are expected to speak later this month.

Potential impact

In an analysis published in March, the Peterson Institute for International Economics studied the impact that the complete elimination of the tariffs imposed by the Trump administration during the trade war would have. It concluded that the country would experience a one-time drop in inflation of approximately 1.3%.

“While a 1.3 percentage point haircut might seem small when inflation is raging at more than 7 percent, the relief is not trivial,” the report found. The annual savings to the average American household, it said, would be \$797 per year.

However, experts said there is no reason to expect that eliminating tariffs on just \$10 billion in Chinese goods will significantly tame inflation.

“Will it have a big impact? I think the answer is no, not in the near term,” William Reinsch, the Scholl chair in international business at the Center for Strategic and International Studies, told VOA. “If they come up with duty removals in the \$10 billion range, which is the rumor, that's not very much.”

“No matter what he does, both sides will be unhappy,” Reinsch said. “Business will say it's too little, and labor will say it's too much. Though, if it's only \$10 billion, I think business has probably got the better argument.”

“If you only do \$10 billion out of \$300 billion, you're looking, at best, at a small fraction of that (\$797 savings for households),” said Scott Lincicome, director of general economics and trade at the Cato Institute. “And, quite frankly, by the time it happens, especially given that all the other tariffs remain in place, the inflationary impact could be zero.”

Lincicome added, “It appears that what's really going on here is that this is an attempt to get the administration's critics off their backs, while not actually doing much on the tariffs themselves. Because, again, \$10 billion out of \$300 billion really isn't ... going to move the needle.”

Possible investigation

The Biden administration is also believed to be considering the announcement of a new investigation of China's trading practices under Section 301 of the Trade Act of 1974.

Trump used his authority under Section 301 to launch an investigation in 2017, which concluded that China was engaged in unfair trade practices and which eventually led to the imposition of tariffs in 2018.

If a new investigation were to be launched, the administration would have one year to complete it. The new inquiry could significantly affect the way China responds to any near-term reduction in

tariffs.

“The response of Chinese exports to any rollback in U.S. tariffs is highly uncertain,” said Chad Bown, a senior fellow with the Peterson Institute for International Economics, in an email exchange with VOA. “It will likely depend on the size of the U.S. tariff cut, which types of products—e.g., consumer goods versus intermediate inputs—the President chooses for tariff reductions, and how long the exporters expect the newer tariff to remain in effect.

“For example, for products that can be put into inventory, there may be a large export response if there is the expectation that tariffs could go back up, say as the result of a potential new Section 301 investigation,” Bown said.