



President Trump renews threat of tariffs on Chinese goods

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May 1, 2020

President Trump brought back a familiar threat this week: tariffs on Chinese imports.

The president floated the idea of using tariffs to punish the Chinese government for its handling of the coronavirus crisis during an event at the White House on Thursday. The Washington Post reported the administration was exploring retaliatory options, including canceling some of the United States' debt obligations to China. Economic officials quickly denied that plan and when asked about it, Trump offered tariffs as an alternative.

“When you start playing that game, you're really hurting the sanctity — the importance of the greatest currency on Earth, but we can do it in other ways. We can do it with tariffs. We can do it other ways, even beyond that, without having to play that game,” said Trump.

A reporter asked White House Press Secretary Kayleigh McEnany about the market reaction to Trump's comments, but she would not say whether the president was legitimately considering the move.

“I won't get ahead of any announcements from the president, but I will echo the president's displeasure with China. It's no secret that China mishandled this situation,” said McEnany.

In an interview on Friday morning, National Economic Council director Larry Kudlow said tariff decisions are up to the president, but China would be “held accountable.”

Kudlow told CNBC China is still working to implement the Phase 1 trade deal, though commodity purchases could be slower than originally planned due to the pandemic. A senior U.S. trade official told reporters this week that China remains “very very committed” to the deal. The official said the two countries are speaking regularly, “sometimes almost daily,” about the agreement.

The Phase 1 deal signing in January eased tensions between the world's two largest economies and seemed to halt Trump's frequent calls to slap more tariffs on Chinese imports. On Thursday, Trump said the deal was “secondary” to dealing with the virus.

His renewed tariff threat comes as business groups are already asking the Trump administration to grant more tariff relief during the economic downturn. The administration granted some limited tariff delays last month.

In a statement to Yahoo Finance, the American Apparel and Footwear Association said a tariff hike should not be on the table.

“We should not be contemplating adding more costs at a time when American companies are struggling to keep Americans employed and when we have one of the worst unemployment crises in history. Rather, we should be deferring payments of these costs to provide American companies with the liquidity to keep Americans on payroll,” said AAFA CEO and President Steve Lamar. “We also should be removing these costs from products that are in short supply – such as personal protective equipment and the materials to make those products that our hospitals have been begging for.”

Lamar said there will eventually be a time to reflect on the response to the pandemic, but first the U.S. needs to work through the health and economic crises.

Simon Lester, a trade policy expert with the Cato Institute told Yahoo Finance he thought the threat was an “offhand comment” by a president who “loves tariffs and thinks they are the solution to everything.”

“But we already impose tariffs on a huge portion of Chinese imports. In theory, we could expand the coverage or raise the tariff rates, but that would lead to higher prices for American consumers, and hurt many American business who are already struggling with the shutdown economy,” said Lester in an email.

The move could face opposition in Congress from lawmakers who have opposed the president’s use of tariffs in the past. Yahoo Finance reached out to Sen. Chuck Grassley (R-IA), the chairman of the Senate Finance Committee who has been critical of the president’s tariffs, but his office declined to comment.