

Bloomberg

Tariffs on China Are Destructive and They Are Here to Stay

The Biden administration knows how Trump's trade strictures backfired on U.S. workers and businesses. But that doesn't mean the policy will change.

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October 7th, 2021

Katherine Tai, the U.S. trade representative, delivered a grim message about our trade conflict with China in a recent speech. The tariffs on Chinese imports that President Donald Trump imposed have harmed some U.S. businesses. They have not induced the Chinese government to change the practices that concern us. They are unlikely to yield much more success in the future.

What went without saying may be even more grim: We're keeping those tariffs in place anyway.

Her indictment of the tariffs was persuasive, indeed understated. She alluded to the pain the tariffs have inflicted on U.S. businesses that import components of their products from China, saying some of these businesses would receive targeted relief.

But the economic damage extends further. A Federal Reserve study found that the net effect of the tariffs, including the retaliatory tariffs from China that followed, reduced manufacturing employment. The trade war has also reduced investment in the U.S. and raised consumer costs.

Short-term economic damage could be worth it if the tariffs forced enough Chinese concessions. But China, Tai said, has not delivered on the commitments it made to Trump to purchase U.S. products. Chad Bown of the Peterson Institute for International Economics calculates that it has bought about 61% of what it promised it would buy now.

This disappointment was predictable. Scott Lincicome, a trade-policy analyst at the libertarian Cato Institute, predicted it more than a year ago, pointing out that Trump's deal lacked the incentives that typically get countries to comply with trade agreements.

Most of our trade agreements in the decades after World War II opened markets both in the U.S. and abroad. Other countries had to follow through in providing opportunities to U.S. exporters if their own companies were to enjoy any benefits. Countries that renege would find other countries less willing to make mutually beneficial deals.

China's agreement looked, superficially, as though it were more favorable to the U.S.: China would buy more U.S. products while the U.S. made no reciprocal promises. As a result, though, China faced low costs for breaking the deal: All the U.S. could do in response was raise tariffs further, increasing its own economic pain. And because China had accepted specific purchasing targets rather than reduced trade barriers, other countries had no stake in seeing that the targets were hit. The European Union would prefer that business go to their companies.

Even if the agreement had been designed to work, though, it also had serious limitations. Tai explained that it ignored some of the Chinese practices that put U.S. companies at a disadvantage, such as its extensive subsidization of domestic producers.

Her overall verdict on China's attitude? "It is increasingly clear that China's plans do not include meaningful reforms to address the concerns that have been shared by the United States and many other countries." The tariff strategy has not had the intended effect on Beijing, and Tai suggested that unilateral pressure from the U.S. would in the future have to be supplemented by allies.

The trade war hasn't shrunk the U.S. trade deficit, either. It's higher than it was beforehand. Ed Gresser, a former assistant U.S. trade representative who studies trade for the Progressive Policy Institute, says that economic theory suggests that tariffs will not move trade into balance. Now, he adds, "there's been an experiment and the results are in."

Having made a thorough case that Trump's tariffs had failed, Tai might have been expected to say that President Joe Biden's administration is therefore junking them and trying something new. The fact that she neither did that nor explained why the tariffs are staying suggests that its inaction stems from considerations of domestic politics rather than of foreign or economic policy. Unions that support Biden have also supported the tariffs. In the end, the president would rather avoid giving Republicans another rationale for saying that he is soft on China.

The price of not looking soft, unfortunately, is to continue to inflict damage on the U.S. economy in return for nothing. "The only thing that's changed" since Trump, Lincicome concludes, "is the admission of failure."

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