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US-China relations

Biden administration split on whether to remove China tariffs

Some officials hope the move could ease inflation but others fear political backlash in an election year



As high inflation eats into Joe Biden's popularity, his administration is considering removing some tariffs placed on Chinese goods by Donald Trump to bring down the price of consumer goods. © AP

Demetri Sevastopulo in Washington 8 HOURS AGO

As President Joe Biden debates whether to lift Trump-era tariffs on Chinese imports, his cabinet is split over a politically fraught issue that could influence the November congressional midterm elections.

When he entered office, Biden suggested that he was in no rush to remove the tariffs that Donald Trump had placed on more than \$300bn of Chinese goods during his [trade war](#) with Beijing.

Yet as [inflation](#) has soared to 8.6 per cent, the White House is debating whether lifting some tariffs would help provide some relief to US consumers.

While the desire to curb inflation is acute, officials and experts familiar with the debate say there are deep divisions in the administration, partly reflecting the fraught politics of China trade issues.

One camp, which includes Treasury secretary Janet Yellen, argues that removing tariffs would help reduce inflation. But another group, which includes US trade representative Katherine Tai, is concerned that cutting tariffs would reduce leverage in future negotiations with China over what Washington views as unfair Chinese trade practices.

Unusually for the Biden team, which tends to be disciplined about airing divisions,

the debate is playing out in public. This month, Yellen told Congress that some cuts might be warranted, since some tariffs were not strategic and were “paid by Americans not by the Chinese”. But Tai told lawmakers there was a broader issue to consider.

“The China tariffs are . . . a significant piece of leverage, and a trade negotiator never walks away from leverage,” Tai said.

People familiar with the debate said Jake Sullivan, national security adviser, is more hesitant to cut tariffs. But other officials, including commerce secretary Gina Raimondo, have shown some support.

While Biden is desperate to help consumers, he wants to avoid a backlash before the midterm elections from lawmakers who view cutting tariffs as being [weak on China](#).

“It does seem very messy in terms of the messaging about the tariffs because you have various administration officials saying pretty different things,” said Emily Kilcrease, a former USTR official now at CNAS, a think-tank.

“Given the fact that the messiness is clear in the public domain, I can only imagine what the internal debate is like.”

One critical question centres on what impact tariff reduction would have on lowering inflation. Sullivan last month said Biden had asked his team to look at the relationship to inform his decision.

Some of those arguing for cutting tariffs cite a Peterson Institute for International Economics study that showed such a move would save households an average of \$797. Tai criticised the study as “something between fiction or an interesting academic exercise”.

One official said it was looking at trade liberalisation that was broader than just China, while others said Biden had no intention of removing all China tariffs.

Gerard DiPippo, a former CIA expert on the Chinese economy, said there was no “compelling reason” to keep the tariffs beyond a desire to avoid political backlash. But he cautioned that the deflationary impact would be small and said consumers concerned about record-high gas prices would barely notice a difference in the price of imported goods.

“There’s no economic rationale for keeping the tariffs, but firms have already priced them in and there’s not a huge benefit for getting rid of them either,” said DiPippo,

who is now at CSIS, a think-tank.

One proposal under consideration, according to people who have discussed the issue with officials, would cut or lower tariffs on some consumer goods, but add or raise tariffs on other products. The White House hopes that some kind of dual approach would help lower prices for consumers while partly insulating Biden from political blowback.

But companies are not feeling overly optimistic. Myron Brilliant, head of international policy at the US Chamber of Commerce, said cutting tariffs could help families and small businesses who are hurting because of inflation. “We see signs they will take steps to reduce some tariffs, but will it be big enough and deep enough? We will see.”

Biden is coming under pressure from labour unions, one of his core constituencies, to keep the tariffs. In a recent letter to USTR, the Labor Advisory Committee — the official channel for organised labour to advise USTR on trade — said China had done nothing to warrant lifting the tariffs.

“If anything, President Xi and the Chinese Communist party have only doubled down on their strategy,” wrote Thomas Conway, the committee chair.

Kilcrease said the idea that keeping tariffs would maintain leverage was “strategically muddy” since the administration’s view is that the US has very little ability to change Chinese behaviour. One senior US official said the administration was currently not conducting any high-level trade talks with Beijing.

But the official said USTR was focused on a broader approach to China and was not solely viewing the debate through the short-term prism of inflation.

“How do we realign our China position to be strategic for the long term and address some of the issues that we’re really concerned about, like non-market practices and economic coercion?” she said. “The president’s goal . . . is to make sure we are realigning this effort to make sure that we’re focused on the long term challenges with China.”

Craig Allen, president of the US-China Business Council, said Biden’s relationship with the unions suggested any move on tariffs would be limited. Under Tai, USTR is also more aligned with unions than previous administrations.

“Biden said he wanted to be the most labour-friendly president in history. There will be a cost in terms of inflation,” said Allen. “It’s most likely inertia will dominate. And

if anything is done, it will be at the margins and half hearted.”

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