

Feb. 27, 2019

Trump Delays Tariff Hike on Chinese Goods

President Donald Trump announced that the U.S. would not move forward with a previously-announced tariff hike on \$200 billion worth of Chinese goods. In tweets announcing the delay, Trump added that the U.S. and China are “very, very close” to a trade deal to resolve the countries’ prolonged trade dispute. This is the second time the planned increase has been delayed.

U.S. imports from China have grown since U.S. set tariffs

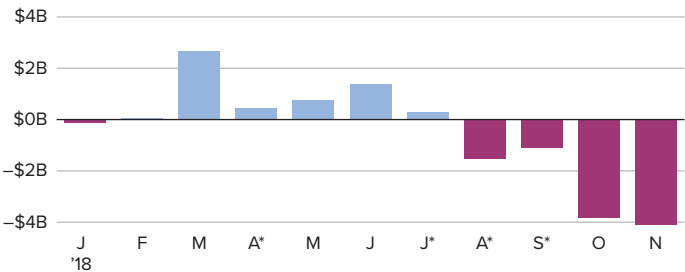
The U.S. was set to increase tariffs on \$200 billion of Chinese goods from 10 percent to 25 percent on January 1. That increase was delayed to March 2 when U.S.-China trade talks were announced in December, with the option to further delay based on progress made during the discussions.

U.S. exports to China have fallen following rounds of Chinese tariffs on U.S. goods.

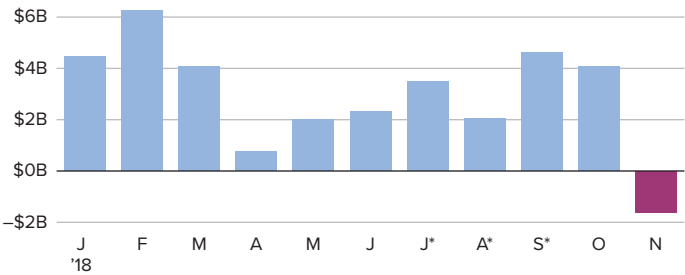
On the other hand, the value of imports to the U.S. from China have increased as a result of the higher tariffs set on Chinese goods. The American Action Forum estimates that passing the full cost of U.S. tariffs to U.S. consumers would add \$30.4 billion in additional cost burden for these goods.

*Month in which Chinese tariffs on U.S. goods have taken effect

U.S. exports to China, YEAR-OVER-YEAR CHANGE



U.S. imports from China, YEAR-OVER-YEAR CHANGE



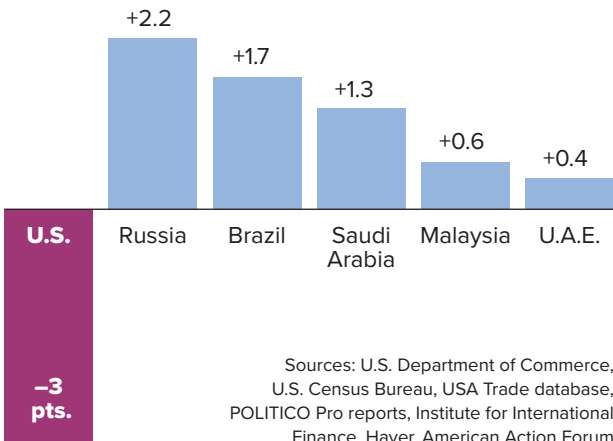
China shifted imports in 2018

The federal government has offered assistance to U.S. businesses that have been affected by China’s tariffs, including a \$12 billion support program for farmers affected by tariffs on agricultural products. Without the Chinese market, some producers have had to scramble to find other export markets, including U.S. soybean farmers, for whom China is the leading export destination.

Analysis from the Institute for International Finance shows China has reduced purchases of select U.S. goods. Chinese imports of U.S. animal, vegetable, paper, and mineral products fell three percentage points over 2018, while imports from countries including Russia and Brazil increased a combined 6.1 percentage points.

Change in share of Chinese imports of animal, vegetable, paper and mineral products, 2018

PERCENTAGE POINT INCREASE OR DECREASE



Sources: U.S. Department of Commerce, U.S. Census Bureau, USA Trade database, POLITICO Pro reports, Institute for International Finance, Haver, American Action Forum

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