

U.S. Weighs Tariff Relief but Some Fear China Will Take Advantage

Politicians and business groups are sharply divided on what to do about President Trump's tariffs, with some arguing that China is poised to take advantage of the United States.



By **Ana Swanson**

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WASHINGTON — The coronavirus outbreak is prompting a heated debate among lawmakers and the White House over whether the Trump administration should remove the tariffs it has imposed on China and other nations to provide some economic relief.

Supporters of lifting the tariffs, even temporarily, say it would be a simple and immediate way to help businesses and consumers struggling with higher costs from President Trump's levies. U.S. tariffs on foreign steel, aluminum and more than \$360 billion of Chinese goods have chipped away at profits for companies that depend on imported goods and parts, slowed business investment and weighed on households, particularly those on the lower end of the income scale.

But opponents warn the move could provide China with an economic advantage at a particularly sensitive moment. Factories are slowly restarting in China, as the country shakes off the virus that began on its shores, but the outbreak in the United States and Europe continues to worsen, with schools, restaurants, offices and other Western businesses now closing.

China hawks warn that the Chinese government and businesses will take advantage of any pause in tariffs to capture a larger share of global industries, putting Beijing on a dominant course for years to come.

The White House has discussed lifting tariffs as part of an economic response, but several officials have said no such move is being considered.

In an interview with C-SPAN on Friday morning, Steven Mnuchin, the Treasury secretary, said "general tariff relief is not on the table."

Mr. Mnuchin, who has been coordinating the government's economic response, said he had spoken with Robert Lighthizer, the United States trade representative, about more targeted measures, such as providing exemptions for specific products. "There are small businesses that

are impacted by this, I'm sure he will consider that," he said.

On Thursday, the Trump administration announced several targeted exclusions from its tariffs for specific health products, including surgical drapes, biohazard bags and latex exam gloves. That followed an announcement Tuesday that the administration had granted an exception to surgical gowns, hand sanitizer and other medical products.

Some argue that the tariffs are impeding the ability of American hospitals and doctors to respond to the coronavirus, since China produces a large share of the medical goods and supplies used in the United States.

In a report released Friday, Chad Bown, a senior fellow at the Peterson Institute, wrote that Mr. Trump's tariffs on Chinese medical products might be contributing to shortages and higher costs of vital equipment.

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Imports of Chinese medical products have declined significantly since 2017, as Mr. Trump's imposed tariffs, while U.S. demand for these products from other parts of the world grew at over 20 percent, according to Mr. Bown's research.

Leading business groups including the U.S. Chamber of Commerce, the National Association of Manufacturers and the U.S.-China Business Council have pressed the administration to roll back tariffs permanently as part of its emergency economic response.

In a March 13 letter to the White House, the American Apparel and Footwear Association, the National Retail Federation and other trade groups requested the immediate elimination of tariffs on China and the retroactive refund of duties.

"We can think of no other policy tool at the administration's disposal that would have such a fast and beneficial impact as the immediate and retroactive removal of these tariffs," the letter read. "Such a move would instantly put billions of dollars back into the U.S. economy."

The idea of rolling back tariffs, in particular those on global metals, has strong support among free traders in Congress, including Senator Patrick J. Toomey, a Pennsylvania Republican, and Senator Charles E. Grassley, an Iowa Republican.

In an interview on Friday, Mr. Toomey said eliminating steel and aluminum tariffs would not affect China, since the United States has already virtually eliminated steel and aluminum imports from that country. However, it would help the American economy, he said.

"I think it would be a boost for markets, and more importantly it would be good for steel- and

aluminum-consuming industries, and that would help stabilize the economy and employment, at least on the margins,” Mr. Toomey said.

He added that measures to curtail the metal tariffs could be included in a stimulus package that the House passed early Saturday and awaits Senate action. “Certainly, whatever the House sends over could be a vehicle for us to amend it with stuff like this,” he said.

But in a letter sent to Congress on Friday afternoon, Thomas M. Conway, the international president of the United Steelworkers Union, cautioned against removing tariffs on steel, saying that it would harm an industry that is already struggling as a result of auto plant closures and a general slowdown in manufacturing.

“Production cuts, idling and layoffs have already been announced at manufacturing facilities across the country, and if the current crisis continues we can expect more bad news,” Mr. Conway wrote. “Now is not the time to bring about more closures and curtailments in our basic industry and allow a flood of imports to crush the domestic industry and its workers.”

Mr. Conway, whose group pressed for the tariffs initially, also argued that rolling back tariffs could advance China’s interests. He cited research from Horizon Advisory, a firm that analyzes Chinese-language publications, speeches and other documents, which suggested that some Chinese strategists believe that emerging from the coronavirus first would give China an economic opportunity.

Some Chinese government officials and leading academics have framed the pandemic as an opportunity to increase the global market shares of Chinese companies, attract foreign investment and strengthen China’s influence over systems including 5G telecom networks, Horizon Advisory analysts said in a research note published Thursday.

They have also portrayed this as a moment to cast off the yoke that the Trump administration’s trade actions put on China, which were aimed at encouraging international companies to move their supply chains out of China to avoid tariffs, the note said.

Some analysts have said that Mr. Trump’s trade war and China’s strict measures to contain the spread of the coronavirus have encouraged companies to move their supply chains, because many factories were shut down for weeks. But the spread of the virus around the world, and China’s early recovery from it, could change that calculation.

“As the virus spreads internationally, China will get more opportunities, including in the reduction of pressure to transfer the international industrial chain away from China,” according to a March 9 report jointly written by the Shanghai Advanced Institute of Finance, an economic research institute set up by the city of Shanghai, and the China Institute of Finance Research Group at Shanghai Jiaotong University.

Xu Xiaolan, the president of the China Industrial Internet Research Institute at the Ministry of Industry and Information Technology, wrote in an online essay that recovery from the virus could accelerate China's push toward technologies like the internet of things and 5G.

“Based on China's national system advantages, better infrastructure, huge mature consumer market, improved labor quality and advanced technologies — including big data, cloud computing, artificial intelligence — China will accelerate in the post-epidemic era with transformations characterized by ‘online’ and ‘industrial interconnection,’” she wrote.

China has already begun to portray itself as a leader in a global health crisis, at a moment when the United States is more absent on the international stage than its has been in decades. While maligned for its initial cover-up of the spread of the virus, China is now aggressively publicizing its efforts to provide other countries with medical supplies and genetic data to combat the coronavirus.

It has agreed to send masks, ventilators, respirators and test kits to Italy as part of an aid package. On Friday, the Chinese entrepreneur Jack Ma said that his foundation had sourced and prepared 500,000 testing kits and one million masks to be donated to the United States, after efforts to donate materials to Japan, South Korea, Italy, Iran and Spain.

“The pandemic we face today can no longer be resolved by any individual country,” Mr. Ma wrote. “United we stand, divided we fall!”

Emily de La Bruyère, an analyst at Horizon Research, said the current moment had parallels to the 2008 financial crisis. While Western economies faltered, China rolled out enormous stimulus measures that delayed the impact of the crisis on its economy for many months. In the end, China greatly expanded its global influence, Ms. La Bruyère said.

The difference is that 2008 “was the opportunity to reach a certain degree of parity, and now they're saying this is about leapfrogging” the United States, she said.

But Eswar Prasad, a China expert and economist at Cornell University, said China still faced a major challenge in restarting its economy, especially a time when global demand for its products will be weak.

“With overall global demand contracting sharply, this is not necessarily an advantageous time for Chinese firms to be able to increase global market share in a durable manner,” Mr. Prasad said.

Scott Kennedy, a China expert at the Center for Strategic and International Studies, said that some Chinese companies might try to take advantage of market dynamics by cutting out competitors, but that, on the whole, China's recovery would be helpful, rather than harmful, for restarting economic growth worldwide.

“In sum, the world should welcome a recovering Chinese economy but simultaneously be vigilant against a possible jump in uncompetitive behaviors,” he said.

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It seems to spread very easily from person to person, especially in homes, hospitals and other confined spaces. The pathogen can travel through the

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