

# Policy Note

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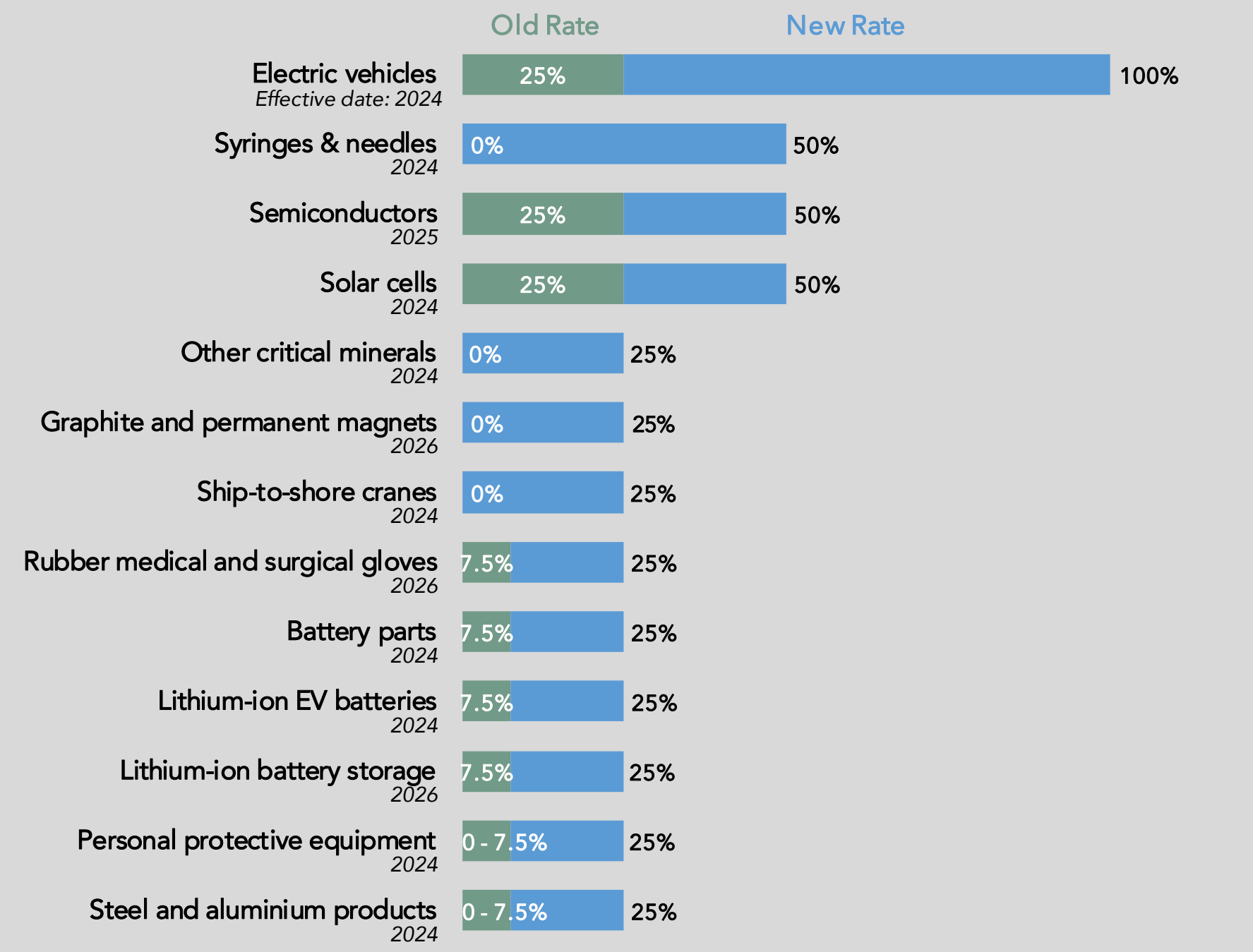
Earlier this week, the Biden Administration announced **new or enhanced tariffs on \$18 bn of US imports from China**. The new tariffs are a result of USTR Katherine Tai's nearly two-year review of the Section 301 tariffs former President Trump imposed on roughly \$360 bn of imports from China between 2018 and 2020. The Section 301 tariffs were initially imposed to compel China to address their non-competitive market practices, forced technology transfer and IP theft. As a result of the review, **Biden is maintaining all existing Section 301 tariffs while raising rates or imposing new levies on EVs, lithium-ion batteries, solar cells and semiconductors**.

Biden's focused tariff approach contrasts with President Trump's proposal to implement wider-reaching blanket tariffs while supporting industries such as autos and manufacturing which are critical in battleground states. The tariffs also **highlight President Biden's focus on curtailing China's share of both emerging technologies as well as "legacy" chip manufacturing**. The tariffs complement Biden's attempts to increase domestic manufacturing via the CHIPS and Inflation Reduction Acts while limiting China directly through the use of the Commerce Department Entity List.

While the newly imposed tariffs are meant to send a strong message to both US voters and China, **their macroeconomic implications are expected to be minimal**. Impacting roughly \$18 bn of goods, or just 4% of the US's total imports from China, the tariffs will be phased in between 2024 to 2026.

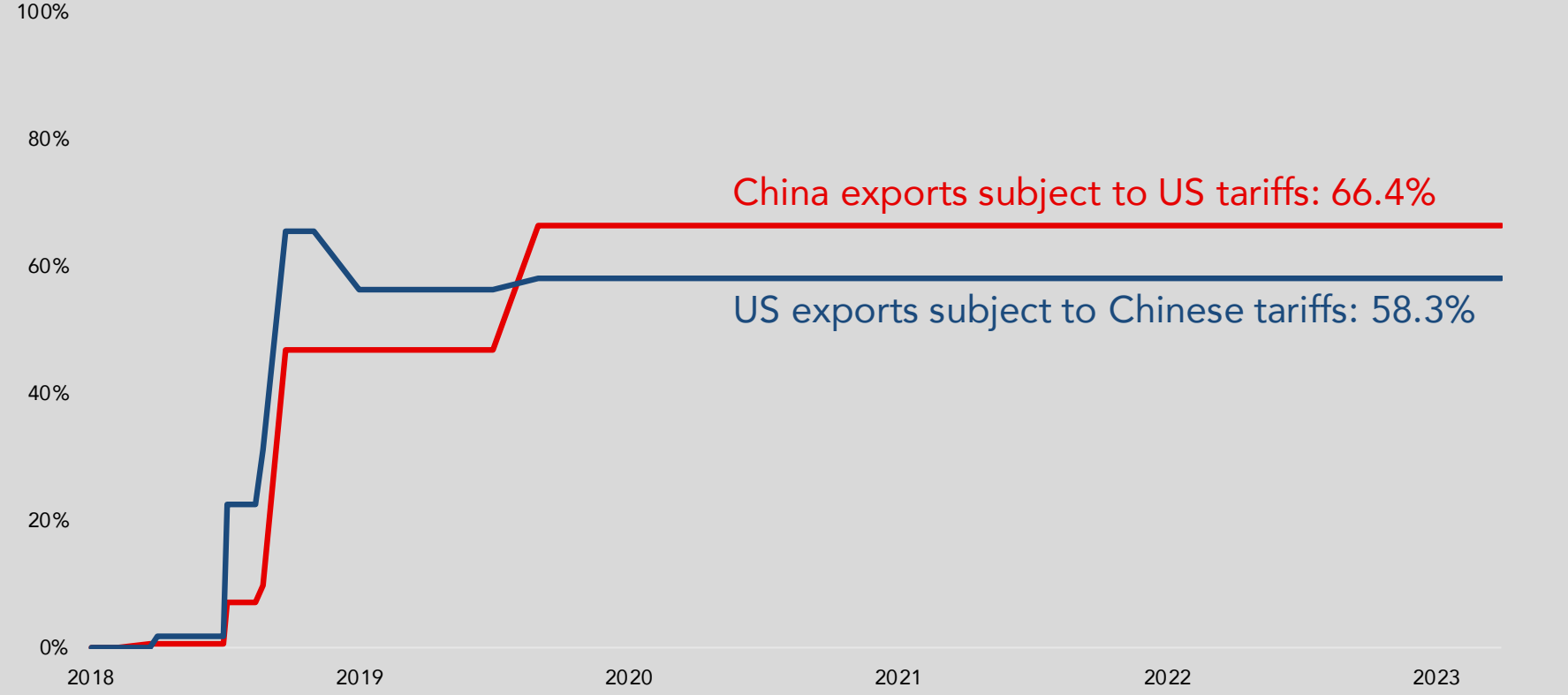
President Biden announced tariffs ranging from 25% to 100% on \$18 bn of US imports from China. While the targeted tariffs further Biden's efforts to support the domestic semiconductor industry and block China from critical emerging technologies, the macro implications are expected to be minimal. The \$18 bn of impacted goods represent just 4% of US imports from China and 0.5% of China's total exports.

### Newly imposed tariff rates on US imports from China by product



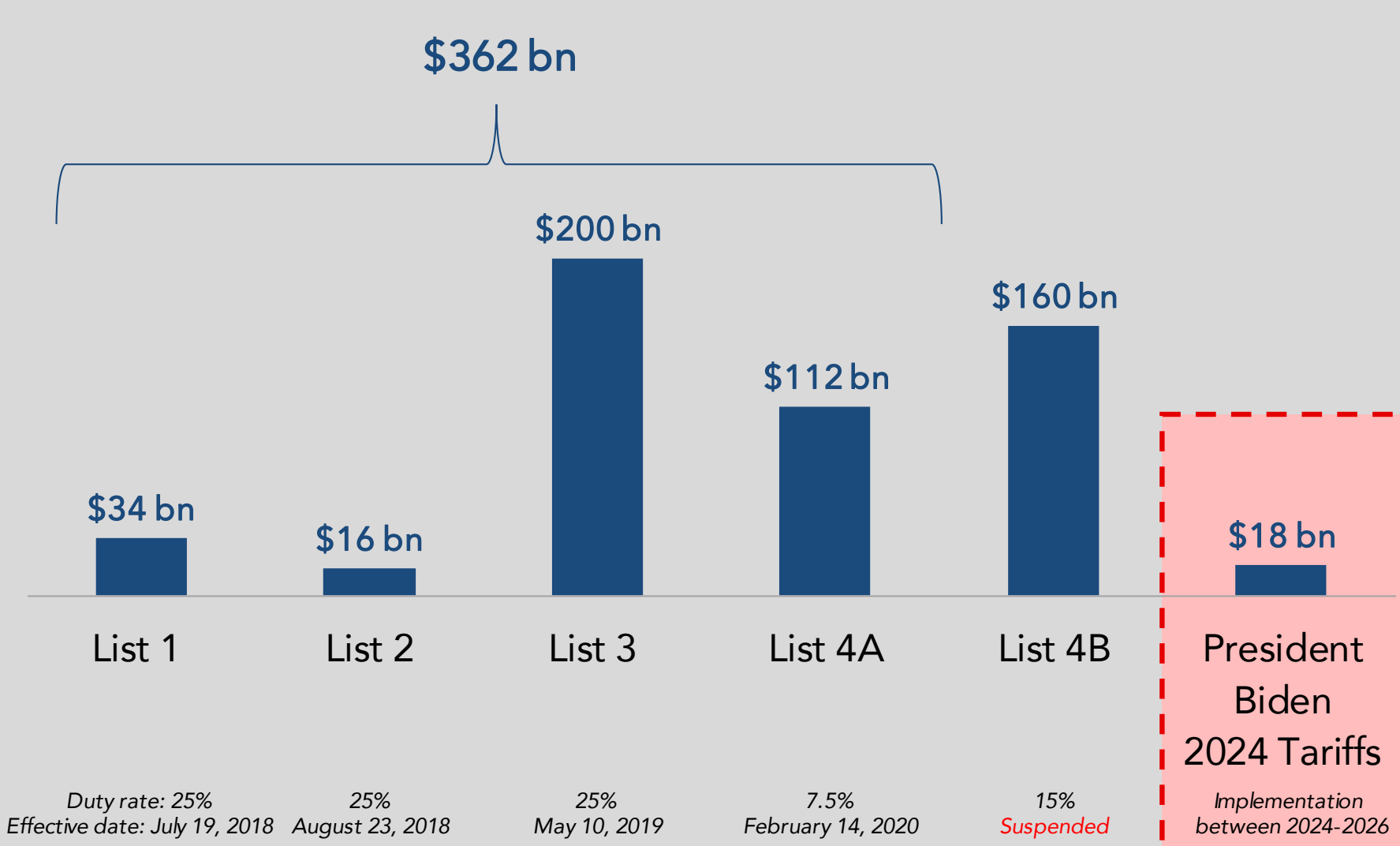
Despite their ideological and leadership style differences, President Biden has largely maintained Trump-era tariffs. In USTR Katherine Tai's review of Trump's Section 301 tariffs on \$360 bn of imports, the Biden administration decided to maintain all existing tariffs while also levying new or higher tariffs on an additional \$18 bn of imports.

### Percent of US-China trade subject to trade war tariffs







Between 2018 and 2020, former President Trump announced and implemented tariffs on over \$500 bn of US imports from China, though roughly \$160 bn of "List 4" tariffs were suspended in the subsequent "Phase One" trade deal with China. While comparatively smaller, President Biden's newly implemented tariffs target industries critical to US swing states such as auto, manufacturing and defense.

### Section 301 tariff list based on import good value at time of tariff implementation



Source: (1) The White House, "Fact Sheet: President Biden Takes Action to Protect American Workers and Businesses from China's Unfair Trade Practices". Financial Times, "Why Washington's new tariffs on Chinese clean tech goods matter". Bloomberg, "Biden Adds Tariffs on Chinese Chips, Critical Minerals, EVs". Data as of May 14, 2024. (2) Peterson Institute for International Economics, US-China Trade War Tariffs" (Chad Bown). (3) ST&R, "Section 301 Tariffs on China." Tax Foundation, "Tracking the Economic Impact of U.S. Tariffs and Retaliatory Actions."

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"Macro stability isn't everything, but without it, you have nothing."