

## US Delays Tariffs on China to Avoid Backlash

- The Trump Administration has delayed tariffs on a subset of Chinese imports until December 15, while the remainder of targeted goods will be subject to an additional 10% tariffs from September 1.
- As the White House looks to mute the impact of its protectionist agenda on US households, the tariffs exemption clearly encompasses goods that are in high demand during the holiday season—such as phones, toys, and video games.

The US Trade Representative (USTR) [announced today](#) a delay in the imposition of tariffs on a subset of Chinese imports until December 15. The move is clearly aimed at averting a direct hit to US consumers during the holidays, with cell phones, and certain electronics and toys temporarily shielded from a planned September 1 10% tariff. In the [words of the President](#): “we’re doing this for Christmas season, just in case some of the tariffs would have an impact on U.S. customers.”

The White House blinked. Last week’s announcement that 10% tariffs on Chinese goods would be imposed on September 1 sent equity markets tumbling and had until yesterday shaved a quarter of a percentage point off long-term US bond yields. This damage—as well as the possible impact on Trump’s re-election prospects—is likely behind the Administration’s decision to track back on this latest threat. The decision to delay the tariffs appears almost exclusively motivated by a desire to protect Trump’s approval ratings, as opposed to an attempt to ease tensions with China; the President alluded to currency manipulation by Chinese authorities just a few hours before the USTR’s announcement.

The tariffs exemption covers around 60% of the goods that have been targeted by the USTR for the upcoming round of tariffs. Imports of goods outlined in the lists provided by the USTR today amounted to USD 267 bn in 2018, of which USD 156 bn are exempt [until December 15](#); the remaining USD 111 bn will face additional 10% duties beginning [on September 1](#). Electronics and machinery account for over half of the goods subject to tariffs in this latest tariff offensive (USD 143 bn in 2018), while they represent two-thirds of the total value of goods exempt from the September 1 tariffs (chart 1). Within this category, telephones exempt from tariffs amount to about USD 44 bn, followed by computers and tablets at roughly USD 38 bn; combined, they make up 52% of the value of goods that will see tariffs delayed until December 15.

By pushing the imposition of tariffs until mid-December, the White House’s move will insulate US importers during the height of the purchasing season in autumn. As firms stock up on merchandise ahead of the holidays, imports of exempt goods spike in the September to December period before falling off to their early-year lows (chart 2). US firms will also undoubtedly front-load certain purchases that were originally intended for early-2020, thus resulting in elevated import and inventory levels in Q4-2018 followed by a shift in the opposite direction in the following quarter. Firms’ purchases may be limited, however, as much depends on whether the production cycle of Chinese factories can satisfy this demand and whether there is sufficient storage capacity in US warehouse facilities.

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Chart 1

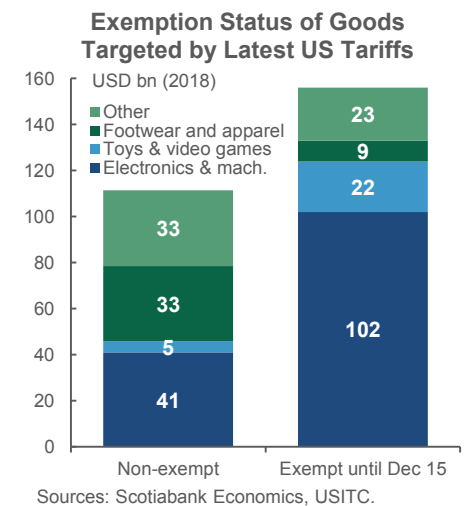
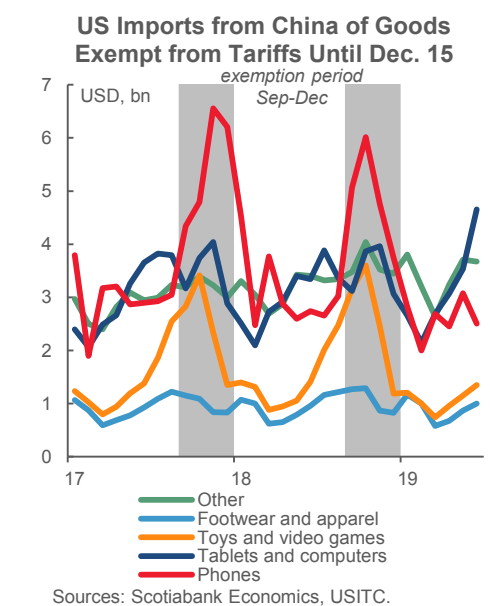


Chart 2



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