

## Dots &amp; Plots

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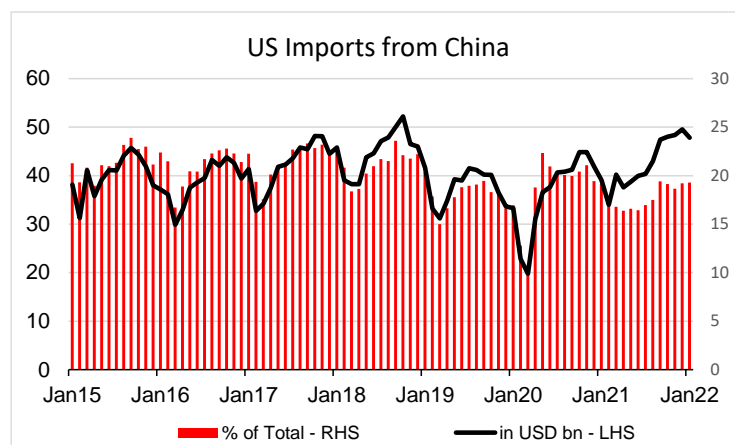
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## Ta-Ta, Tariffs?

### US is considering a reduction of tariffs on imports from China

- At a Tokyo press conference, US President Joe Biden said that he is considering changes to tariffs on Chinese imports, noting that he will speaking to Treasury Sec Yellen on the details once he gets home. This may be the strongest signal yet that he is preparing to withdraw at least some of the tariffs that the Trump administration had imposed since 2018.
- Set against the backdrop of US inflation rate lingering at decades-high level of over 8% yoy, any reduction in tariffs on Chinese imports – either in terms of the applicable rates or the breadth of goods affected – can be seen as part of the Biden administration’s attempt at keeping a lid on price pressures.
- To that end, estimates about the impact of any tariff removal on US inflation vary. A Peterson Institute’s study, for one, quantified it to be anywhere between 0.3-1.3ppt on headline CPI, depending on the scope of the tariff’s rollback and whether the domestic competition effect is accounted for.
- As it stands, the US imposes an average tariff rate of 19.3% on Chinese goods, covering 66.4% of its imports from the country. On the whole, goods from China comprise about a chunky 18% of total US imports, equivalent to about USD506bn worth for the whole of 2021.
- From the political angle, any decision to rejig the tariffs may present a double-edged sword. A recent poll by Morning Consult suggested that as many as 71% of Americans support the tariffs policy on China, seeing it as a remedy to protect US industries and American jobs.
- The fact that Biden is nonetheless keen on removing at least some of the tariffs, despite such public reservations, therefore speaks volumes about how inflation has become such an acute issue. Indeed, with a poll by Pew Research showing that 70% of Americans see inflation as “a very big problem” and 23% more see it as “a moderately big problem”, he is left with little choice but to resort to cutting tariffs on its key strategic competitor.



Source: OCBC, Bloomberg.

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