The New York Times

U.S. Delays Some China Tariffs Until Stores Stock Up for Holidays

By Ana Swanson

Aug. 13, 2019

WASHINGTON — President Trump on Tuesday unexpectedly put off new tariffs on many Chinese goods, including cellphones, laptop computers and toys, until after the start of the Christmas shopping season, acknowledging the effect that his protracted trade war with Beijing could have on Americans.

Mr. Trump pushed a 10 percent tariff on some imports to Dec. 15, and excluded others from it entirely, while facing mounting pressure from businesses and consumer groups over the harm they say the trade conflict is doing.

The stock market soared after the announcement, following weeks of volatility driven by fears that the standoff between the world's two largest economies could hamper global economic growth.

The decision was the latest twist in a dispute during which China and the United States have alternately escalated tensions with tit-for-tat tariffs and softened their positions as they sought a deal.

Mr. Trump continued to insist on Tuesday that the trade war was hurting only China. But he also admitted that there was potential for the new tariffs to inflict economic pain closer to home.

"Just in case they might have an impact on people," the president told reporters, "what we've done is we've delayed it so that they won't be relevant for the Christmas shopping season."

Mr. Trump, frustrated that negotiations had failed to yield an agreement, said on Aug. 1 that the United States would impose the 10 percent tariff on $300 billion worth of Chinese imports on Sept. 1. That would be in addition to a 25 percent tariff already imposed on $250 billion of Chinese goods.

But on Tuesday, the United States trade representative's office said that while a substantial amount of Chinese imports would be subject to the Sept. 1 levy as planned, various consumer electronics, shoes and other items would be spared until mid-December.

The office also said it was dropping 25 types of products from the tariff list altogether "based on health, safety, national security and other factors." The items include car seats, shipping containers, cranes, certain fish, and Bibles and other religious literature, a spokesman said.

Stocks rallied immediately on the news, with the S&P 500 climbing nearly 2 percent in morning trading before ending the day up 1.5 percent. The benchmark index was lifted partly by shares in retailers and computer chip producers that have been especially sensitive to the trade tensions.

Best Buy, which gets many of the products it sells from China, was among the best-performing stocks in the S&P 500, rising more than 6.5 percent. Apple, whose iPhones and computers would have been subject to the tariffs, climbed more than 4 percent. The technology-heavy Nasdaq composite index ended the day up more than 2 percent.

The tariff announcement followed what Mr. Trump described as a “very productive” call involving Liu He, China’s vice premier and its lead trade negotiator; Robert Lighthizer, the United States trade representative; and Steven Mnuchin, the Treasury secretary.

The three agreed to speak again in two weeks, China’s state-run Xinhua News Agency reported. Negotiators had planned to meet again early next month in Washington.

Now, about $112 billion of Chinese goods will be hit with the 10 percent levy on Sept. 1, according to Chad Bown, a senior fellow at the Peterson Institute for International Economics. Another $160 billion in goods will be subject to the tariff as of Dec 15, he estimated.

Whether the president’s move on Tuesday will ease tensions enough to make a deal with Beijing more likely was unclear.

Mr. Trump has been pressing Beijing since last year for an agreement that would, among other things, strengthen protections for American intellectual property, open Chinese markets to American business and result in China’s buying large quantities of American energy and agricultural goods.

But negotiators have made little progress since May. The stumbling blocks included whether the White House would roll back the tariffs already in place and whether Beijing would enshrine in law the changes it pledged to make.

As his re-election campaign gears up, Mr. Trump is increasingly focused on ending the conflict in order to maintain his support among farmers, who have lost some of their main export opportunities as China ordered state-owned companies to stop buying American soybeans. But he has also expressed an unwillingness to accept a deal with China that falls short of his goals.

[Mr. Trump said his tariffs and tax cuts would set off a wave of investment, but data show they have not caused a significant return of factory activity from overseas.]

The president has tried to persuade China to buy large amounts of American farm goods before an agreement is reached, but that hasn’t happened. He continued to berate China on Tuesday for not making such purchases and suggested that the tariffs might force it to do so.

“As usual, China said they were going to be buying ‘big’ from our great American Farmers,” he wrote on Twitter. “So far they have not done what they said. Maybe this will be different!”

Chinese officials and state media outlets have responded to Mr. Trump’s prodding by taking an increasingly strident tone and threatening to punish American firms.

China has also allowed the value of its currency to fluctuate in recent weeks, raising the specter that it would use it as a weapon. That prompted the White House to label China a currency manipulator, the first time the United States had done that since 1994.

The tariff delay could create an opening for Chinese officials to soften their statements. There is also the question of whether the Trump administration will allow American companies to continue supplying certain goods to the Chinese telecommunications giant Huawei despite a ban on such trade because of national security concerns.

A so-called temporary general license that allows American companies to supply Huawei despite the ban is set to expire on Monday, but the Trump administration could renew it.

Trade groups said they welcomed the reprieve on tariffs for the holiday season, but added that the changes would not reduce the uncertainty they faced.

“The hope is that this creates an opportunity for the two sides to get back to the table, resume the broad-based trade talks and look at some confidence-building measures that would boost the prospects of a big deal down the road,” said Myron Brilliant, the executive vice president of the U.S. Chamber of Commerce.

Matt Priest, the president of the Footwear Distributors and Retailers of America, said the delay was also an acknowledgment by the Trump administration that Americans were bearing the cost of the trade war.

“It is no coincidence that the administration is allowing certain shoes to come in without raising taxes in hopes that prices do not rise at retail during the holidays,” Mr. Priest said. “While we are pleased with the decision to delay new tariffs on certain shoes, we are not satisfied.”

Among corporate leaders, Timothy D. Cook, Apple’s chief executive, has been particularly active in lobbying the president and Mr. Lighthizer against the tariffs. Apple, which builds most of its products in China, has been hit by the tariffs on some smaller products like the Mac Mini, computer parts and cables. But the latest round of proposed levies significantly raised the stakes for the company.

So far, Apple has not raised prices because of the initial tariffs. And the company would probably try to absorb a 10 percent levy on iPhones at first, too, Daniel Ives, a technology analyst for Wedbush Securities, said in a research note Tuesday.

But if the tariffs continue into next year, he said, “Apple will have no choice but to pass this incremental $75 to $100 per smartphone to U.S. consumers.”

Mr. Trump’s tariffs have been front and center for corporate executives and investors since the trade war flared anew in May, and the topic had often been cited on earnings calls between company leaders and shareholders.

With the most onerous levies — those set for Sept. 1 — not yet in place, retail executives have mostly played down their impact on profits, at least publicly. The biggest retailers, including Best Buy, Macy’s, Target and Walmart, are scheduled to report earnings for the most recent quarter starting this week.

Jack Nicas contributed reporting from San Francisco, and Stephen Grocer and Matt Phillips from New York.

A version of this article appears in print on Aug. 14, 2019, Section A, Page 1 of the New York edition with the headline: Facing Pressure, President Delays New Tariffs Plan