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# Insult to Injury

The Section 301 tariffs were designed and put in place after a USTR investigation found "China's acts, policies, and practices regarding technology transfer, intellectual property, and innovation were unreasonable and discriminatory and burdened or restricted U.S. commerce." (The National Law Review). They were implemented to, of course, encourage Chinese companies and policy makers to take grievances about theft of intellectual property seriously, and to commit to stopping such practices by Chinese business and state actors. Many hailed it the kicking off of what they predicted correctly would be a trade war between the US and China. Though the Section 301 tariffs represented just one theater of the US trade wars of the Trump Presidency, as there were the Section 201 and Section 232 tariffs, the Section 301 tariffs affected $277 billion out of the $309.1 billion of tariff affected trade in 2019 (Willaims, et al.). To date, the Section 301 tariffs levied against China have generated $127,921,092,305 according to U.S. Customs (U.S. Customs, "Trade Statistics"). These numbers are certainly large enough to have an effect on the U.S. economy, both on an economy-wide and individual scale. Due to the general effects of tariffs generally being a tax levied on U.S. importers and U.S. consumers, and the large magnitude of the Section 301 tariffs imposed by President Trump's administration, they have had a negative effect on the U.S. economy.

Behind the question of "have Section 301 tariffs had a positive or negative effect on the U.S. economy," lie a number of challenges and intricacies around the question that must be addressed before delving into the specifics of the situation, and the reasons as to why they have had a negative effect. First and foremost, is the COVID-19 pandemic, which saw from 2019 to 2020, a 3.6 per cent drop in U.S. imports from China (USTR), and an over 17 per cent drop in all U.S. imports (Leibovici, et al.). A large portion of time between the institution of the Section 301 tariffs by the Trump administration, which had begun to be imposed by July 2018; over half of the almost 4 years between now and July 2018. Due to this, the numbers from after 2020 universally have an asterisk next to them, as COVID-19 and the worldwide economic slowdown has affected the measurements by which to gauge the effects of the Section 301 tariffs on China. However, the question is not how the Section 301 tariffs have affected the U.S. economy, so they will still be used with the aforementioned asterisks in mind. Another challenge in pursuing this, also indeed somewhat COVID-19 related, is the shown use of the revenue generated by the U.S. government. While there is data from 2019 and 2020 regarding the use of the revenue generated from the Section 301 tariffs, the data regarding the use of generated revenue for 2021 has not yet been released. In regards to both of these factors, all one can do is work with what they have been given and draw the best conclusion they can.

The correct use of tariffs has long been contested in business, economic, political, and historical circles and have been used many ways in the past. Trade wars, up until the Trump administration, have largely been a thing of the past, as free trade and lower duty rates on most consumer items and commodities have largely been the makeup of the international trade landscape for the U.S. since the latter half of the 20th century. While free trade was certainly the guiding principle of foreign trade policy in that era, Bush's 2002 Steel Tariffs represent an outlier in that it was a pointed and tactical use of tariffs, and a failure of those strategies. In an attempt to protect the U.S. Steel industry President Bush levied 8 per cent to 30 per cent steel tariffs on specific steel products originating from all countries except Canada, Mexico, Israel, and Jordan. According to Dr. Joseph Francois and Laura M. Baughman in their 2003 research paper titled "The Unintended Consequences of U.S. Steel Import Tariffs: A Quantification of the Impact During 2002," found that "200,000 Americans lost their jobs to higher steel prices during 2002" and that this led to "approximately $4 billion in lost wages from February to November 2002"

(Francois, et al.). The consequences felt by these tariffs were colossal, and to be fair, the Section 301 tariffs had nowhere near as much as a devastating effect on the U.S. economy. The Bush administration's steel tariffs were not targeted at any specific country, and designed to more directly protect the steel industry. The vast majority of the Trump administration's Section 301 tariffs on the other hand were targeted toward one country, China, in an attempt to indirectly curb Chinese involvement and perpetration of intellectual property theft against American companies by trying to direct U.S importers to buy from non-Chinese manufacturers, altering the export side of the supply chain, away from China. They are decisively different policies in the 2002 steel tariffs were defensively pointed, and the Section 301 tariffs levied against China are offensively pointed. However, the comparison between the 2002 Bush Steel Tariffs and Trump's Section 301 tariffs against China stills hold value in that both were done in a spirit against free-trade. In such, while the Trump administration's tariffs have not been as much of a colossal detriment to any one industry, they are tariffs and tariffs generally have been shown to generally result "in lower income, reduced employment, and lower economic output" ('Tariffs Imposed by the Trump Administration: Economic Analysis"). While that was a lot of background and comparison to get to one rather simple conclusion in comparing the two, it is important to show that not just the Section 301 tariffs against China have had a negative effect, that there is historically relevant data showing that tariffs as a weapon typically don't bode well for the U.S. economy and therefore, consumers. The comparison also goes a long to way to define the intentions of the Section 301 tariffs. Along with that, the Trump tariffs have also been shown to have a directly negative effect towards U.S. consumers, in that they have increased prices to a smaller, but still significant degree.

Section 301 tariffs have negatively affected U.S. importers, U.S. consumers, and U.S. farm exporters, whom all to some degree have paid the price of these tariffs. For the first two, the "how" of why this is is because of the nature of tariffs. Tariffs are taxes on imported goods paid by the importer. In most cases, these importers are American companies, and not the country the tariffs are levied against. This means the cost burden of tariffs are carried by American companies, who in turn need to raise the price of their goods in consumer markets, in order to account for this cost burden, passing a portion, if not all it in some cases to the consumer. There has been a multitude of observable evidence in the case of the Trump administration's tariffs against China. One study found that by the end of 2018, the Section 301 tariffs had constituted an over $32.65 billion cost on American consumers ("Tracking the Economic Impact of Tariffs"). Another study using data found from the U.S. Census Bureau and the International Trade Commission that that the additional cost burden on consumers was $50.5 billion in 2020. Both of these show an incredible increase in cost to the U.S. consumer, a very key group in the U.S. economy, and are definite markers of negative effect on the U.S. economy. This affects U.S. importers as well, as some may be priced out of certain markets and in many cases have been forced to change supply chains, changing where they produce their goods and how they transport them to U.S. markets. From anyone who has seen the logistics landscape in the last 3 years, there have been many importers changing where they procure their products, often moving to Vietnam, Cambodia, Thailand, Indonesia, Bangladesh and Malaysia as alternatives. This places a burden on importers, freight forwarders and customs brokers to put in cost and labor into establishing and understanding these new chains, establishing familiarity with the new Section 301 tariffs, as well as producing significant disruptions in pre-existing chains. It led to a lot of jams in previously lesser utilized ports and shipping lanes that sometimes added weeks to shipping times, contributing to loss in value to American importers. As for U.S farm exporters, the effects have been arguably, though not definitely, catastrophic. In 2019, U.S. agricultural exports, the main U.S. export industry to China, saw from mid 2018 to the end of 2019 estimated a $27 billion reduction in exports due to retaliatory tariffs imposed by China(USDA). This represents a massive loss to US export value to China, as the US Bureau of Economic Analysis estimates the 2019 total export value to China as $106.5 billion(U.S. Bureau of Economic Analysis). In an attempt to offset this loss, the Trump administration used 92 per cent of the revenue generated from the Section 301 duties collected on items originating from China on relief packages for affected U.S. farmers(Steil, et al.). Overall, all this combines to make a massive cost for multiple sectors in the U.S. economy, and creates a negative effect.

When it comes to potential positive effects of the Section 301 tariff imposed against China, prospects are few and far between. One report that had an influential hand in generating the subject tariffs, proclaims that “the annual cost to the U.S. economy continues to exceed $225 billion in counterfeit goods, pirated software, and theft of trade secrets and could be as high as $600 billion” (The National Bureau of Asian Research). The main problem that while these losses may be evident, it is nigh-on-impossible to find a metric in which these losses are regained or not present, especially because U.S. GDP growth from 2018 to 2019 was -.84 per cent, and the U.S. GDP sank 3.49 per cent from 2019 to 2020 (largely due to the COVID-19 pandemic) (Microtrends). While the U.S. GDP and these losses are not directly related, the U.S. has not gained any value in terms of GDP through the imposition of the Section 301 tariffs against China.

All evidence points to the Section 301 tariffs levied against China having a negative effect on the U.S. Economy. While the COVID-19 pandemic has somewhat muddled hindsight in this case, historical data as well as data affected by the pandemic show negative effects on the economy. They significantly increased the cost burden of tariffs on U.S. importers, as they are the ones who pay the tariffs to the U.S. government. U.S. consumers also took on a significant portion of this burden as importers had to increase prices in order to maintain profit in U.S. markets. U.S. exports in the agricultural sector saw near catastrophic losses in value, prompting government intervention to keep the industry and farmers afloat. All of this along with a lack of measurable positive impacts, lead to one conclusion: the Section 301 tariffs levied against China have been fruitless at best, and at worst an insult to the injury that was the economic squandering that was the COVID-19 pandemic.

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