Why China Is Hitting Back at Trump's Proposed $50 Billion Tariffs With $3 Billion Duties on American Goods

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After U.S. President Donald Trump announced $50 billion worth of tariffs on Chinese imported goods, the Chinese regime announced it would hit back with tariffs of its own. The day after Trump's proposals, China's Ministry of Commerce announced on March 23 that it would impose about $3 billion worth of tariffs on U.S. imported goods.

A 15 percent import tariff would be levied on 120 types of U.S. products, including fruits, wine, ginseng, and steel pipes. Another tariff, at 25 percent, would target another eight categories, including pork products and recycled aluminum. The Ministry said the tariffs are a direct response to the U.S.-issued tariffs on Chinese steel and aluminum announced earlier this month.

It is interesting to note that the Chinese regime has chosen to attack agricultural products, the mainstay of economies in the heartland states that make up Trump's voter base.

The Chinese embassy in the U.S. released a statement early on March 23, noting that it while China does not want to start a trade war, the country "is not afraid of and will not recoil from a trade war. China is confident and capable of facing any challenge."

But by the numbers, China's retaliation is rather weak, at less than 10 percent of the U.S.'s proposed $50 billion worth of tariffs.

Perhaps China does not wish to escalate because it has more to lose in a trade fight. Xia Yeliang, economist and former visiting fellow at the Cato Institute in Washington, DC, postulated in an interview that China would suffer more in the end, since it "largely copies and steals American intellectual property" and will likely have to pay for its offenses.

For the U.S., the tariffs would affect American low to middle-income consumers who buy most of the made-in-China products, but they have insignificant impact on American national interests, Xia added.

He believed the only effective tool in China's arsenal would be to restrict market access to U.S. goods. However, such a move would not go over well with Chinese consumers who enjoy using American products.

Unfair Practices

China's foreign ministry has called the tariffs unfair, but the Chinese regime has long engaged in trade practices that put others at a disadvantage. According to a 2014 WTO (World Trade Organization) report, China is the subject of 27 percent of all WTO members' anti-dumping investigations. India, Brazil, and Australia issued the most probes.

With regards to U.S.-China trade relations, China has historically enacted higher tariffs on U.S. imports than vice versa.

In the category of meat products for human consumption, for example, the most-favored-nation tariff—the lowest possible tariff a country can assess on another country—for U.S. imports into China is 18.93 percent, compared to 6.01 percent for Chinese imports into U.S., according to WTO data.

Trump also recently cited tweets made by Tesla CEO Elon Musk that illustrated the imbalance: an American car going to China is charged a 25 percent import duty, compared to a Chinese car coming into America that is charged a 2.5 percent import duty.

And for many raw materials that China is the leading producer of, the country has leveraged its position to enact export restraints such as duties, quotas, and minimum export prices—many of which are key materials for manufacturing American products such as wind turbines, steel, cars, petroleum, and advanced electronics, according to the U.S. Trade Representative's 2017 report on foreign trade barriers.

China charges a 6.87 percent tariff on American copper, compared to 2.07 percent for Chinese copper to enter the U.S. Copper is among a list of 11 raw materials that the U.S. has sought to challenge at the WTO for China's continued export restraints.