

The U.S. and China are Not Far From a Trade War

By Sean Kiernan, J.D. Candidate 2020 | April 5, 2018

If there was any lingering hope China would not hit back against the Trump administration's duties on imports of aluminum and steel, it has officially been crushed. 128 U.S. products, from fruits to wine, will be facing a [25% tariff increase](#). Further, China's Ministry of Commerce announced, despite its obligations to the World Trade Organization to reduce tariffs on goods such as fruit and ethanol, it would increase tariffs on those products by an extra 15%.

In addition to imposing tariffs on steel and aluminum, [Trump had previously threatened](#) to impose protective duties on \$60 billion of other Chinese products. On April 3, his [administration announced](#) a list of 1,300 proposed tariff increases designed to penalize China for disadvantaging U.S. companies in the Chinese market. Trump is seeking to retaliate against China's [theft of U.S. intellectual property](#), and the newly proposed tariffs, the administration says, are equal to "the harm caused by China's unreasonably technology transfer policies."

Financial markets have been rattled over fear of a U.S.–China trade war and the damage it could cause to world growth. China's [Ministry of Commerce](#) indicated the move was intended to push Trump to refrain from the broiling trade war, arguing U.S. tariffs on Chinese products violate World Trade Organization rules.

Taking tough action on China's unfair trade practices was a center piece of Trump's campaign. Yet as he attempts to deliver on this promise, stock markets have plummeted and major U.S. companies, including General Electric and Goldman Sachs, are pushing back.

There is [strong support](#) in the technology and finance industries for the idea that China blocks off valuable markets from American competition. Some major players, such as Apple, Google, and Microsoft, have been supportive of targeting China's trade practices. But whether firing back at China with tariffs will work as a solution is less clear.

The Information Technology Industry Council, an advocate group for those companies, has said it is not happy with using tariffs as the primary remedy. Other technology and investment companies now say Trump's measures could severely damage supply chains they have built over decades.

The U.S. faces a tricky balancing act between cracking down on China's allegedly unfair economic practices and prompting it to scale up those practices. Trump leaves no indication he intends on scaling back punitive measures. At least in the short term, uncertainty and fear of a trade war will continue to influence global markets.