Flash Economics

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Increasing tariffs on U.S. imports from China or blanket increasing tariffs on all products imported by the U.S. have very different effects

Since 2018, the United States have significantly increased tariffs on imports from China. However, the impact of these higher tariffs on global trade and U.S. inflation has been relatively minor because they have been circumvented. There is indeed a decrease in U.S. imports from China, but this is offset by an increase in China's exports to India, Southeast Asian countries, and Mexico, as well as an increase in U.S. imports from these same countries.

But if there were, in the future, an increase in tariffs on all products imported by the United States, this specific circumvention of the current tariffs on imports of Chinese products by the United States would no longer be possible. This would lead to a marked slowdown in global trade and a surge in inflation in the United States.

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Tariffs imposed in the United States on Chinese products

Since 2018, **the United States have imposed tariffs on multiple Chinese products**. The level of tariffs as of the second half of 2024 is as follows:

- 25% on electric batteries;
- 100% on electric vehicles;
- 25% on graphite and critical minerals;
- 50% on semiconductors;
- 25% on port cranes;
- 50% on solar cells;
- 25% on steel and aluminium;
- 50% on syringes and needles;
- 25% on medical gloves and surgical masks.

In total, tariffs on Chinese products amount to 84 billion dollars.

But tariffs on products specifically imported from China are being circumvented

As long as tariffs only apply to U.S. imports from China, **they can be circumvented**. Chinese manufacturers export their products to third countries, from which these products are then re-exported to the United States.

Since 2018, one can indeed observe (**Charts 1a/b**):

- **A decrease in U.S. imports from China;**
- **An increase in U.S. imports from Mexico, India, and Southeast Asian countries;**

Chart 1A
United States : Imports from China and Mexico
(monthly, USD bn)

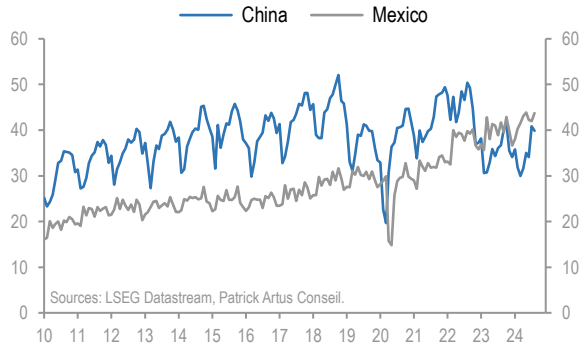
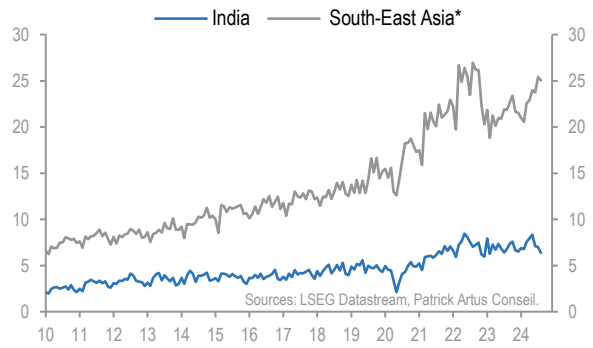


Chart 1B
United States : Imports from India and South-East Asia*
(monthly, USD bn)



(*) Indonesia, Malaysia, Philippines, Thailand, Vietnam

which is quite consistent with the hypothesis that Chinese products are circumventing customs duties.

Global tariffs will have a very different effect

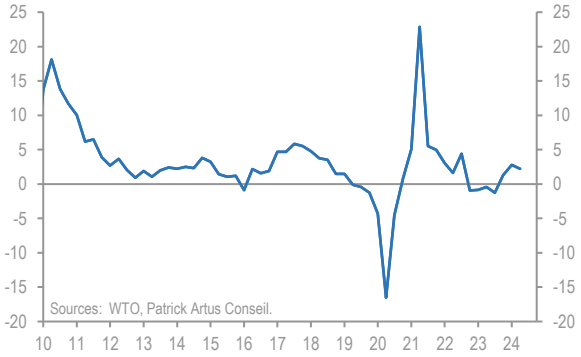
Donald Trump suggests, if he is elected president, **to add, to existing taxes, a tax on all products imported by the United States at a rate of 10 to 20%, and a tax on all Chinese products imported by the United States at a rate of 60 to 100%.**

Global tariffs on U.S. imports could be more difficult to circumvent

One should then expect, if the future president of the United States imposes tariffs on all products imported by the United States:

- A slowdown in the global trade of goods (Chart 2);

Chart 2
World: Exports of goods
(in volume terms, Y/Y as %)



- An increase in import prices and inflation in the United States (Charts 3/4);
- Retaliatory measures from other countries against the tariffs imposed by the United States, leading to a significant slowdown in global trade and global growth.

Chart 3
United States: Import prices (Y/Y as %)

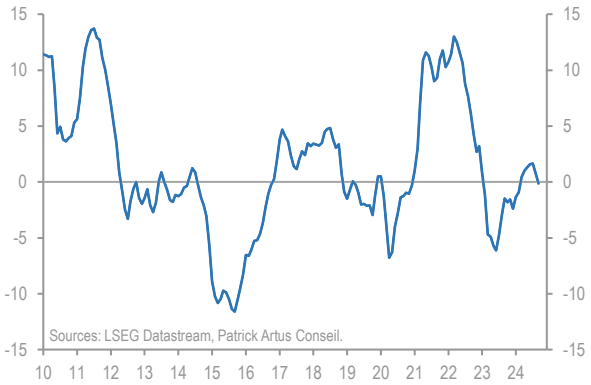
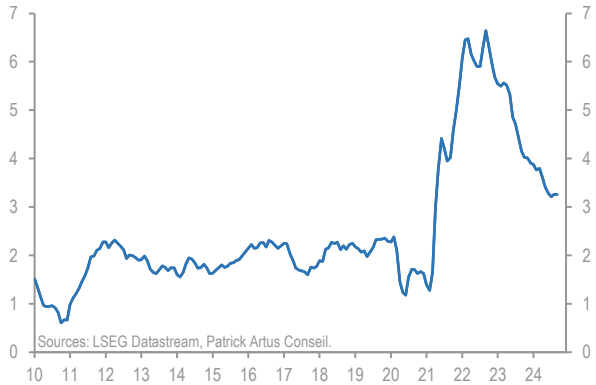


Chart 4
United States: Core inflation
(CPI excluding food and energy, Y/Y as %)



Summary: the danger of global tariffs

As long as the tariffs imposed by the United States only target Chinese products, the negative impact of these tariffs on global trade and on the U.S. economy is limited because they can be circumvented by Chinese manufacturers.

However, global tariffs imposed by the United States on all imports, regardless of origin, would have much more negative effects on global trade and purchasing power, as they could not be circumvented and would trigger retaliatory measures from other countries.

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