Research

The Impact of Chinese Retaliatory Tariffs

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EXECUTIVE SUMMARY

- In response to recent tariffs announced by the United States, China has imposed retaliatory tariffs on approximately $53 billion of U.S. exports

- These tariffs will apply to a wide-ranging list of U.S. exports. Products will be significantly impacted both if they are exported to China in large amounts (i.e. a high dollar value) and if they are exported to China in higher quantities than to other nations (i.e. a high percentage). Using both of these metrics, the most affected exports include soybeans, aluminum scrap and waste, grains, and other agricultural products.

- In term of absolute dollars, Louisiana, Washington, and Texas will have the most exports facing new tariffs. Meanwhile, Hawaii, North Dakota, and Washington send the highest proportion of their exports to China, meaning the tariffs will especially impact them, as well.

BACKGROUND

On March 23, President Trump imposed a broad 25 percent tariff on steel imports and 10 percent tariff on aluminum imports. These tariffs followed two Section 232 investigations launched by the president into the national security implications of steel and aluminum imports. While the investigations concluded that these imports do threaten national security and that broad tariffs were the correct solution, the Department of Defense did not support these conclusions.

The president has also suggested that the tariffs were intended to protect domestic industry from foreign competition. In particular, he indicated the tariffs would protect domestic manufacturers from foreign "dumping" – the process of exporting underpriced goods (often due to government subsidies in the exporting nation) to foreign countries. Because China supplies half of the world's steel and nearly half of the world's aluminum, the tariffs primarily targeted putatively underpriced steel and aluminum sold by Chinese producers.

Today, tariffs on steel and aluminum affect $17.5 billion of U.S. imports, with $2.9 billion of that total coming from China. South Korea and Argentina have both earned permanent exemptions, but if current exemptions for Canada, Mexico, the European Union, and other nations are not also made permanent, the tariffs will affect $42.8 billion of U.S. imports. In response to these tariffs, China imposed retaliatory tariffs on approximately $3 billion of U.S. exports, ranging from steel and aluminum to agricultural products such as fruits, nuts, and wine.

On April 3, the United States released an additional list of over 1,300 Chinese imports (valued at $46.2 billion) that could be subject to a new 25 percent tariff as early as this June. The release of this list follows a separate investigation (called Section 301) that the Trump Administration launched into unfair Chinese trade practices, particularly forced technology transfer. The tariffs were largely aimed at protecting industries with sensitive U.S. technology that are most vulnerable to intellectual property (IP) theft. In response, China released its own list of U.S. products – also accounting for about $50 billion – that will face a 25 percent import tax in the event that the Section 301 tariffs are enacted.

Previous American Action Forum research found that U.S. tariffs on steel and aluminum imports could increase nationwide consumer costs by $3.4 billion to $8.2 billion, and the tariffs on specific Chinese products could raise consumer costs by $11.5 billion. Retaliation from China will further increase the amount consumers can be expected to pay, as retaliation will both increase the cost of imports and shift production to the United States. This paper aims to gauge how Chinese retaliation will affect both individuals and industries across the country.

THE IMPACT OF CHINESE RETALIATION

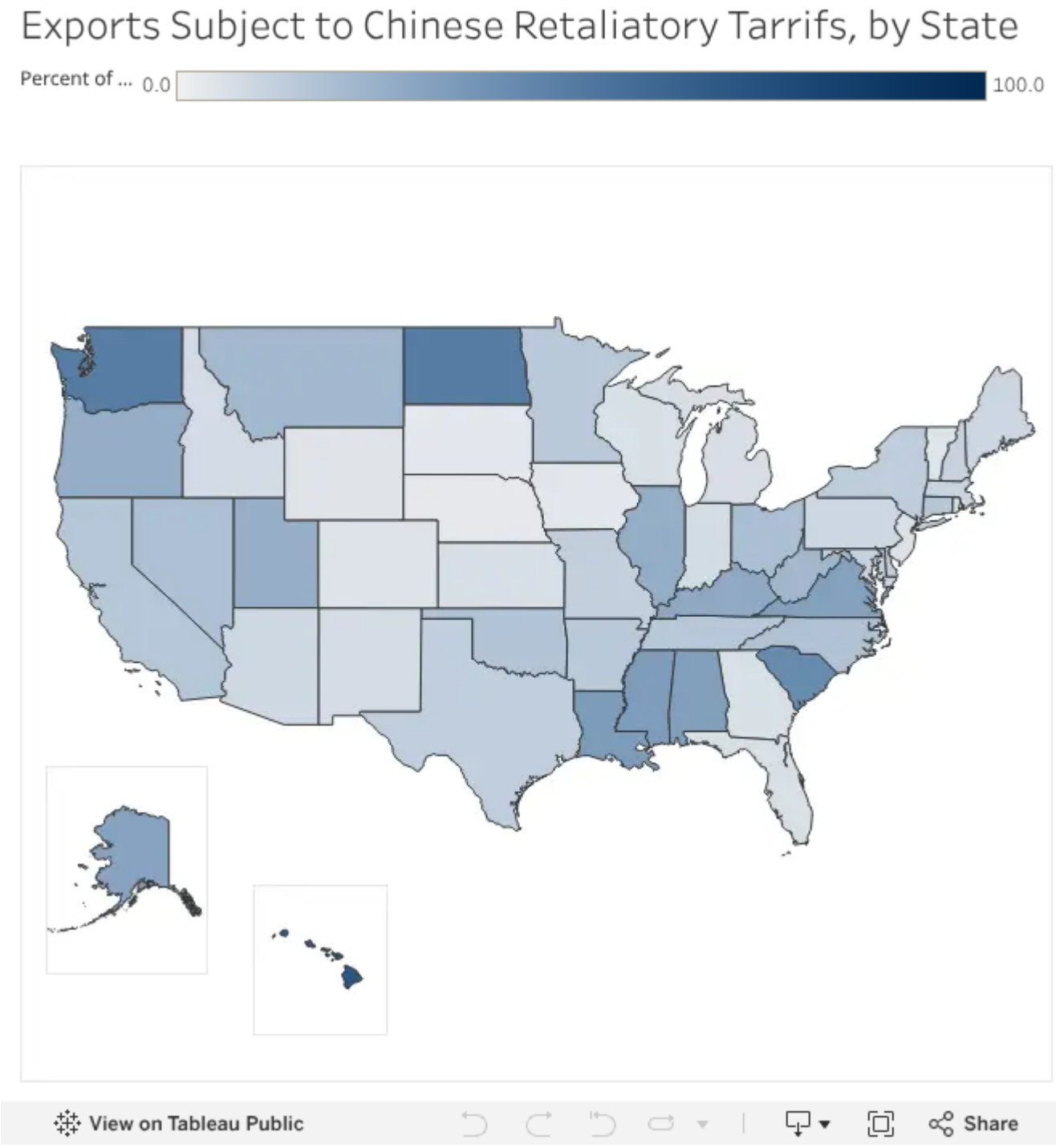
China released two lists of U.S. products that will face retaliatory tariffs. The first was in response to Section 232 tariffs on steel and aluminum (which are already in effect) and the second was in response to Section 301 tariffs counteracting China's unfair trade practices. Taken together, these tariffs will expose approximately $53 billion of U.S. exports to new taxes from China.

This paper break downs the impact of Chinese retaliatory tariffs in all 50 states. For this study, the products outlined in the lists released by China are matched with U.S. classifications of the same products. This study then uses data from the U.S. Census Bureau to find the dollar value of U.S. exports from each state that will be exposed to new tariffs, based on 2017 export levels.

Due to limited data availability, this analysis underestimates the total impact of Chinese retaliation. While China announced tariffs on $50 billion of U.S. exports in response to Section 301 tariffs, only $33 billion of those exports could be identified. Similarly, data was missing for approximately $0.6 billion of exports that are already subject to retaliation for Section 232 tariffs on steel and aluminum.

The underlying data used in the following analysis can be found in an Excel spreadsheet here.

The map below displays the value of each state's exports that will be exposed to new tariffs from China. The only exports that will be affected are those specifically identified by the Chinese. Therefore, "targeted products" refers to all U.S. products identified by China and thus facing tariffs. The map also compares the value of exports facing tariffs (i.e. targeted products exported to China) with the total value of exports for these products (i.e. targeted products exported worldwide). The resulting percentage describes what proportion of the products identified by the Chinese tariff lists are actually exported to China.


Exports Subject to Chinese Retaliatory Tarrifs, by State
Percent of ...
0.0
100.0
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