

*The Impact of U.S. Economic Policy towards China (Tariffs as a Model)**Ali Imad Mohamed Azhar*Researcher-Ministry of Education in Jordan (Jordan), draliimad66@gmail.com <https://orcid.org/0009-0005-5432-4224>

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Abstract: US-China toll rates have become increasingly complex, American companies have cut investments in China to record lows as tariffs and trade tensions continue to reshape the economic relationship between the world's two largest economies, according to a recent survey. formed by a surge in business activities and procedural shifts. With coinciding measures such as Section 301 tariffs, recent exchanged burdens, and output-specific controls, understanding what applies in 2025 may be challenging. Trump is expected to intensify the trade confrontations that defined his first administration, escalating tariffs and sanctioning Chinese companies in an effort to achieve greater economic self-sufficiency. However, his focus on America's immediate interests may leave little room for long-term strategic alliances, making his policy more difficult to predict. As Trump looks to navigate his second term amid a tumultuous political backdrop, China will need to adapt quickly to a US president who is more focused on leveraging short-term victories than on pursuing traditional diplomatic strategies

Keywords: Tariffs, profession, connections, Policy, US-China**JEL Classification Codes :** F1, F12, F41, E31, E32, F13.

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1. Introduction

In recent decades, trade between the United States and China has significantly grown and plays a vital role in the economies of both countries. Currently, China is one of the largest markets for American goods and services while the United States serves as China's primary export destination. This trading relationship—largely established following China's entry into the World Trade Organization (WTO) in 2001—has led to lower consumer prices in America and greater profits for U.S. companies. Nonetheless, it also presents challenges such as job losses from international competition and shifts within industries.

US tariffs on China date back to the first term of the Trump administration, marking the beginning of one of the most extensive tariff regimes in modern trade history. Many of these tariffs are stacked, meaning multiple duties apply simultaneously on the same goods, significantly increasing the overall cost of imports from China. In 2018, a trade dispute began when the United States took action against China; since that time, economic tensions between Washington and Beijing have intensified significantly. Chinese officials have cautioned that there are "no winners" in a trade or tariff conflict; concurrently, the U.S. has threatened tariffs reaching up to 145% on all imports from China while retaliatory tariffs from Beijing on American goods could approach 125%. The U.S. administration contends that these tariffs are intended to hold China accountable for unfair trading practices including state subsidies harmful to American businesses along with longstanding allegations that Beijing pressures American firms into transferring proprietary technology. There are concerns that such tariffs might hinder economic growth and elevate costs for American consumers while adversely affecting exports.

Research hypotheses: on US tariffs on China generally center on impacts like reduced bilateral trade, supply chain shifts (trade diversion to other nations like Mexico), increased costs/inflation, effects on GDP/employment (harming most but protecting some), altered global trade patterns, and strategic/political motivations driving the policy, with studies testing if tariffs truly curb China's market dominance or just increase global economic friction. Key hypotheses explore if tariffs boost US manufacturing (protectionism), reduce US deficits (short-term), redirect trade (diversion), or cause wider economic damage and decoupling.

Research problem :

- What are the long-term effects of sustained high tariffs on US consumer welfare and firm profitability?
- How effective are tariffs in forcing technological decoupling or promoting reshoring versus merely shifting production?
- What are the net geopolitical gains or losses from escalating trade tensions?

Research question : What solutions can address tariff-related issues?

Previous studies :

- Helena Kreuter (2023) explored how significant tariffs impact GDP and service prosperity through a result network methodology amidst increasing protectionism observed in various advanced economies after years of liberalization.
- Davide Furceri et al. (2020) evaluated data across 150 nations over five decades showing that higher excise taxes lead to notable drops in economic growth rates.
- Erica York & Alex Durante (2025) analyzed President Trump's implementation of duties under various legislative acts which could result in average tariff increases estimated at \$1,300 per household by 2025.

1. Defining a Tariff

Countries participate in international trade primarily due to limitations in their domestic production capabilities necessary to meet local demand efficiently; however, this process is often disrupted by geopolitical conflicts or competitive factors. A tariff is defined as a tax imposed by one country on goods imported from another with objectives including revenue generation or safeguarding domestic industries.

1.2 Understanding Tariffs

Tariffs are used to confine imports. Simply put, they increase the price of merchandise and aids purchased from another country, making them less appealing to household buyers. A key point to learn is that a tax influences the exporting country's shoppers because those in the country that imposed the levy have nothing to do with imports due to the price increase. However, if the consumer still picks the exotic amount, the toll has essentially produced the cost of the exotic fruit for the services.

1.3 Why Governments Impose Tariffs

Governments grant permission to impose tolls for various reasons:

- To raise revenues
- To safeguard household industries
- To look after household buyers
- To cover domestic interests
- Unintended Consequences of Tariffs

Historical perspectives viewed national wealth through physical assets leading nations to embrace protectionist practices like imposing high tariffs or outright prohibitions on foreign trade during earlier centuries. Adam Smith's "Wealth of Nations" initiated early criticisms against such ideologies advocating free competition leading many economists like David Ricardo toward theories favoring comparative advantages where countries specialize based on their strengths rather than restrictive measures which ultimately impede overall economic progress.

1.3. Current Landscape of Tariff Policy

The imposition of new import duties by U.S. President Donald Trump has impacted numerous countries with Brazil experiencing particularly high rates around 50%. The ongoing policy is focused on three main goals: rapidly reindustrializing the economy while boosting production capacity and strategically utilizing tariffs within broader foreign relations negotiations.

Table 01. Examples of Effective Tariffs U.S. Tariffs in the 19th Century South Korea's Post-War Tariffs (1960s–1980s) EU Agricultural Tariffs (Common Agricultural Policy)

U.S. Tariffs in the 19th Century (Hamiltonian System) In the early 1800s, the U.S. set prices to protect allure baby activities from British competition. Alexander Hamilton's economic tactics, including the Tariff of 1816, protected fabric and iron industries. This promoted industrial growth, making the U.S. an industrial power by the late 19th century.	After the Korean War, South Korea imposed extreme tariffs to defend and allure emerging labor markets, particularly in the sectors of stereo equipment and automotive. Companies like Samsung and Hyundai thrived behind these levy impediments, building expertise before expanding globally. This strategy transformed South Korea into a significant economy.	The European Union's rates on land imports protect local peasants from low foreign produce. Since the 1960s, the Common Agricultural Policy has guaranteed food security and fixed producer incomes, upholding rural savings in spite of global price vacillations.
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Source: Prepared for one scientist (2025)

1.4 Understanding Tariffs

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- A specific tariff is levied as a fixed amount based on the type of article, in the way that a \$500 rate on a jeep.
- An ad-valorem tariff is levied based on the part's value, in the way that 5% of an article's value.

1.5 Why Governments Impose Tariffs

Governments can set tariffs for several reasons:

- To raise revenues
- To protect domestic labor
- To assure domestic consumers
- To keep domestic interests

1.6. Unintended Side Effects of Tariffs

Tariffs can have unintentional side effects:

- They can make domestic activities less efficient and creative by lowering competition.
- They can hurt domestic consumers because a lack of competition tends to raise prices.
- They can create distortions by favoring particular businesses or geographic areas over potential alternatives. For example, tariffs aimed at helping manufacturers in certain regions can hurt consumers in rural areas who do not benefit from the policy and are forced to pay more for domestically produced goods.

- An attempt to pressure a rival country by imposing tariffs can devolve into an unproductive cycle of retaliation, commonly referred to as a trade war.
- Governments impose tariffs to raise income, protect domestic industries, or exert political influence over another country.
- Tariffs often result in unintended consequences, such as increased prices for consumers.
- Tariffs have a long and controversial history, and the debate over whether they represent good or bad policy still rages.
- U.S. Tariff Policy Towards Trade
- U.S. President Donald Trump's new tariffs on imports from over 90 nations have taken effect. The tariffs mean that parties importing foreign goods into the U.S. will have to pay these tariffs to the government, and experts say these costs will ultimately be passed on to consumers. Brazil faces some of the highest U.S. tariff rates in the world, with a 50% tariff imposed on most goods. Here is a comprehensive list of tariffs by country. Those with the largest share of U.S. imports are affected. **(Figure 1.)** Reciprocal Tariffs
- Country
- Tariffs imposed on the U.S. including regulatory bills and business hurdles
- U.S. Reduced exchange tariffs

China	67%	34%	Peru	10%	10%
European Union	39%	20%	Nicaragua	36%	18%
Vietnam	90%	46%	Norway	30%	15%
Taiwan	64%	32%	Costa Rica	17%	10%
Japan	46%	24%	Jordan	40%	20%
India	52%	26%	Dominican Republic	10%	10%
South Korea	50%	25%	United Arab Emirates	10%	10%
Thailand	72%	36%	New Zealand	20%	10%
Switzerland	61%	31%	Argentina	10%	10%
Indonesia	64%	32%	Ecuador	12%	10%
Malaysia	47%	24%	Guatemala	10%	10%
Cambodia	97%	49%	Honduras	10%	10%
United Kingdom	10%	10%	Madagascar	93%	47%
South Africa	60%	30%	Myanmar (Burma)	88%	44%
Brazil	10%	10%	Tunisia	55%	28%
Bangladesh	74%	37%	Kazakhstan	54%	27%
Singapore	10%	10%	Serbia	74%	37%
Israel	33%	17%	Egypt	10%	10%
Philippines	34%	17%	Saudi Arabia	10%	10%
Chile	10%	10%	El Salvador	10%	10%
Australia	10%	10%	Côte d'Ivoire	41%	21%
Pakistan	58%	29%	Laos	95%	48%
Turkey	10%	10%	Botswana	74%	37%
Sri Lanka	88%	44%	Trinidad and Tobago	12%	10%
Colombia	10%	10%	Morocco	10%	10%

Source :Reciprocal Tariffs (2025)

2.1. US toll procedure

centers around three main aims:

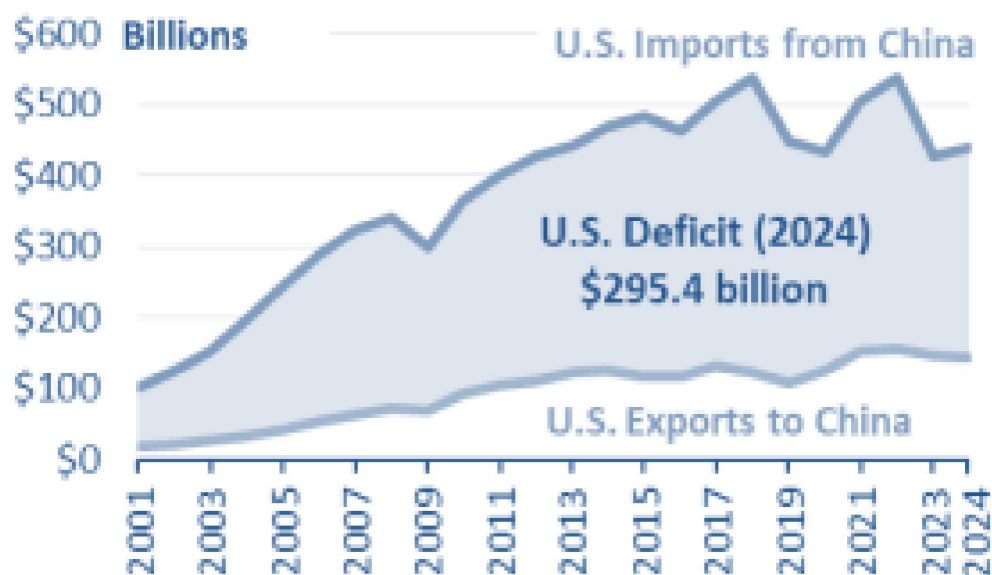
1. reindustrialize the U.S. economy and quicken production
2. create combined profits to compensate for tax cuts, and use costs as leverage in profession
3. foreign affairs negotiations.

2.2. Risks in US Strategy

US business planning risks causing a worldwide trade war. High U.S. rates may lead working allies to impose punishing costs on the United States. They may also bring about geo-financial shifts, at which point departed business friends align with U.S. geopolitical rivals. US business planning again risks harming the U.S. economy. Tariffs risk increasing service prices and causing enduring harm to global supply chains. The Tax Foundation projects that Trump's tariff suggestions may reduce U.S. GDP by 0.4% and raise taxes by \$1.2 trillion between 2025 and 2034.

3. China-US business-related connections

The rise of US-China connections began with President Nixon's visit to China in 1972, which ended a decades-long period of antagonism and led to the Shanghai Communiqué. This was followed by the establishment of contact offices in 1973 and the normalization of diplomatic relations in 1979 under President Carter, when the US officially recognized the People's Republic of China. The relationship has since progressed through periods of both cooperation and conflict over issues like labor and civil rights. Recently, the financial measurement of U.S.-China competition is critical. In 2024, China was the second-largest U.S. merchandise trading partner (with total trade at \$582.5 billion), the second-largest U.S. import source (\$439.6 billion), and the third-largest destination for U.S. exports (\$144.2 billion). In 2024, U.S. exports to China fell by 2.9% and U.S. imports from China decreased by 2.7% compared to 2023. The 2024 U.S. trade balance with China improved by about \$16 billion compared to 2023.(Figure 2.)



Source: CRS accompanying dossier from the U.S. Bureau of Economic Analysis, (2024)

But Services In 2024, China explained 4.8% (\$55 billion) of U.S. duties exports and 2.6% (\$21.9 billion) of U.S. aid imports. (Figure 2.) Top U.S. exports to China are travel, electronics and IP licensing, and transport, and Sales In 2023, marketing in China by U.S.-owned affiliates was \$475.2 billion. In 2022 (current handy) U.S. transactions by PRC-owned affiliates were \$78.6 billion. (Figure 3.)



Source: CRS accompanying dossier from the U.S. Bureau of Economic Analysis, (2024)

3.2. The business-related impact of U.S. excises on China

The Section 301 considerations remained a central focus during Trump's first term in office; the Section 232 levies were implemented before the trade war with China. These tariffs are imposed under Section 232 of the Trade Expansion Act of 1962, which permits the U.S. president to impose trade restrictions on merchandise that "threatens to harm" U.S. public safety. Within the first few months of 2018, the U.S. presidency applied rates on foreign solar panels, washing machines, steel, and various metals. The presidency plans to directly impose a 25 percent excise tax on \$50 billion worth of Chinese imports. In addition to these proposed rates, impending cases concerning further levies on nearly \$200 billion worth of Chinese imports, along with car imports, mean more taxes may be set to proceed. The rationale for these different tariffs ranges from national security to concerns about trade imbalances and alleged intellectual property theft by China. Though there is considerable debate that certain business practices are unfair and warrant a response, levying broad tariffs is not likely the approach that will influence the desired changes in tactics. The effects of each tax will be lower GDP, wages, and jobs in the end. For example, according to the Tax Foundation's Taxes and Growth model, President Trump's proposal to raise taxes by nearly \$37.5 billion (by levying a 25 percent duty on \$150 billion worth of Chinese imports) would lower the long-run level of GDP by 0.1 percent, or about \$20 billion. The smaller savings would result in a 0.1 percent reduction in wages and 79,000 lost full-time equivalent jobs. The tariffs will also make the U.S. tax policy less growth-oriented because the increased tax burden would fall hardest on lower- and middle-income households.

Table 2. Economic Impact of Tariffs on Chinese Imports

Change in long-run GDP	-0.1%
Change in long-run GDP (Billions \$2018)	-\$20.6
Change in long-run wage rate	-0.1%
Change in full-time equivalent jobs	-79,000

Source: Tax Foundation Taxes and Growth Model,(2018)

As of 2025, the US's average rate on Chinese merchandise stands at 51.1 percent, topping all imports. In comparison, China's average levy on American merchandise is 32.6 percent, more widely used. Current US costs are about 1.5 before 2025. Changes Since the Last Report: The US and China concurred on an interim decline in prices. The US 125% rate on Chinese imports will be lowered by 10%. The 20% broad US rate on Chinese imports will remain raised. China will lower their 125% revenge list to 10%.

Table 3. Tariffs

year	Tariffs
Feb 10, 2024	China imposes a 15% levy on bitumen and LNG, and 10% on unrefined petroleum, systems, large trucks, and pickups.
Mar 10, 2025	China imposes a 15% levy on hen, wheat, grain, and 10% on soybeans, pork, and butter products, and more
Apr 10, 2025	China imposes a 34% rate on all US merchandise, corresponding to the US cost
Apr 10, 2025	China raises excises to 84% after the US hikes to 104%.
Apr 12, 2025	China raises prices to 125% and announces it will halt further increases.
May 12, 2025	China and the US consented to cut exchanged taxes to 10% for 90 days.

Source: Prepared for one investigator (2025)

4. International duties excise obstacles

Customs challenges are an inevitable existence in worldwide profession. However, with correct preparation, expert information, and the implementation of active designs, we can overcome these barriers and successfully guide along the route, often over water the complicatedness of the duties process. Worldwide customs levy impediments contain direct financial costs like levies and responsibilities, in addition to non-levy barriers (NTBs) such as complex significance/smuggle licenses, restrictive quotas, complicated device flags, branding requirements, and bureaucratic processes. These impediments can cause delays, increase costs, create changeability, and make worldwide trade more troublesome.

4.1 Main Customs Challenges

Trillions of dollars' worth of merchandise are moving about the realm on a regular basis. International business and conveyance are detrimental to the worldwide economy's health. However, the lack of visibility into many important procedural documents and unexpected supply chain dangers creates challenges to stock exchange. The all-encompassing business system is liable to subversive practices, which could severely damage the complete all-encompassing economy and the social well-being of countries with their own government. Custom instrumentalities, therefore, have a great responsibility to invigorate supply chain safety while also contributing to socio-economic progress through income collection and professional assistance.

- Efficiency and operational excellence: One of the challenges for customs instrumentalities is guaranteeing the effective movement of merchandise and ensuring operational excellence. Over the years, duties instrumentalities have heavily invested in technology to process operations as a matter of usual practice. However, there still is the need for a personal plan that capably processes heaps of export declarations, inevitably clever taxes due, quotas, and inspection permits, thus reducing the need for human interference.
- Open access to opportunities for international business: Another challenge is to manage trade more easily and cost-effectively for the business community. Customs requirements are complex and necessitate a great deal of facts to be asserted, products expected to be declared, filings to be handled, and licenses to be processed. As a result, shippers and purchasers often need to rely on customs authorities to do their duties work, which is both costly and delayed. Therefore, making it easier for firms to operate across borders makes the country more attractive for trade and boosts economic growth.
- Staying compliant: Ensuring professional compliance in a timely and active manner is still another customs challenge. The most fundamental task in international business is determining the correct customs tax classifications and import control classifications for a product. Subsequently, it is critical to consistently verify these classifications after they have been established. Global classification can be a challenging task but is a basic requirement of customs and trade agreement. Without correct classifications, it is not possible to obtain the correct duties charge calculation or bias decision.
- Complexity and variety of rules: Each country has a unique set of customs rules, forming a complex and fragmented landscape for visitors operating in international business. This diversity of rules and requirements can make compliance difficult and increase the risk of mistakes and delays in customs approvals.
- Tariff and non-tariff barriers: Import costs and taxes, in addition to non-levy restrictions, can significantly increase our costs and shipping expenses. Furthermore, the lack of transparency in the application of these measures can create uncertainty and impede business planning.
- Delays in customs procedures: Customs procedures can be slow and cumbersome, causing delays in the delivery of goods and adversely affecting our supply chain. These delays can lead to financial losses, contract breaches, and damage to reputational capital.
- Lack of visibility and control: Companies frequently have limited visibility over the customs process, making it difficult to track and control merchandise. The lack of accurate and up-to-date information can create uncertainty and impede strategic decision-making.

- Cyber security and fraud risks: Customs operations are increasingly digitized, making them susceptible to cyber attacks and fraud. The lack of adequate security measures can endanger sensitive business information and client data.

5. Conclusions

Results:

- The empirical analysis first of all shows that the tariffs imposed in 2018 had strong negative direct effects on US imports of targeted products from China.
- In particular, since the tariffs have been implemented, US imports of affected products have grown on average by 30 pp less compared to unaffected products.
- analysis confirms that new U.S. tariffs, particularly those introduced in 2025, significantly reduced U.S. imports from China, with impacts seen in decreased demand for targeted goods like electronics, increased costs for U.S. producers using Chinese inputs, and a shift in Chinese exports toward other markets like ASEAN, though some research suggests short-term trade diversion effects were limited.
- The results further suggest that trade diversion effects have not been a widespread phenomenon so far, since we do not find evidence for significant trade diversion effects towards third countries in broader estimation samples. Instead, such effects seem to be confined to imports of specific products and from a small number of countries.
- We therefore conjecture that it may take more time for firms to adjust to the new environment and to find alternative suppliers abroad or relocate production facilities.

Recommendations:

US tariff recommendations involve navigating increased rates (e.g., on steel/aluminum, China, EU), strategic planning for supply chains, exploring exclusions, and understanding broader economic impacts like inflation and potential retaliatory tariffs, with businesses advised to audit suppliers, calculate costs, and adapt to ongoing trade tensions. Recommendations focus on immediate action for importers (audits, planning) and recognizing potential for both domestic industry benefits and increased consumer/business costs..

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