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## US tariff measures may boomerang<sup>①</sup>

US President Donald Trump has launched a tariff war not only against China but also against some other economies and threatened to undermine the multilateral trading system. Apart from China, quite a few other economies have also taken countermeasures to Trump's unilateral and protectionist moves. For instance, Russia plans to impose 25-40 percent tariff on US industrial goods, including equipment for road construction, oil and gas, and mining in response to the US tariffs on Russian metals.

And France has warned the US that Europe will unite to retaliate against the US tariffs. As Chinese philosopher Mencius said, a just cause enjoys abundant support while an unjust cause finds little.

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Nevertheless, despite being on the side of justice, China may not be immune to the destructive impact of the US tariff war, as the Sino-US trade conflict would undermine the global supply chain and eventually hurt consumers both in China and the US.

Yet for now the impact of US tariff on China's economy is largely manageable as it accounts for a relatively small part of the total value of bilateral trade, which was \$584 billion last year. Besides, the impact of the tariff war, to a certain extent, will extend to foreign enterprises because 59.6 percent of the Chinese goods targeted in the US tariff list are made by foreign enterprises including some US companies. In other words, other economies, including the US itself and its allies such as the European Union, Japan and Canada, may have to bear the brunt of the US tariff war against China.

The spillover of the tariff war aside, the Trump administration may be more concerned about how many manufacturing jobs will return to the US. But US enterprises focus more on practical business issues such as market demand and production cost. That Harley-Davidson has decided to move part of its operations overseas in response to the EU imposing additional tariff on US goods explains the concerns of some US companies. As much as Trump hopes, US manufacturers may



take action contrary to his wishful thinking.

This shows the US has started a tariff war that may harm other economies but won't benefit the US either. Hopefully, Trump will realize that the tariff war cannot "make America great again", instead it would isolate the US in the international community like never before.

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