

Do Tariffs Improve Trade With China?

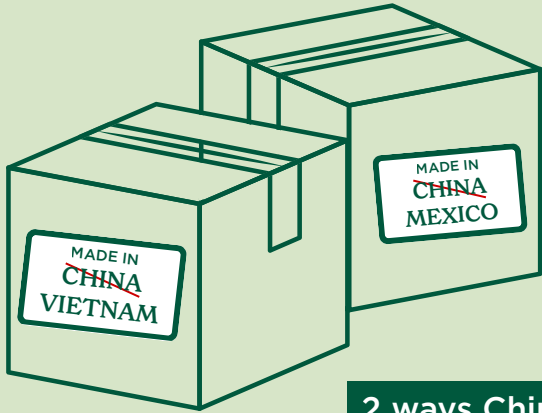
Tariffs imposed on China may simply change where goods are shipped from, not where their value was actually created.

In 2018, the U.S. began imposing tariffs on China over concerns about unfair trade practices.

Direct imports fell

~8% ↓

from 2017-2024



But Chinese value didn't disappear. More of it reached the U.S. *indirectly*.

Value-added data show Chinese value still reaches U.S. consumers.

2 ways Chinese value reaches U.S. consumers while bypassing tariffs:

1 Service value embedded in manufactured goods



FACTORY PRODUCTION
+
WHOLESALE AND SOURCING SERVICES
+
FINANCIAL SERVICES
+
LOGISTICS AND SHIPPING

2 Service value that reaches the U.S. through third economies



PRODUCTION/FINAL ASSEMBLY IN THIRD COUNTRY



Tariffs don't touch these hidden services, making them a poor fit for the problems they are supposed to solve.

A better toolkit than tariffs

Shift the focus to rules and barriers that shape where value is created



Open negotiation on service and market access



Better measurement for a networked trade system



Strengthen domestic capacity in high-value services