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Trade Wars and Tariffs

Legal and Economic Consequences of the US-China Rivalry

Wojny handlowe i cła

Prawne i ekonomiczne konsekwencje rywalizacji pomiędzy USA i Chinami

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Trade Wars and Tariffs: Legal and Economic Consequences of the US-China Rivalry

The ongoing trade war between the United States and China is a significant geopolitical and economic confrontation. This article provides a comprehensive legal and economic analysis of the US-China trade conflict. The paper investigates the underlying causes and evaluates which economy is more likely to experience long-term adverse effects, using empirical data and comparative economic indicators such as employment rates, national debt levels, GDP growth, inflation, and fiscal revenues. The study is grounded in the economic theory of protectionism, which holds that states may employ trade-restrictive measures to safeguard strategic sectors of the national economy. From a legal perspective, it examines the domestic and international foundations of the tariff confrontation, focusing on the US reliance on sec. 301 of the *Trade Act* and the *International Emergency Economic Powers Act*, as well as China's response through its *Foreign Trade Law* and the *Law on Countering Foreign Sanctions*. These measures are assessed within the broader context of the World Trade Organization, highlighting how unilateral measures interact with, and at times bypass, multilateral trade rules.

Wojny handlowe i cła. Prawne i ekonomiczne konsekwencje rywalizacji pomiędzy USA i Chinami

Trwająca wojna handlowa między Stanami Zjednoczonymi a Chinami stanowi istotne wyzwanie, zarówno geopolityczne, jak i gospodarcze. Artykuł przedstawia kompleksową prawną i ekonomiczną analizę tego konfliktu. Badanie identyfikuje jego podstawowe przyczyny oraz ocenia, która gospodarka jest bardziej narażona na długoterminowe negatywne skutki, wykorzystując dane empiryczne oraz porównawcze wskaźniki ekonomiczne, takie jak stopy zatrudnienia, poziom zadłużenia państwa, tempo wzrostu PKB, inflacja oraz dochody budżetowe. Opracowanie osadzono w ramach ekonomicznej teorii protekcjonizmu, zgodnie z którą państwa mogą stosować środki ograniczające handel w celu ochrony strategicznych sektorów gospodarki narodowej. Z perspektywy prawnej artykuł analizuje krajowe i międzynarodowe podstawy konfrontacji taryfowej, ze szczególnym uwzględnieniem stosowania przez Stany Zjednoczone sekcji 301 *Trade Act* oraz *International Emergency Economic Powers Act*, a także reakcji Chin w oparciu o *Foreign Trade Law* i *Law on Countering Foreign Sanctions*. Analizowane środki oceniane są w instytucjonalnym kontekście Światowej Organizacji Handlu, ze szczególnym uwzględnieniem interakcji między działaniami jednostronnymi a obowiązującymi wielostronnymi regułami handlowymi oraz potencjalnych przypadków ich obejścia.

The economic roots of US-China tensions

While earlier phases of the trade war were often interpreted as efforts to constrain China's technological development or military capacity, the current conflict in 2025 is driven by more immediate economic concerns. The primary motivations now stem from persistent US trade deficits, the erosion of domestic manufacturing employment, and growing pressure to address long-standing imbalances in bilateral trade relations.

Contrary to popular belief, the goal of the trade war is not to block China's advancement in strategic technologies such as artificial intelligence, nanotechnology, or biotechnology. Nor is it intended to suppress China's overall military development. While such issues remain part of the broader US-China rivalry, they are not the central reason for the current escalation. Instead, what fuels the continuation of the trade war today is the need to restore domestic industrial capacity and reduce the economic and political fallout caused by offshoring and deindustrialisation.

Over the past decades, shifts in the global division of labour have led to a sharp decline in manufacturing jobs in the United States. As companies moved production to countries with lower labour and input costs – most notably China – millions of American workers lost stable employment. Many of these displaced workers, particularly those without college degrees, have struggled to find jobs in high-tech industries or the growing services sector.¹ This social dislocation created a political backlash, disaffected industrial workers rallied behind a platform promising to bring jobs back and restore American manufacturing power.²

The Donald Trump administration implements a trade policy explicitly aimed at reshoring production and correcting the bilateral trade deficit. The US imposed tariffs aim to rebalance trade and rebuild the US manufacturing base, which had been steadily hollowed out over the previous decades.

- 1 I. Hlovor, L. Mawuko-Yevugah, *The Current World-System and Conflicts Understanding the U.S.-China Trade War*, "Journal of World-Systems Research" 2024, vol. 30, issue 2, p. 585.
- 2 A. O. Vinogradov, A. I. Salitsky, N. K. Semenova, *US-China Economic Confrontation: Ideology, Chronology, Meaning*, "Vestnik RUDN. International Relations" 2019, vol. 19, No. 1, p. 35-46.

The trade deficit with China is a key point of contention. Of the \$796B US trade deficit in 2024, China accounted for \$376B – nearly half.³ Moreover, the US has grown increasingly frustrated with China's use of joint venture requirements, which effectively mandate technology transfers from foreign firms to local partners as a condition for market access. Chinese state subsidies and public investments are also viewed as creating distortions in global competition, giving Chinese firms artificial advantages in international markets.⁴

At the same time, US imposed tariffs⁵ are seen as a source of revenue. According to analysts such as Dongsheng Di, Gal Luft, and Dian Zhong, customs duties – especially on Chinese imports – are viewed as a politically viable way to raise funds without imposing new domestic taxes.⁶ In contrast, China's relatively stronger fiscal position gives it more flexibility to cushion its industries from the impact of the trade war.

Taken together, these factors have shaped a new phase of the US-China trade conflict – one less focused on grand geopolitical containment, and more centred on economic recalibration, domestic job creation, and fiscal necessity. While strategic rivalry remains in the background, the immediate drivers of current tensions are trade deficits, industrial competitiveness, and the growing demand to ensure that globalisation benefits a broader segment of the American society.

3 *Trade in Goods with World, Seasonally Adjusted*, "United States Census Bureau" [online, accessed: 31 VII 2025]: <<https://www.census.gov/foreign-trade/balance/c0004.html>>.

4 F. Bickenbach [et al.], *Foul Play? On the Scale and Scope of Industrial Subsidies in China*, Kiel Institute for the World Economy – Leibniz Center for Research on Global Economic Challenges, Kiel 2024 (Kiel Policy Brief, 173), p. 5–7.

5 As of 2025, the average US tariffs on Chinese exports stand at approximately 57.6% and cover virtually 100% of all goods, while China's average tariffs on US exports amount to about 32.6% and likewise cover the entire range of traded products.

6 D. Dongsheng, G. Luft, D. Zhong, *Why Did Trump Launch a Trade War? A Political Economy Explanation from the Perspective of Financial Constraints*, "Economic and Political Studies" 2019, vol. 7, No. 2, p. 203–216.

The United States' legal basis for the imposition of trade sanctions and the associated controversies

The ongoing trade conflict between the United States and the People's Republic of China possesses not merely an economic dimension but a substantial juridical one. The two domains – economic and legal – are inseparably intertwined, as every tariff, sanction, or export restriction is both a market intervention and a legal act authorised (or constrained) by statutory and constitutional norms. The economic rationale for the US measures mentioned above, is implemented through several legal instruments that define the scope and legitimacy of government action. In this sense, law serves as a mechanism through which economic policy acquires both authority and enforceability. During the second term of Donald J. Trump's presidency, the imposition of tariffs upon imports originating from the PRC rested upon a legal foundation materially distinct from that employed during his first term – most notably, reliance upon the *International Emergency Economic Powers Act* (IEEPA). This jurisprudential shift carries significant ramifications for constitutional interpretation within the United States, particularly as it implicates the scope and permissible limits of executive authority in the formulation and execution of trade policy. The legal durability of the executive orders authorising such tariffs remains indeterminate and is likely to be the subject of judicial scrutiny within the federal court system. In a reciprocal posture, the PRC has invoked provisions of its *Customs Law* – specifically those authorising retaliatory and countervailing measures in response to discriminatory trade practices – alongside regulatory instruments promulgated pursuant to the *Foreign Trade Law* by the State Council. At the international level, this bilateral economic confrontation poses acute challenges to the institutional framework of the World Trade Organization (WTO), casting doubt upon both the efficacy of its dispute settlement mechanisms and the stability of the broader rules-based trading order.

It is to be observed, at the outset, that art. I, sec. 8 of the United States constitution vests in Congress the exclusive authority to regulate foreign commerce on a uniform basis throughout the United States.

The Congress shall have Power to lay and collect Taxes, Duties, Imposts and Excises, to pay the Debts and provide for the common Defence

and general Welfare of the United States; but all Duties, Imposts and Excises shall be uniform throughout the United States.⁷

While this prerogative is constitutionally lodged in the Legislative Branch, Congress has, over the past several decades, enacted statutory frameworks delegating to the president a circumscribed authority to adjust tariffs and other trade restrictions under defined circumstances. Such delegation reflects an attempt to reconcile the constitutional allocation of legislative powers with the practical necessities of administering a dynamic and globally integrated economy. Several principal considerations have motivated Congress to confer this circumscribed authority upon the president. First, responsiveness and celerity: the conduct of international trade frequently demands swift governmental action in response to unanticipated developments, such as a sudden surge in imports, emergent threats to national security, or acts of economic coercion by foreign states. The legislative process, intentionally deliberative by design, is ill-suited to such exigent circumstances; delegating authority enables the president to act with the requisite dispatch. Second, foreign policy coherence: as trade policy increasingly intersects with diplomacy, defence strategy, and geopolitical alliances, permitting the president a measure of discretion in tariff determinations promotes alignment between trade measures and the broader objectives of US foreign policy, which lie primarily within the Executive's constitutional domain. Third, negotiation leverage: in the context of trade negotiations, the Executive requires credible bargaining instruments, including the ability to conditionally threaten or pledge tariff adjustments as part of reciprocal agreements. Delegated authority enhances the president's credibility and strategic flexibility in such negotiations. Finally, economic stabilisation: in periods of economic dislocation or national emergency, temporary tariff modifications may serve as instruments for stabilising critical industries or addressing balance-of-payments difficulties. Delegated powers permit the Executive Branch to implement such measures without awaiting the completion of the often-protracted leg-

7 *Constitution of the United States*, "United States Senate" [online, accessed: 4 VII 2025], art. I, sec. 8, cl. 1: <<https://www.senate.gov/about/origins-foundations/senate-and-constitution/constitution.htm>>.

islative process.⁸ However, such delegations of tariff authority have not been conferred upon the Executive in an unfettered manner. The enabling statutes by which Congress has transferred this limited power typically delineate the substantive scope of authority, prescribe specific triggering conditions for its exercise, impose procedural prerequisites, and establish oversight mechanisms – all intended to ensure that executive action remains subject to legal constraint and legislative accountability.⁹ Since 2018, the Trump administration has exercised such delegated powers pursuant to three principal trade statutes, thereby imposing tariffs – generally between 10% and 25% – on a broad array of US imports. Sec. 201 of the *Trade Act of 1974* authorises the president to implement temporary duties or other remedial measures upon a determination by the US International Trade Commission that a surge in imports constitutes a substantial cause or threat of serious injury to a domestic industry¹⁰; sec. 232 of the *Trade Expansion Act of 1962* empowers the president to adjust imports when the Department of Commerce finds that certain import levels or circumstances threaten to impair national security¹¹; and sec. 301 of the *Trade Act of 1974* enables the United States Trade Representative to suspend trade agreement concessions or impose import restrictions where a foreign trading partner's conduct violates trade commitments or imposes discriminatory burdens on US commerce.¹² Collectively, these statutory provisions formed the legal foundation for the Trump administration's first-term tariff actions, each grounded in distinct legislative purposes, allegedly safeguarding national security, mitigating injury to domestic industries, and remedying breaches of international trade obligations. It is worth noting however that the legislative intent underlying these provisions is not to augment government revenue; rather, their principal function is

8 D. C. Youvan, *Tariffs and the Executive Branch: Legal Pathways and Constitutional Constraints on Presidential Trade Authority*, 2025, p. 5–6: <10.13140/RG.2.2.28544.96008> [accessed: 31 VII 2025].

9 Ibidem, p. 6.

10 *Trade Act of 1974*, "Public Law" 1975, No. 93-618, sec. 201 (88 stat. 1978) [codified as amended at 19 U.S.C. sec. 2251].

11 *Trade Expansion Act of 1962*, "Public Law" 1962, No. 87-794, sec. 232 (76 stat. 877) [codified as amended at 19 U.S.C. sec. 1862].

12 *Trade Act of 1974*..., sec. 301 [codified as amended at 19 U.S.C. sec. 2411–2420].

to modify trade flows and to remedy specific commercial or strategic harms within the broader framework of United States trade policy.¹³

During his second term, president Trump did not rely solely on the previously cited US trade statutes¹⁴ but instead grounded his actions in the IEEPA.¹⁵ Enacted in 1977, the IEEPA was originally intended to grant the president with targeted powers to regulate or block financial and commercial transactions in response to an unusual and extraordinary threat originating in whole or substantial part outside the United States. It is important to emphasise that, in the intent of its drafters, this law was meant to narrow presidential authority, not expand it. The IEEPA emerged from post-Vietnam War reforms designed to curtail the sweeping and often indefinite emergency powers that presidents had exercised under the *Trading with the Enemy Act of 1917*.¹⁶ To that end, it introduced procedural safeguards, most notably the requirement for a formal presidential declaration of a national emergency under the *National Emergencies Act* before such powers could be invoked. Over time, however, its practical scope has grown to areas such as cyberattacks, terrorism financing, and other non-military challenges that in 1977 lawmakers could scarcely have anticipated. It is worth quoting in full the exact language of the provision at the heart of the current controversy. Sec. 202 of the IEEPA provides:

(a) Any authority granted to the President by section 203 may be exercised to deal with any unusual and extraordinary threat, which has its

- 13 Ch. A. Casey [et al.], *Trump Administration Tariff Actions: Frequently Asked Questions*, Congressional Research Service, Washington, 15 XII 2020 (R45529), p. 2–3.
- 14 During his first term in office, president Trump made extensive use of tariff measures, primarily invoking traditional US trade statutes such as sec. 232 of the *Trade Expansion Act of 1962* and sec. 301 of the *Trade Act of 1974*. (P.U); sec. 301 of the *Trade Act of 1974* and sec. 232 of the *Trade Expansion Act of 1962* were used for sweeping tariffs on Chinese-origin products and the tariffs on steel and aluminium products, respectively. A. Anil, *Chaos Theory: Assessing the Legal Validity of Trump's Tariffs*, "Vox EU" [online], 12 II 2025 [accessed: 12 VIII 2025]: <<https://cepr.org/voxeu/columns/chaos-theory-assessing-legal-validity-trumps-tariffs>>.
- 15 *International Emergency Economic Powers Act*, "Public Law" 1977, No. 95-223, sec. 1701–1708.
- 16 Ch. A. Casey, *The International Emergency Economic Powers Act (IEEPA), the National Emergencies Act (NEA), and Tariffs: Historical Background and Key Issues*, Congressional Research Service, Washington, 7 IV 2025 (IN11129).

source in whole or substantial part outside the United States, to the national security, foreign policy, or economy of the United States, if the President declares a national emergency with respect to such threat.

(b) The authorities granted to the President by section 203 may only be exercised to deal with an unusual and extraordinary threat with respect to which a national emergency has been declared for purposes of this title and may not be exercised for any other purpose. Any exercise of such authorities to deal with any new threat shall be based on a new declaration of national emergency which must be with respect to such threat.¹⁷

A central difficulty in the present case is that the IEEPA was enacted as a framework for imposing targeted economic sanctions¹⁸, rather than for establishing tariff measures of general application. In fact historically, no president has invoked the IEEPA as a basis for imposing tariffs.¹⁹ Its traditional use has involved restrictions on financial transactions, asset freezes, and prohibitions on specific imports or exports in response to threats such as terrorism, armed conflict, or cyberattacks. In this sense, 2025 is a breakthrough year in terms of the application of the IEEPA. Precisely, on 1 February 2025, president Trump issued three executive orders imposing *ad valorem* tariffs on goods originating from Canada, Mexico, and China, citing a national emergency arising from, previously declared, “the influx of illegal aliens and illicit drugs into the United States.”²⁰ The executive orders declared that the failure of these countries to prevent cross-border flows of narcotics constituted an “unusual and extraordinary threat, which has its source in substantial part outside the United States, to the national security and foreign policy of the United States,” thereby meeting the statutory threshold under title 50 of *United States Code*, sec. 1701(a) for

17 Ibidem, sec. 202.

18 A. Boyle, *Checking the President's Sanctions Powers. A Proposal to Reform the International Emergency Economic Powers Act*, Brennan Center for Justice, New York, 10 VI 2021, p. 3ff.

19 Ch. A. Casey, *The International...*

20 *Imposing Duties to Address the Flow of Illicit Drugs across Our Northern Border*, “The White House” [online], 1 II 2025 [accessed: 10 X 2025]: <<https://www.whitehouse.gov/presidential-actions/2025/02/imposing-duties-to-address-the-flow-of-illicit-drugs-across-our-national-border/>>.

the exercise of emergency powers. The orders further alleged, in varying degrees of specificity, that the three governments had failed to “arrest, seize, detain, or otherwise intercept” drug trafficking organisations (DTOs) and the flow of narcotics across their territories. Canada was faulted for insufficient enforcement against domestic fentanyl production; Mexico was accused of maintaining an illicit alliance with DTOs; and China was said to provide support and safe haven to entities involved in the illicit drug trade.²¹ Each of the orders specified that the new tariffs would take effect from 00:01 (ET) on 4 February 2025, supplementing all existing tariffs, duties, and fees then in force. Goods that had been loaded or were already in transit prior to 00:01 (ET) on 1 February 2025 could qualify for exemption, provided that importers submitted the required certification to U.S. Customs and Border Protection (CBP). The orders instructed the Secretary of Homeland Security to implement these measures by incorporating the additional duties into the *Harmonized Tariff Schedule of the United States* (HTSUS), the official classification system administered by CBP, which importers relied upon to determine the applicable customs rates and related trade classifications. The orders reaffirmed the president’s authority to adjust the tariffs as circumstances evolved, authorising both the escalation of duties in response to retaliatory actions by the affected countries and their reduction or removal should those governments demonstrate verifiable progress in addressing illegal migration or narcotics trafficking into the United States.²²

The imposition of broad, across-the-board customs duties under IEEPA, as in the 2025 measures against the PRC, represents a novel and unprecedented application of the statute. The use of IEEPA to establish a broad-

21 *President Trump Invokes Emergency Powers to Impose Tariffs on Goods from Canada, Mexico, and China*, Sullivan & Cromwell, New York [et al.], 3 II 2025, p. 3: <https://www.sullcrom.com/SullivanCromwell/_Assets/PDFs/Memos/President-Trump-issues-tariffs-Canada-China-Mexico.pdf> [accessed: 10 X 2025].

22 *Ibidem*. Further details regarding the specific tariff rates and the regulatory provisions contained in the executive orders were outlined, for instance, in the analysis published by Alston & Bird: J. Waite, *President Trump Invokes National Emergency Authority to Impose Tariffs on Canada, Mexico and China*, “Alston & Bird Washington Trade Watch” [online], 2 II 2025 [accessed: 10 X 2025]: <<https://alston-trade.com/president-trump-invokes-national-emergency-authority-to-impose-tariffs-on-canada-mexico-and-china/>>.

-based customs regime against a major trading partner is, by all accounts, without precedent. This novel application raises substantial questions of statutory interpretation, particularly whether the imposition of tariffs can be subsumed under IEEPA's grant of authority to regulate or prohibit certain foreign transactions under sec. 1702. These statutory concerns intersect with constitutional principles, most prominently the separation of powers and the nondelegation doctrine. Under art. I, sec. 8 of the United States constitution, the authority to "regulate Commerce with foreign Nations" and "to lay and collect Taxes, Duties, Imposts and Excises" rests squarely with Congress.²³ Historically, when Congress has delegated tariff-setting authority to the Executive, it has done so through trade-specific statutes, such as the *Trade Act of 1974*, which supply explicit criteria and procedural safeguards. Reading IEEPA to authorise the president unilaterally to alter tariff schedules could, therefore, be construed as an impermissible delegation of core legislative power absent clear limiting principles – a construction that would place the statute at odds with foundational separation-of-powers jurisprudence. A further point of contention lies in the statutory definition and breadth of *national emergency* under sec. 202 of IEEPA. The statute permits presidential action upon a finding of an unusual and extraordinary threat to the national security, foreign policy, or economy of the United States, provided that such a threat originates substantially outside the nation. With executive order of 1 February 2025 the president determined that the government of the PRC failure to act against the sustained influx of synthetic opioids, including fentanyl, into the United States constituted "an unusual and extraordinary threat, which has its source in substantial part outside the United States, to the national security, foreign policy, and economy of the United States."²⁴ It may be assessed that, in this context, the Trump administration's emergency declaration premised on the PRC's alleged role in the synthetic opioid crisis constitutes a significant departure from the statute's intended scope. While the opioid crisis is undeniably grave, its nexus to foreign trade in goods is, at best, indirect. Invoking IEEPA

23 *Constitution of the United States*., art. I, sec. 8, cl. 1.

24 *Executive Order 14195 of February 1, 2025. Imposing Duties to Address the Synthetic Opioid Supply Chain in the People's Republic of China*, "Federal Register" 2025, vol. 90, No. 25, p. 9121.

under such circumstances risks reducing the statute's emergency requirement to a pliable pretext, thereby undermining the threshold constraints the Congress sought to preserve. As Ilya Somin, a libertarian law professor at George Mason University and one of the attorneys associated with the Liberty Justice Center, has argued, "[t]his is an enormous usurpation of legislative power by the executive and an abuse of emergency powers."²⁵ However, it is worth noting that the generality of the statute's language creates the potential for its use by the president of the United States in ways not originally contemplated by the Congress. As Timothy Meyer has observed, the statutory framework ultimately failed to impose meaningful restraints on the Executive. In his view, the Trump administration's reliance on IEEPA to justify the imposition of across-the-board tariffs constitutes a deliberate exploitation of this structural deficiency, which exceeds the constitutional design.²⁶ However, it has to be noted that the tariffs in question were announced by president Trump on the basis of a national emergency declared pursuant to the *National Emergencies Act* (NEA), originally enacted in 1976.²⁷ It establishes the procedural framework by which the president may proclaim a national emergency, while the IEEPA, operating under the broader umbrella of the NEA, confers expansive authority to regulate a wide range of international economic transactions during such an emergency. Notably, neither statute defines the term *national emergency*, thereby affording the Executive considerable interpretive latitude. In practice, Congress possesses only limited means to terminate a presidential emergency declaration, as evidenced by the numerous national emergencies that remain in force decades after their initial proclamation.²⁸

These legal questions are already the subject of active litigation. Multiple challenges to the 2025 tariff measures imposed under the IEEPA

25 A. Khardori, "An Enormous Usurpation": *Inside the Case against Trump's Tariffs*, "Politico" [online], 21 IV 2025 [accessed: 12 VIII 2025]: <<https://www.politico.com/news/magazine/2025/04/21/trump-tariffs-supreme-court-legal-arguments-00299467>>.

26 Idem, *Trump's Tariffs Could Squeeze the Supreme Court*, "Politico" [online], 9 II 2025 [accessed: 12 VIII 2025]: <<https://www.politico.com/news/magazine/2025/02/09/trump-tariffs-unconstitutional-supreme-court-00203178>>.

27 *National Emergencies Act*, "Public Law" 1976, No. 94-412 (90 stat. 1255) [codified as amended at 50 U.S.C. sec. 1601-1651].

28 A. Anil, *Chaos...*

are now pending in federal courts. One such case is brought by the State of California and governor Gavin Newsom in his official capacity, seeking both declaratory and injunctive relief to prevent the enforcement of these tariffs. The plaintiffs contend that the president's actions exceed the statutory authority granted under IEEPA and that the statute does not authorise the imposition of general tariffs on imported goods.²⁹ The State of California follows other plaintiffs in at least three separate federal suits, including: 1. a challenge brought by members of the Blackfeet Nation in Montana, asserting that the tariffs unlawfully burden tribal economic interests and violate statutory and constitutional protections; 2. an action filed by the New Civil Liberties Alliance in the US District Court for the Middle District of Florida, arguing that the president's use of IEEPA to impose tariffs constitutes an unconstitutional delegation of legislative authority; and 3. a suit filed by the Liberty Justice Center in the US Court of International Trade, contending that the tariffs contravene both IEEPA's statutory limits and the constitutional allocation of the commerce power to Congress.³⁰ The plaintiffs' arguments in these pending cases are largely aligned and converge on several core contentions. Foremost is the allegation that the president has acted *ultra vires*, exceeding the authority granted under the IEEPA. Plaintiffs contend that the statutory prerequisites for invoking IEEPA, namely, the existence of an unusual and extraordinary threat with a substantial foreign source, have not been satisfied in a manner that justifies the imposition of sweeping tariff measures. They argue that there is a tenuous or non-existent nexus between the declared public emergency and the specific economic measures imposed, particularly when those measures take the form of a substantial across-the-board increase in customs duties. It is widely announced that the dominant practical effect of the tariffs is to generate additional revenue for the federal budget, rather than to mitigate the alleged threat, thereby placing the action outside the intended scope of IEEPA. These concerns are sharply illustrated in one of the ongoing cases specifically challenging the tariffs imposed on goods originating from the PRC. Here, the plaintiffs contend that the tariff executive orders

29 *State of California v. Trump*, No. 3:25-cv-03372, United States District Court for the Northern District of California, 16 IV 2025.

30 A. Khardori, "An Enormous..."

and the resulting modifications to the HTSUS are unlawful for at least four reasons. First, the tariff executive orders are *ultra vires* because IEEPA does not authorise a president to impose tariffs. Second, the tariff executive orders are *ultra vires* because the president has not – and cannot – meet IEEPA's requirement that shows that the tariffs are necessary to address the stated emergencies of illegal opioids and trade deficits. Third, if IEEPA permits the tariff executive orders, then this statute violates the non-delegation doctrine because it lacks an intelligible principle that constrains a president's authority. Fourth, the resulting modifications made to the HTSUS violate the *Administrative Procedure Act* because they are contrary to law.³¹

President Trump's tariff cases thus have a pronounced constitutional dimension within the framework of the US law. The courts will be required to examine, first, the extent to which the president, as an executive officer, is bound by statutory limits, and second, whether the IEEPA may be interpreted expansively so as to add tariffs to its catalogue of authorised sanctioning measures. The major questions doctrine is likely to play a significant role in the judicial resolution of the tariff litigations. While Congress frequently delegates authority to executive agencies to regulate various aspects of economic and social life often in broad or general terms, the Supreme Court has held that when an agency, or by analogy the president, asserts authority over an issue of vast economic and political significance, such action must be supported by clear congressional authorisation.³² The outcome of the pending tariff litigation will hinge, to a significant degree, upon the interpretive methodology adopted by the judiciary. In this context, three principal approaches present themselves. A textualist construction would adhere strictly to the statutory language of the IEEPA, with the consequence that, absent express authorisation for the imposition of tariffs, such measures would be deemed beyond the statute's scope. An originalist analysis would look to the historical understanding of IEEPA as it existed

31 *FIREDISC, Inc. v. Trump*, No. 25-cv-1134, United States District Court for the District of Columbia, 21 VII 2025.

32 Although the Supreme Court did not use the term *major questions doctrine* in a majority opinion until 2022, the doctrine has gained increased prominence in recent years. It requires courts to exercise caution before inferring sweeping regulatory powers from statutory provisions that are modest, vague, or ambiguous. See: K. R. Bowers, *The Major Questions Doctrine*, Congressional Research Service, Washington, 2 XI 2022 (IF12077).

at the time of its enactment in 1977, when Congress intended it primarily as an instrument for targeted economic sanctions rather than as a general trade-regulation mechanism. By contrast, a dynamic statutory interpretation – sometimes aligned with living constitution principles – would construe the statute in light of contemporary conditions, potentially extending its application to encompass tariffs as a modern countermeasure to foreign economic threats.³³ Given the current six to three conservative majority on the Supreme Court,³⁴ textualist and originalist readings appear more probable; nevertheless, it remains an open question whether the Court might, in this instance, adopt a more adaptive interpretive stance, should it deem present-day economic exigencies to warrant such flexibility.

China's response: the 2021 law of the People's Republic of China on countering foreign sanctions and other statutes

When the US initiated its tariff measures, the PRC did not remain passive. Rather, it invoked its own domestic legal framework – at times applying existing provisions in novel ways – to match, and in certain respects escalate, the scope of US actions. This section examines the principal statutes employed by China.

First, China's legal response to the imposition of US tariffs has been anchored in the *Foreign Trade Law of the People's Republic of China* (as amended in 2016),³⁵ which functions as the state's primary statutory trade defence framework. In the wake of US tariff measures – most notably

33 On the subject of originalism and the living constitution, see, e.g., in the Polish literature: D. Minich, *Miedzy originalism a living constitution – Jacka M. Balkina Koncepcja wykladni Konstytucji*, „Ius Novum” [Warszawa] 2022, t. 16, nr 3, p. 130–145.

34 V. M. Bonventre, *6 to 3: The Impact of the Supreme Court's Conservative Super-Majority*, “New York State Bar Association” [online], 31 X 2023 [accessed: 12 VIII 2025]: <<https://nysba.org/6-to-3-the-impact-of-the-supreme-courts-conservative-super-majority/?srsltid=AfmBOopav2EXVYnHyJjkefuUNDO9rqMide6fHIyP3nm9lwlQRT9oelF7>>.

35 “The department of foreign trade under the State Council shall, in accordance with the provisions of this Law and other relevant laws, carry out bilateral or multilateral consultations, negotiations and dispute settlement concerning foreign trade.” *Foreign Trade Law of the People's Republic of China*, “Ministry of Justice of the People's Republic of China” [online], 15 XII 2023 [accessed: 12 VIII 2025]: <http://en.moj.gov.cn/2023-12/15/c_948360.htm>.

those justified under sec. 301 of the US *Trade Act* and the 2025 fentanyl-related executive orders – China invoked provisions authorising countermeasures against discriminatory trade restrictions. Art. 7 empowers the PRC to take countermeasures against any country or region adopting prohibitive, restrictive, or otherwise discriminatory measures against China, providing a direct legal basis for retaliation. Art. 47 assigns the department of foreign trade under the State Council as the competent authority for conducting bilateral or multilateral consultations, negotiations, and dispute settlement in accordance with domestic and international law, thereby ensuring that countermeasures are procedurally grounded in recognised trade diplomacy channels. Additionally, sector-specific remedies are embedded in art. 45, which permits emergency safeguard duties where a sudden surge in imports caused, for example, by third-country restrictions – causes or threatens serious injury to domestic industry, and in art. 48, which authorises countervailing duties to neutralise foreign subsidies deemed unfair.³⁶ In practice, these provisions enable China to frame retaliatory tariff measures not as violations of WTO disciplines, but as lawful defensive actions under its domestic legal order, justified by reference to breaches of international trade commitments by the US.

Secondly, China's *Anti-Monopoly Law* in force since 2008,³⁷ provides a separate legal avenue for responding to perceived US trade aggression without directly resorting to tariff measures. Although the statute's stated purpose is to prevent monopolistic conduct and safeguard fair market competition, its provisions, particularly arts. 17 and 55, equip Chinese authorities with broad investigatory and remedial powers over both domestic and foreign enterprises. Under art. 17, abuse of a dominant market position encompasses practices such as unfair pricing, refusal to deal, and discriminatory treatment, while art. 55 authorises law enforcement agencies to summon legal representatives of suspected violators and compel the adoption of corrective measures.³⁸ In practical application, these provisions empower the PRC to take action against high-profile US corporations – particularly

³⁶ Ibidem.

³⁷ *Anti-Monopoly Law (2022 Edition)*, "China Law Translate" [online], 27 VI 2022 [accessed: 12 VIII 2025]: <<https://www.chinalawtranslate.com/en/anti-monopoly-law-2022/>>.

³⁸ Ibidem.

those in the technology sector – through measures such as fines of up to 10% of global annual revenue, the blocking of mergers, the imposition of shipment delays, and the freezing of assets. This enforcement posture affords strategic flexibility: by characterising such measures as competition law enforcement rather than tariff-based retaliation, China circumvents the WTO's primary jurisdiction over trade remedies and avoids the procedural constraints inherent in WTO dispute settlement mechanisms.

Thirdly, the *Export Control Law of the People's Republic of China*,³⁹ adopted in December 2020, introduces a potent non-tariff instrument into the state's economic policy toolkit, conferring authority to restrict the export of goods, technologies, and services whenever such controls are deemed necessary to safeguard national security or protect significant national interests. Arts. 44 and 45 articulate broad criteria for the imposition of such measures, extending to items integral to national defence, strategic industries, and critical economic sectors. The statute's scope is further reinforced by art. 48, which establishes an explicit national security exception, thereby permitting the imposition of export controls irrespective of pre-existing contractual or trade obligations.⁴⁰ Functioning as non-tariff measures, these controls circumvent the WTO's standard scrutiny applicable to customs duties, while potentially exerting greater disruptive force by generating supply chain constraints in high-technology and defence-related industries.

Finally, United States efforts to introduce tariffs have been met with a Chinese legal response grounded in the *Law of the PRC on Countering Foreign Sanctions*, adopted by the Standing Committee of the National People's Congress in 2021.⁴¹ This statute constitutes the central legislative framework through which the Chinese state addresses foreign-imposed restrictive measures, particularly those based on the extraterritorial application of foreign domestic laws. Drafted pursuant to the PRC constitution, the law

39 *Export Control Law of the People's Republic of China (Adopted at the 22nd Meeting of the Standing Committee of the Thirteenth National People's Congress, 17 October 2020)*, "The National People's Congress of the People's Republic of China" [online], 17 X 2022 [accessed: 31 VII 2025]: <http://www.npc.gov.cn/englishnpc/c2759/c23934/202112/t20211209_384804.html>.

40 Ibidem.

41 *Law of the PRC on Countering Foreign Sanctions*, "China Law Translate" [online], 10 VI 2021 [accessed: 12 VIII 2025]: <<https://www.chinalawtranslate.com/en/counteringforeignsanctions/#gsc.tab=0>>.

declares its overarching objectives to be the preservation of national sovereignty, security, and development interests, alongside the protection of citizens' and organisations' lawful rights. Its preambular provisions situate the measure within the official discourse of China's foreign policy – emphasising peaceful coexistence, mutual respect for sovereignty, opposition to hegemonism, and adherence to an international order ostensibly grounded in the United Nations system. From a functional perspective, the statute establishes a state-administered countermeasure regime. Arts. 3 through 6 empower designated State Council departments to place foreign individuals and entities, as well as their immediate relatives, senior managers, and associated organisations, on a formal countermeasure list. Once listed, such parties may be subjected to extensive retaliatory measures, including visa denials, deportation, asset freezes, prohibitions on transactions or cooperation with Chinese counterparts, and other measures deemed necessary. Notably, these administrative determinations are characterised as final under art. 7, insulating them from further domestic review and underscoring the highly centralised nature of decision-making. The law also imposes mandatory compliance obligations on all domestic organisations and individuals (art. 11–12). Chinese actors are required not only to implement state-imposed countermeasures but also to refrain from cooperating with or assisting in the enforcement of foreign sanctions deemed discriminatory against Chinese citizens or entities. A private right of action in Chinese courts enables domestic parties to seek injunctive relief and damages from any actor who enforces foreign sanctions within Chinese jurisdiction. Art. 13 through 15 provide for a residual clause – allowing the imposition of other necessary countermeasures under related laws and regulations – and extend the applicability of the statute's provisions to foreign states, organisations, or individuals engaged in conduct considered injurious to China's sovereignty, security, or development interests.

In March 2025, the State Council of the PRC issued new regulations detailing the implementation of the *Anti-Foreign Sanctions Law* (AFSL),⁴²

42 State Council of the People's Republic of China. *Provisions Implementing the Anti-Foreign Sanctions Law of the People's Republic of China*. National Order No. 803. 23 March 2025, "State Council of the People's Republic of China" [online], 23 III 2025 [accessed: 31 VII 2025]: <https://www.gov.cn/zhengce/content/202503/content_7015400.htm> [automatic translation].

thereby expanding the range of available countermeasures and clarifying the legal consequences for non-compliance. This regulation implementing the 2021 AFSL significantly refines and expands China's countermeasure framework, both procedurally and substantively. While the 2021 statute delegated broad authority to the State Council, the regulation designates specific implementing bodies for each category of measure: visa-related restrictions (art. 6) to the Ministry of Foreign Affairs and the National Immigration Administration; asset seizures and freezes (art. 7) to a broad interagency group including public security, finance, natural resources, customs, market supervision, and intellectual property authorities; and transaction prohibitions (art. 8) to now explicitly cover non-commercial sectors such as education, science, legal services, environmental protection, tourism, health, and sports, indicating an intent to extend retaliation beyond purely economic domains. The scope of "other types of property" subject to restriction is enumerated in detail – cash, deposits, securities, equity, IP rights, receivables – ensuring operational clarity. New countermeasures in art. 9 include prohibiting or restricting imports and exports, blocking inbound investment, halting specific outbound exports, restricting data and personal information transfers, cancelling permits, and imposing fines. Compliance and enforcement mechanisms (arts. 13, 17–18) have been strengthened, authorising penalties such as procurement ineligibility, bidding restrictions, suspension of import/export rights, and travel limitations, alongside interviews and rectification orders; the AFSL's private right of action (art. 12) is preserved, affirming that affected individuals may seek damages and injunctive relief. Art. 19 introduces a notable innovation by targeting foreign litigation and judgment enforcement against Chinese entities, barring recognition and execution of such judgments domestically, and permitting compulsory property measures and more severe countermeasures. Professional services are formally integrated into sanctions defence (art. 20), encouraging law firms, notary agencies, and other providers to offer risk management, litigation, and notarial support. Procedural flexibility is embedded in arts. 14–16, which establish mechanisms for suspension, modification, or cancellation of measures upon remedial action, permit licensed engagement with sanctioned parties under special circumstances, and introduce evaluation of countermeasure effectiveness. Coordination and transparency are enhanced through art. 10's expanded interagency mechanism, mandatory

information sharing, and arts. 11–12's publication and notification requirements. Finally, art. 21 anchors AFSL enforcement in Chinese law while linking it to relevant international treaties, providing a formal basis for judicial assistance and cross-border legal cooperation. It is widely claimed the anti-foreign sanctions law is another tool China can use to push back against foreign governments for trespassing on what it says is its right to development.⁴³

Below is a comparative table outlining the principal features of the 2021 AFSL and the 2025 *Provisions Implementing the Anti-Foreign Sanctions Law* of the PRC.

Table 1. Comparison of China's 2021 *Anti-Foreign Sanctions Law* and 2025 regulation No. 803

Category	2021 <i>Anti-Foreign Sanctions Law</i> (AFSL)	2025 regulation No. 803
Legal basis & Purpose	Enacted by the Standing Committee of the NPC; aimed at safeguarding sovereignty, security, and development interests, and protecting citizens' lawful rights. States general opposition to foreign hegemonism and interference	Reaffirms AFSL purpose but explicitly links implementation to the <i>Foreign Relations Law</i> and overall national security concept. Frames measures as part of coordinated national security strategy
Scope of application	Targets foreign nations, organisations, and individuals imposing discriminatory restrictive measures against Chinese citizens/entities, or interfering in China's internal affairs	Adds that the scope includes foreign actors that assist or support such measures, and those endangering China's interests through foreign litigation or judgment enforcement (art. 19)
Countermeasure list	State Council departments may add persons/entities directly or indirectly involved in foreign sanctions to a countermeasure list	Expands to related individuals and organisations (family members, managers, associated entities). Adds publication requirements (arts. 11–12) and inter-agency notification
Types of countermeasures	Four broad categories: 1. visa restrictions, 2. property freezes, 3. prohibitions/restrictions on transactions, 4 other necessary measures	Specifies responsible implementing agencies for each category (e.g., Ministry of Foreign Affairs for visas; Ministry of Finance, customs, Intellectual Property offices for property). Expands "other necessary measures" to include bans on investment, import/export, data transfer, work permits, and fines (arts. 7–9)

43 *China Rolls Out New Rules to Step Up Countermeasures to Foreign Sanctions*, "Reuters" [online], 24 III 2025 [accessed: 31 VII 2025]: <<https://www.reuters.com/world/china/china-rolls-out-new-rules-step-up-countermeasures-foreign-sanctions-2025-03-24/>>.

Category	2021 Anti-Foreign Sanctions Law (AFSL)	2025 regulation No. 803
Definition of property	Property mentioned but undefined	Explicit legal definition including cash, bank deposits, securities, fund shares, equity, IP rights, receivables, and other property rights (art. 7)
Transaction restrictions	General ban on Chinese actors engaging in transactions/cooperation with listed parties	Expands to cover non-economic sectors: education, science, legal services, environmental protection, tourism, health, sports (art. 8)
Procedural safeguards / exceptions	Silent on exceptions or licensing	Introduces application procedures for suspension/modification/cancellation of measures (art. 14). Allows special circumstances exemptions with prior approval (art. 16). Requires agencies to specify targets, measures, and effective dates (art. 5)
Compliance & enforcement	Prohibits Chinese actors from enforcing/assisting foreign sanctions; provides for civil suits by affected parties	Adds administrative penalties for non-compliance: exclusion from procurement, bidding, import/export rights, data transfers, travel restrictions (art. 13). Creates powers to order rectification and conduct compliance interviews (art. 17). Retains civil litigation rights (art. 18)
Foreign litigation	No specific provision	Introduces new countermeasures against those involved in foreign lawsuits/judgments against Chinese interests; prohibits enforcement of such judgments in China (art. 19)
Role of legal services	No mention	Encourages law firms, notaries, and professional services to assist in counter-sanctions work, risk management, and litigation (art. 20)
Coordination mechanism	Refers broadly to State Council departments coordinating	Details specific departments (foreign affairs, commerce, development and reform, judicial administration) and mandates information sharing (art. 10)
Transparency	No publication requirement	Requires prompt publication and updates on countermeasure decisions via official websites (art. 11)
Evaluation of measures	No review or evaluation process	Permits assessment of countermeasure effectiveness and adjustment based on results (art. 15)
Judicial assistance	Not addressed	Specifies that matters involving judicial assistance follow Chinese law and applicable international treaties (art. 21)

Source: authors' own analysis

The US-China tariff dispute reveals a deeper divergence in how the two states position themselves in relation to their WTO obligations. China consistently frames its trade countermeasures within a formalist legal structure, invoking WTO principles such as most favoured nation (MFN) treatment and bound tariff rates while simultaneously embedding its actions in domestic statutes – such as the *Foreign Trade Law*, *Anti-Monopoly Law*, and *Export Control Law* – that, at least on their face, conform to WTO commitments. This strategy allows Beijing to present itself as a defender of the multilateral trading system while pursuing robust retaliatory measures that operate at the margins of WTO scrutiny. The United States, by contrast, has increasingly dispensed with such procedural formalities, resorting to unilateral measures justified under domestic statutes like sec. 301 of the *Trade Act* and especially, in 2025, the IEEPA, without seeking prior WTO authorisation. This posture, reflected in the US reluctance to resolve disputes through the WTO's dispute settlement mechanism and its ongoing blockage of the Appellate Body,⁴⁴ signals a diminished regard for the WTO's authority. As a result, the conflict over tariffs acquires a broader normative dimension: whether the WTO remains the central arbiter of trade disputes or whether major powers can bypass its processes in favour of unilateral economic statecraft. *China's 2025 White Paper* concludes that the US is in ongoing violation of several core WTO principles, summarised in the table 2.

This issue, concerning the WTO dimension of the US-China tariff war, is noted here only in passing, as it is not confined to a bilateral dispute but carries a multilateral significance that is critical to the future of the WTO as the principal umbrella organisation for global trade.

44 See e.g.: K. M. Rockwell, *Deadlock over Dispute Settlement Has Deep Roots*, "Hinrich Foundation" [online], 12 VIII 2025 [accessed: 13 IX 2025]: <https://www.hinrichfoundation.com/research/wp/wto/deadlock-over-dispute-settlement-has-deep-roots/?utm_campaign=wp-rockwell-wto-dispute-settlement&utm_medium=email&_hsenc=p2ANqtz-_len4t6lRPMP99wHfGaPDwothegLlp6_GP6W8NF7sLYMl2IVzhp6rPsN7yZDyeW8sc7n6El8W8QHYIa-Xgnp7iqSI4OQ&_hsmi=375507633&utm_content=20250812-weekly-research-&utm_source=hinrich-thought-leadership>.

Table 2. US trade measures challenged by China and the corresponding WTO provisions

Contested US measure	China's claim of WTO violation	Relevant WTO provision
Sec. 301 tariffs on Chinese products (2018, expanded in 2025)	Violation of MFN principle and bound tariff rates	<i>General Agreement on Tariffs and Trade</i> (GATT) 1994, art. I (MFN) and art. II (<i>Schedules of Concessions</i>)
Additional 50% tariffs citing fentanyl-related national security concerns (2025)	No factual basis for national security exception; disguised restriction on international trade	GATT 1994, art. I and art. XX (<i>General Exceptions</i>) – misuse
Revocation of de minimis duty-free treatment for Chinese goods (May 2025)	Violation of MFN principle by discriminatory treatment	GATT 1994, art. I (MFN)
Proposed port fees and restrictions targeting China's maritime, logistics, and shipbuilding industries	Unjustifiable restriction on market access and discriminatory treatment	GATT 1994, art. I (MFN), art. V (<i>Freedom of Transit</i>)
Investment and technology export restrictions (2018–2025)	Disguised restriction on trade, inconsistent with commitments under WTO agreements	GATT 1994, art. I and <i>Trade-Related Investment Measures</i> agreement

Source: authors' own analysis

The role of merchandise trade dependency and trade as percentage of GDP

The tariffs imposed by the United States and the retaliatory measures introduced by China, as discussed above, resulted in an average increase in customs duties to 57.6% in the United States and around 32.6% in China.⁴⁵ At the same time, the ongoing trade war between the two countries has exposed deep structural and economic asymmetries between the world's two leading powers. At the heart of this confrontation lies their differing dependence on international trade, especially in goods, which directly influences their capacity to absorb tariffs and trade restrictions without severe economic damage.

Merchandise trade as a percentage of gross domestic product (GDP) is a critical metric that reveals how reliant a country is on the import

45 Ch. P. Bown, *US-China Trade War Tariffs: An Up-to-Date Chart*, "Peterson Institute for International Economics" [online], 25 IX 2025 [accessed: 10 X 2025]: <<https://www.piie.com/research/piie-charts/2019/us-china-trade-war-tariffs-date-chart>>.

and export of physical goods. Data from 2012 to 2023 illustrates a stark contrast: China's merchandise trade accounts for roughly 33–45% of its GDP, whereas for the United States, this figure remains substantially lower, around 18–24%.

Table 3. Merchandise trade for China and the US in 2012–2024

Year	Merchandise trade (% of GDP)	
	China	US
2012	45.3	23.8
2013	45.4	23.1
2014	41.0	22.9
2015	35.7	20.8
2016	32.8	19.6
2017	33.3	20.1
2018	33.2	20.7
2019	32.0	19.5
2020	31.6	17.9
2021	33.6	19.8
2022	34.9	20.9
2023	33.3	18.7
2024	32.9	18.6

Source: *Merchandise Trade (% of GDP)*, "World Bank Group" [online, accessed: 10 X 2025]: <<https://data.worldbank.org/indicator/TG.VAL.TOTL.GD.ZS>>

This disparity highlights a crucial vulnerability for China in the trade war: its economy is much more dependent on cross-border trade in goods. Consequently, tariffs and import restrictions imposed by the United States can have a more profound impact on China's economic growth and stability.

China's heavy reliance on merchandise trade means that trade barriers disrupt key manufacturing and export sectors, including electronics, machinery, and textiles. These industries are vital drivers of employment, foreign exchange earnings, and industrial development. As a result, US-imposed tariffs can have the potential to cause significant economic slowdowns, factory closures, and supply chain realignments in China.

In contrast, the United States, with its lower merchandise trade-to-GDP ratio, is less vulnerable to the immediate economic shocks of tariffs. The US economy's stronger orientation toward services and domestic consumption cushions the blow, although certain sectors – such as agriculture and automotive industries – still face retaliatory tariffs and increased production costs.

Recognising this vulnerability, China has accelerated efforts to rebalance its economy towards domestic consumption and high-value services, thereby reducing its dependence on export-led growth. The gradual decline in China's merchandise trade share from over 45% in 2012 to around 33% in recent years reflects this shift.

In addition to merchandise trade, understanding the total trade volume – including both goods and services – relative to GDP is crucial in assessing the economic vulnerabilities and strengths of China and the US within their ongoing trade conflict. This broader measure, referred to as trade (% of GDP), reflects the overall openness of an economy and its integration into the global market.

Data from 2012 through 2024 reveals that China's total trade consistently constitutes a substantially larger share of its GDP compared to the US. China's trade-to-GDP ratio decreased from approximately 48% in 2012 to about 37% in 2024, indicating a gradual shift toward a less trade-dependent economic structure, albeit still highly open. In contrast, the US trade-to-GDP ratio ranged from about 31% down to 25%, reflecting a more domestically oriented economy with less reliance on international trade flows (see table 4).

Table 4. Comparison of China and the US in trade

Year	Trade (% of GDP)	
	China	US
2012	48.0	30.7
2013	47.0	29.9
2014	45.0	29.9
2015	39.0	27.7
2016	37.0	26.5

Year	Trade (% of GDP)	
	China	US
2017	38.0	27.1
2018	38.0	27.4
2019	36.0	26.3
2020	35.0	23.1
2021	37.0	25.2
2022	38.0	26.9
2023	37.0	24.9
2024	37.2	24.9

Source: *Trade (% of GDP)*, "World Bank Group" [online, accessed: 10 X 2025]: <<https://data.worldbank.org/indicator/NE.TRD.GNFS.ZS>>

This difference in trade openness means China's economic growth is more tightly linked to global trade conditions, encompassing not only goods but also services. China's substantial export of goods and increasing service trade integrates it deeply into international supply chains and global markets.

For the United States, services comprise a significant portion of the economy, yet total trade remains a smaller fraction of GDP. This reflects the US economy's greater reliance on domestic consumption and a diversified service sector that is less exposed to direct trade barriers. While US exports of services are substantial, the economy's overall scale and structure provide a buffer against international shocks. This means, theoretically, US is better prepared for trade war with China, than China itself.

Labour markets, trade flows, and structural risk

Building on the structural economic differences between China and the United States, employment trends in the industrial sector provide important context for understanding the domestic roots of the trade war, especially as it affects low-skilled and unqualified workers in the US.

The indicator "Employment in Industry (Percentage of Total Employment)," based on modelled ILO estimates, reveals a persistent and widening

gap between China and the US in terms of industrial job creation. According to World Bank data, between 2012 and 2023, the percentage of workers employed in industry in China ranged from 29.3 to 31.8%, with a slight upward trend over time. In contrast, the US share remained flat and significantly lower, hovering around 19%, and even slightly declining in 2021 to 19.18%, despite recent attempts to reshore manufacturing jobs.

This divergence highlights a key problem: the erosion of the industrial labour market in the US, which has reduced job opportunities for workers without higher education or specialised skills. Industrial jobs – especially in manufacturing, construction, and basic utilities – traditionally offered relatively stable employment for lower-skilled American workers, often providing decent wages and benefits without requiring a college degree.

Table 5. Employment in US and Chinese industry

Year	Employment (% of total)	
	China	US
2012	30.29959	19.46611
2013	30.09990	19.68515
2014	29.90046	19.70806
2015	29.29982	19.55526
2016	29.64782	19.47486
2017	30.00680	19.42705
2018	30.42056	19.56929
2019	30.81761	19.61796
2020	31.41989	19.41840
2021	31.65713	19.18366
2022	31.67903	19.27678
2023	31.83744	19.33566

Source: *Indicators*, "World Bank Group" [online, accessed: 10 X 2025]: <<https://data.worldbank.org/indicator>>

As shown in table 5, while China's share increased, indicating continued investment in and dependence on manufacturing and heavy industry, the US share remained stagnant, reflecting the offshoring of many

industrial operations and a growing reliance on service-oriented and knowledge-intensive jobs, which are inaccessible to many without qualifications.

This structural trend feeds directly into political and economic tensions. Communities across the US – particularly in the Midwest and Southeast – have experienced long-term deindustrialisation, leading to economic stagnation, social dislocation, and political radicalisation. It is in these regions that anti-China rhetoric has found the strongest support.

From a policy perspective, the 2025 trade war can be seen as an attempt to correct this imbalance – not just in trade flows, but in the very structure of employment. By making Chinese imports more expensive through tariffs, US policymakers hope to revive domestic manufacturing, stimulate investment in industrial regions, and ultimately create more jobs for underqualified and displaced workers.

A critical dimension of the trade tensions between the United States and China is the persistent and large trade imbalance between the two countries. According to US Census Bureau data, China has consistently exported far more to the United States than it imports from it, creating a trade deficit that has been a central grievance for US policymakers over the past two decades. The data from the years 2021 through April 2025 show the following:

Table 6. US-China trade balance (in millions of USD)

Year	US exports to China	US imports from China	US trade balance
2021	151,118.0	506,361.7	-355,243.7
2022	153,837.3	536,337.0	-382,499.7
2023	148,988.6	427,229.6	-278,241.0
2024	146,441.2	441,942.4	-295,501.2
2025*	49,083.7	136,106.0	-87,022.3

*2025 reflects data from January through April only

Source: author's own analysis based on data from: *Indicators...; Trade in Goods with China*, "United States Census Bureau" [online, accessed: 10 X 2025]; <<https://www.census.gov/foreign-trade/balance/c5700.html#2025>>

From this, we can calculate the average monthly trade imbalance:

- 2024 – $-295,501.2 / 12 = -24,626.3\text{M}$ per month,
- 2025 (January–April) – $-87,022.3 / 4 = -22,005.5\text{M}$ per month.

This indicates a clear improvement in the US trade balance with China in 2025. If this trend continues through the remainder of the year, the annualised trade deficit could shrink by over \$31B, moving from – \$295.5B in 2024 to a projected – \$264.1B in 2025. This would represent an 11% year-over-year improvement.

This reversal, though still modest in the context of the overall trade gap, suggests that recent US trade policies have an incremental effect. At the same time, it is important to note that the overall trade imbalance remains substantial, and a monthly gap of over \$22B still indicates significant structural dependency. Nevertheless, the 2025 data provide early evidence that the trajectory of US-China trade might be shifting. If sustained, this would mark the first meaningful narrowing of the bilateral trade gap in years and offer some validation to those advocating for a tougher US trade stance against China.

Analysing the updated bilateral trade data between China and the United States reveals a clear trend: although trade volumes are decreasing on both sides, China is losing more, as its exports to the US have declined more significantly than its imports from the US. To make year-to-year comparisons meaningful, we adjusted the annual data from 2021–2024 by dividing it by three, creating an approximate four-month benchmark.

Table 7. US-China trade volumes in 2021–2025 (January–April equivalent)

Year	China import from US (\$M)	China export to US (\$M)
2021 (⅓ of full)	50,479.80	168,082.10
2022 (⅓ of full)	51,329.13	178,756.23
2023 (⅓ of full)	49,211.83	142,415.53
2024 (⅓ of full)	47,742.23	146,247.33
2025 (Jan–Apr)	40,014.20	128,036.30

Source: author's own analysis based on data from: *Trade in Goods...*

Chinese imports from the US (that is, US exports to China) in the first four months of 2025 totalled \$40B, while in the equivalent four-month period of 2024 they reached \$47.7B – marking a decrease of approximately 16.2%. At the same time, Chinese exports to the US fell from \$146.2B to \$128B – a reduction of about 12.5%. While both import and export volumes declined, the absolute loss in exports is much more significant for

China. This is because the country has traditionally relied on maintaining a large trade surplus with the US. A drop in exports of \$18.2B (from \$146.2B to \$128.0B) represents a much more substantial loss than the \$77B decrease in imports (from \$47.7B to \$40B).

This trend clearly hurts China's economy more, as its export-led growth model is highly dependent on maintaining stable and substantial trade surpluses – particularly with key partners like the United States. In contrast, the US trade deficit with China improved by approximately 11% in the first four months of 2025 compared to the same period the previous year.

This development lends support to the US administration's argument that its trade defence strategies – including tariffs, reshoring incentives, and diversification of supply chains – are beginning to achieve their intended goal of rebalancing trade relations. While it may be too early to conclude that this reflects a permanent structural change, the current reduction in the US trade imbalance clearly indicates that China is bearing a greater share of the economic cost in the ongoing trade confrontation.

Another crucial dimension of the US-China trade imbalance lies in the structure of China's export markets. According to the most recent data, the United States remains China's single largest export destination, accounting for 15% of all Chinese exports. This share is significantly higher than that of other China's trading partners such as Hong Kong (8.3% of all Chinese exports), Vietnam (4.6%), Japan (4.3%), and South Korea (4.2%). In other words, nearly one out of every six dollars that China earns through exports comes from the American market.

This reliance on the US as an export partner highlights the strategic vulnerability China faces in the ongoing trade confrontation. Any disruption in trade flows with the US – whether due to tariffs, restrictions, or supply chain realignment – can have a disproportionately large impact on China's overall export revenues.

In contrast, the US export market is far more diversified and less dependent on China as a single trade partner. While China is certainly important to many US companies, the American economy is not as structurally reliant on one particular export market as China is.

This asymmetry further explains why the current trade war dynamic tends to inflict greater economic costs on China. As Chinese exports to the US decline – already down 12.5% in the first four months of 2025 compared to the same period in 2024 – the negative shock to China's

Figure 1. China's export destinations by share of total exports (2024)



Source: China Exports, "Trading Economics" [online, accessed: 10 X 2025]: <<https://tradingeconomics.com/china/exports>>

export sector is amplified by its heavy dependence on American demand. This fact reinforces Washington's leverage in trade negotiations and gives further momentum to its trade defence strategies.

Economic deceleration and convergence: US-China first quarter (Q1) GDP trends in the shadow of trade conflict

A direct comparison of real Q1 GDP growth figures between 2024 and 2025 provides valuable insight into how the ongoing US-China trade conflict continues to shape the economic landscape. Although both countries show signs of continued expansion, the slowdown observed in both economies suggests persistent headwinds linked to the long-term effects of trade barriers, geopolitical tension, and global supply chain reorientation.

Table 8. Q1 GDP growth China vs the US

Year	Country	Real GDP growth (%)
Q1 2024	US	2.90
Q1 2025	US	2.00
Q1 2024	China	5.00
Q1 2025	China	3.95

Source: Growth Rate of Real Gross Domestic Product (GDP) in China from 2014 to 2024 with Forecasts until 2030, "Statista" [online, accessed: 10 X 2025]: <<https://www.statista.com/statistics/263616/gross-domestic-product-gdp-growth-rate-in-china/>>

In the first quarter of 2024, China recorded a real GDP growth rate of 5%, but this fell to 3.95% in Q1 2025. The 1.05 pp decline represents a meaningful loss of momentum and likely reflects increasing difficulties in maintaining high growth in the face of weakening export demand, technology-related sanctions, and global efforts to diversify away from Chinese supply chains. Despite its efforts to boost domestic consumption and reduce reliance on external markets, China remains highly sensitive to global economic conditions – especially given its still-elevated trade-to-GDP ratio.

The United States, in contrast, experienced a Q1 GDP growth of 2.9% in 2024, dropping to 2% in Q1 2025. While the magnitude of the slowdown is slightly smaller than in China (0.9 pp), it also indicates that the effects of the trade war – along with tighter monetary conditions and reduced international trade – are weighing on domestic growth. Nonetheless, the US economy continues to demonstrate greater resilience due to its lower exposure to foreign trade and a consumption-driven growth model.

Importantly, the gap between the two countries' Q1 growth rates has narrowed. In Q1 2024, China outpaced the US by 2.1 pp (5% vs. 2.9%), while in Q1 2025, the difference is only 1.95 pp (3.95% vs. 2%). This convergence suggests that China's relative growth advantage is diminishing, and that both economies – while still expanding – are increasingly constrained by the ongoing geopolitical and trade-related uncertainty.

These figures reinforce the conclusion that although both countries are absorbing economic costs, China continues to face greater difficulty in preserving high growth rates. The trade war may not have caused immediate contraction, but its cumulative effects are now materialising in the form of slower, more fragile recoveries, even in the absence of new tariff rounds.

Debt-to-GDP divergence: how the trade war reshaped fiscal trajectories

Another important dimension of the US-China trade conflict is reflected in the evolution of public debt levels in both countries. The debt-to-GDP ratio offers insight into the fiscal pressures faced by governments in managing the economic fallout of prolonged geopolitical rivalry. When comparing recent trends, the contrast between the US and China becomes increasingly clear – and telling.

Table 9. Chinese and US debt to GDP

Year	US debt to GDP (%)	China debt to GDP (%)
2020	15.0	3.6
2021	11.7	3.2
2022	5.3	2.8
2023	6.1	3.0
2024	6.3	3.0
2025	6.1	4.0

Source: *Federal Surplus or Deficit [-] as Percent of Gross Domestic Product (FYFSGDA188S)*, "Federal Reserve Bank of St. Louis. U.S. Office of Management and Budget via FRED" [online, accessed: 10 X 2025]: <<https://fred.stlouisfed.org/series/FYFSGDA188S>>

In the United States, debt as a percentage of GDP has steadily decreased from a high of 15% in 2020 to just 6.1% by 2025. This fiscal improvement suggests that the US economy is not only absorbing the trade war's impacts but is doing so with declining reliance on public borrowing. One contributing factor is the tariff regime itself. Since the imposition of tariffs on Chinese goods, the US government has collected substantial revenue from import duties. These funds offset part of the fiscal burden, supporting federal budgets without increasing deficits. In this sense, the tariffs – while controversial from a trade theory perspective – have served as a revenue-generating mechanism that partially compensates for broader economic disruptions. Thus, in macro-fiscal terms, the US benefits both from reduced trade dependence and from redirected cash flows into the public sector.

China's situation, in contrast, is more precarious. After modest reductions in debt-to-GDP between 2020 and 2022, the trend has reversed. China's debt burden rose from 3% in 2023 to 4% in 2025, indicating rising fiscal strain. This increase reflects the Chinese government's need to intervene more actively in the economy – through infrastructure investment, industrial subsidies, and support for struggling export sectors – to counterbalance weakening external demand. One major source of this weakening is the fall in exports to the US, which remains a key market for Chinese goods. As tariffs make Chinese products more expensive and less competitive in the US market, export volumes decline, and the broader trade surplus that once fuelled China's fiscal strength begins to erode.

This dependency on foreign, especially American, demand remains a structural vulnerability. China's high trade-to-GDP ratio amplifies the macroeconomic consequences of reduced exports, especially when compared to the more inward-oriented US economy. With declining export earnings and higher domestic support spending, China is now entering a phase of rising debt, in part to shield itself from the very trade war it once sought to endure through sheer economic scale.

In sum, the fiscal trajectories of the two superpowers reveal a deeper asymmetry in how each absorbs the economic shocks of confrontation. The US sees declining debt levels and tariff-based fiscal inflows, while China faces rising debt and falling export revenues. These dynamics reinforce the broader thesis that, while both sides are affected by the trade war, it is China – the more export-reliant economy – that suffers disproportionately, both in trade and in fiscal terms.

Diverging inflation trends: how tariffs reshaped price dynamics

Another crucial macroeconomic indicator that reveals the contrasting effects of the US-China trade war is inflation. While both economies have experienced substantial shifts in consumer prices over the past five years, the underlying causes and trajectories differ significantly. These trends help illuminate the broader economic adjustments each country has undergone as a result of prolonged tariff-based conflict and strategic decoupling.

Table 10. Inflation rate in US and China

Year	Inflation (%)	
	US	China
2020	1.4	2.4
2021	7.0	1.0
2022	6.5	2.0
2023	3.4	0.2
2024	2.9	0.2
2025 (Jan.–May)	2.5	-0.7

Source: H. Srinivasan, "Investopedia" [online], 12 VIII 2025 [accessed: 10 X 2025]; <<https://www.investopedia.com/inflation-rate-by-year-7253832/>>; Inflation, Consumer Prices (Annual %) – China, "World Bank Group" [online, accessed: 10 X 2025]; <<https://data.worldbank.org/indicator/FP.CPI.TOTL.ZG?locations=CN>>

In the United States, inflation surged in the immediate aftermath of trade tensions and pandemic-related supply chain disruptions. The inflation rate jumped from a modest 1.4% in 2020 to 7% in 2021 – a historic spike that reflected both domestic monetary stimuli and cost-push pressures from higher import prices, including those resulting from tariffs on Chinese goods. Inflation remained elevated in 2022 (6.5%) but steadily moderated in subsequent years: 3.4% in 2023, 2.9% in 2024, and 2.5% in the first five months of 2025. This disinflationary trend suggests that the US economy is gradually stabilising, with consumers and firms adjusting to the new trade architecture, and the Federal Reserve effectively anchoring inflation expectations. Importantly, tariffs on Chinese products have played a dual role – initially exacerbating price increases, but subsequently contributing to domestic substitution and reshoring, which may have reduced dependency on volatile external supply chains. The steady decline in inflation signals a successful policy pivot and resilience of the US economy in adapting to the trade conflict.

China's inflation trajectory tells a very different story. After a moderate inflation rate of 2.4% in 2020, consumer price growth quickly decelerated. Inflation fell to 1% in 2021 and remained subdued at 2% in 2022. From 2023 onward, however, China entered a period of near-zero price growth – 0.2% in both 2023 and 2024 – culminating in deflation of -0.7% in the first five months of 2025. This deflationary shift is alarming and reflects mounting demand-side weaknesses in the Chinese economy. As exports to the United States declined due to tariffs and strategic decoupling, domestic producers faced growing overcapacity and falling margins. Simultaneously, weakening consumer confidence and private investment contributed to slackening demand. In such an environment, prices fall not because of efficiency gains, but because of excess supply and fragile domestic consumption – a signal of economic stagnation rather than strength.

The inflation contrast between the two nations underscores the asymmetrical burden of the trade war. While the US endured a temporary inflation shock followed by a controlled return to price stability, China is now confronting a more severe and persistent deflationary threat. This not only complicates Beijing's macroeconomic management but also limits the effectiveness of monetary policy, which becomes less potent in an environment where consumers and businesses delay spending in anticipation of lower prices.

Taken together, these inflation patterns further support the argument that the economic fallout from the trade war has been more destabilising for China than for the US. Where America is emerging from the conflict with more stable prices and a clearer monetary path, China is grappling with disinflationary pressure that threatens long-term growth and fiscal sustainability. This divergence adds yet another dimension to the cumulative evidence that the trade war, while costly for both, has imposed more lasting structural challenges on China's economy.

Labour market divergence: unemployment trends as a mirror of economic resilience

The trade war between the United States and China not only reshaped fiscal policy and inflation dynamics, but also left a distinct imprint on labour markets in both countries. Unemployment data from 2020 through 2025 reveals diverging trajectories that reflect deeper differences in economic adaptability, industrial dependence, and the broader capacity to absorb trade shocks.

Table 11. Unemployment rate in US and China

Year	Unemployment rate (%)	
	US	China
2020	14.90	5.00
2021	5.80	4.55
2022	3.60	4.98
2023	3.60	4.67
2024	4.00	4.57
2025 (Jan.–May)	4.20	5.10

Source: *Unemployment rate*, "International Monetary Fund" [online, accessed: 10 X 2025]: <<https://www.imf.org/external/datamapper/LUR@WE0/CHN/USA/GBR->>; *Civilian Unemployment Rate*, "U.S. Bureau of Labor Statistics" [online, accessed: 10 X 2025]: <<https://www.bls.gov/charts/employment-situation/civilian-unemployment-rate.htm>>

In the United States, the labour market initially experienced a dramatic disruption, with unemployment soaring to 14.9% in 2020 – largely a result of the COVID-19 pandemic but exacerbated by global supply chain

disruptions and uncertainty stemming from escalating tariffs. However, the recovery has been remarkably swift and sustained. By 2021, unemployment had dropped to 5.8%, and it declined further to 3.6% in 2022 and 2023. Although a mild uptick occurred in 2024 (4.0%) and 2025 (4.2%), the overall trend is one of stabilisation. This relatively low and consistent unemployment rate in recent years suggests strong labour market resilience and structural flexibility in the US economy.

Part of this resilience can be attributed to the effects of the tariffs themselves. While initially disruptive, tariffs incentivised onshoring and investment in domestic production. Many US firms diversified supply chains and reshored certain manufacturing operations, leading to job creation in sectors previously hollowed out by globalisation. Furthermore, the services sector – a dominant component of the US economy – proved more insulated from tariff shocks, cushioning overall employment levels. Fiscal support measures and the dynamic nature of the American labour market also played a key role in restoring employment quickly following the initial crisis.

China's unemployment trend tells a more cautious and complex story. Starting from a relatively low 5% in 2020, the unemployment rate dropped slightly to 4.55% in 2021. However, this improvement was short-lived. From 2022 onward, unemployment steadily crept upward, reaching 4.98% in 2022, 4.67% in 2023, 4.57% in 2024, and climbing again to 5.1% in 2025. While these fluctuations appear modest, they are significant in the Chinese context, where underemployment and informal labour are widespread and official figures may understate true labour market stress.

Several factors explain this gradual rise. First, China's manufacturing sector has been hit hard by declining exports to the United States – a key market. As US tariffs made Chinese goods more expensive and less competitive, many firms lost vital revenue and were forced to downsize. Second, foreign investment patterns have begun to shift. In response to geopolitical risk, rising labour costs in China, and incentives under US industrial policy, many American companies have started to relocate production away from China – either back to the United States (reshoring) or to alternative low-cost locations such as India, Vietnam, or Mexico. This process of decoupling further weakens China's traditional employment base, especially in coastal manufacturing hubs.

Moreover, the deflationary environment China has entered since 2023 compounds the labour market issue. Falling prices weaken corporate revenues and disincentivise hiring, feeding a cycle of stagnant demand and job insecurity. With few signs of a near-term reversal, the labour market could become a source of social tension and a constraint on domestic consumption-led growth strategies.

The employment trends thus mirror broader macroeconomic developments and reinforce the thesis of asymmetrical outcomes. The US labour market, though initially hit harder, has rebounded with flexibility and relative strength, supported by policy adaptation and domestic reindustrialisation. China, by contrast, faces a more persistent drag on employment, driven by export dependence, foreign divestment, and slower structural adjustment.

In sum, the evolution of unemployment in the two economies underscores once again that while both nations bear costs from the trade war, it is China that is confronting deeper and more enduring labour market challenges – challenges now intensified by the strategic withdrawal of US manufacturing investment from the Chinese economy.

Tariffs and treasuries: diverging revenue paths in the wake of the trade war

One of the most revealing outcomes of the US-China trade conflict lies in how it has influenced national revenue streams – not only through direct economic activity, but also via fiscal mechanisms such as tariffs. While tariffs are typically analysed in terms of trade volumes and consumer prices, they also function as a source of government income. In this context, the divergent trajectories of federal revenue in the United States and China underscore an important asymmetry in how each country has weathered the financial side of the trade war.

In the United States, the imposition of tariffs on Chinese goods since 2018 has created a consistent, though often overlooked, source of federal income. As of June 2025, federal revenue totalled approximately \$4.004T for the first nine months of the fiscal year – an increase of \$254B compared to the same period a year earlier, when revenue stood at \$3.75T.⁴⁶

46 *How Much Revenue Has the U.S. Government Collected This Year?*, “Fiscal Data Treasury” [online, accessed: 1 X 2025]: <<https://fiscaldata.treasury.gov/americas-finance-guide/government-revenue/>>.

While not all of this increase can be directly attributed to tariffs, customs duties have undeniably played a role. Revenue from tariffs and other import-related taxes surged as US companies continued to import significant volumes of Chinese goods, despite higher costs. In many cases, these costs were passed on to consumers, while the federal government absorbed the financial benefit in the form of elevated tariff collections.

This infusion of tariff-based income has bolstered the US Treasury without requiring politically contentious tax hikes. It has helped offset pandemic-era deficits and provided fiscal space for domestic industrial policy, infrastructure investment, and inflation-reduction measures. The trade war, paradoxically, has thus delivered a partial fiscal dividend to the United States, allowing it to maintain strong federal revenues while reducing the debt-to-GDP ratio. This stands in stark contrast to early concerns that tariffs would only serve to depress economic activity without generating meaningful fiscal compensation.

China, by contrast, is now facing mounting pressure on the revenue side. In the first five months of 2025, China's total fiscal revenue declined by 0.3% year-on-year to approximately 9.66T yuan – or around \$1.35T.⁴⁷ This decrease, though modest in headline terms, is significant in context. It reflects deeper structural shifts in the Chinese economy, including waning export growth, shrinking trade surpluses, and deteriorating tax bases. The decline is primarily driven by a 1.6% drop in tax revenue, indicating that core revenue-generating sectors – particularly manufacturing and export-oriented firms – are under strain. Though non-tax revenue rose by 6.2% in the same period, this increase is often volatile and cannot fully compensate for a weakening taxation base.

The erosion of tax revenue points to several interconnected challenges. As exports to the US decline due to tariffs and strategic decoupling, Chinese firms face lower sales volumes and profits – which in turn reduce corporate tax contributions. Additionally, as unemployment rises and domestic consumption remains tepid, value-added tax receipts have also come under pressure. Local governments, heavily reliant on land sales and business taxes, are experiencing growing fiscal stress, raising

47 *China's Fiscal Revenue Down 0.3 Pct in First 5 Months*, "The State Council. The People's Republic of China" [online], 20 VI 2025 [accessed: 31 VII 2025]: <https://english.www.gov.cn/archive/statistics/202506/20/content_ws68554d5dc6d0868f4e8f37de.html>.

concerns about the sustainability of public investment and economic stimulus at the regional level.

The broader implication is that while both countries are adjusting to the trade war, the US appears to be leveraging it to partially reinforce its fiscal position, whereas China is being forced to absorb additional fiscal burdens. The divergence in revenue dynamics illustrates a critical point: tariffs, while disruptive in trade terms, can serve as fiscal tools – and in the case of the US, they have proven to be surprisingly effective in strengthening national coffers. In China's case, however, the same trade measures are indirectly undermining fiscal stability by constraining the economic activity upon which tax revenue depends.

Conclusions

The US-China trade war has revealed fundamental asymmetries in the structure and resilience of the two largest global economies. While both countries have felt the consequences of prolonged economic rivalry, it is increasingly clear that the burden has fallen more heavily on China. This outcome is largely the result of China's greater dependence on cross-border trade, particularly merchandise exports, which remain central to its economic growth, employment, and fiscal revenues.

The United States, with its consumption-driven and more internally oriented economy, has demonstrated a higher degree of adaptability. It has not only withstood tariff-induced price adjustments but has also used the tariffs as a fiscal tool to support public revenue. In contrast, China's export sectors – especially manufacturing industries closely tied to global supply chains – have come under pressure from weakened external demand, especially from the American market.

Furthermore, signs of strain are visible in a range of macroeconomic indicators. China is facing a slowdown in economic growth, fiscal revenue stagnation, rising unemployment, and declining inflation – all of which point to growing economic fragility. The country's efforts to stimulate domestic demand and diversify export markets have so far yielded limited results. This reinforces the notion that the Chinese economy remains highly sensitive to shifts in global trade patterns and geopolitical uncertainty.

Another key factor is the structural shift underway in global production. As American and other Western companies reduce their exposure

to China by relocating manufacturing to alternative locations, such as India or the domestic US market, the long-term competitiveness of China's industrial base may weaken. The erosion of its trade surplus with the US and the tightening fiscal situation further limit Beijing's ability to counteract these trends through public investment or subsidies.

While the US is not immune to the costs of trade conflict – reflected in slower growth and persistent inflationary pressure – it maintains a stronger position. The diversification of supply chains, increased tariff revenue, and relative independence from export markets have helped cushion the impact. Moreover, the reduction in trade imbalances and the shift of global production patterns signal that Washington's strategic objectives are beginning to materialise.

In sum, the trade war has not produced symmetrical consequences. China, with its high trade openness and export-dependent development model, has encountered deeper disruptions than the US. The evolving landscape favours economies with greater internal demand and flexible fiscal systems. Unless China manages to recalibrate its growth model and reduce reliance on US-centered trade flows, the asymmetry in economic outcomes is likely to persist – and perhaps even deepen.

Looking ahead, the prospects for renewed US-China economic cooperation remain limited. While both nations recognise the mutual costs of continued decoupling, strategic competition has become embedded in their economic and legal policies. A full normalisation of trade relations appears unlikely, though pragmatic collaboration may persist in selected areas such as green technologies, financial stability, and global supply chain security. In this sense, the future of the US-China relationship will likely be characterised not by reconciliation, but by a managed rivalry – one in which interdependence coexists with persistent strategic tension.

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