Trump imposes 104 percent tariff on China, as financial turmoil grows

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A week after US President Trump launched his economic war against the world under the banner of so-called "reciprocal tariffs," China will have a tariff of 104 percent imposed on its goods starting today.

This follows the decision by Trump to hit China with an additional 50 percent tariff, following its imposition of a 34 percent tariff on US goods in response to the US decision to impose tariffs of 54 percent last week.

When previous tariff increases are considered, imposed under the first Trump administration and maintained by President Biden, the tariff level against China is now around 120 percent. Nothing like this has ever been seen before.

The latest measures have brought a defiant response from Beijing.

A spokesperson from the Commerce Ministry said:

> If the US proceeds with implementing these escalated tariff measures, China will resolutely take countermeasures to safeguard its own rights and interests.
>
> If the US insists on going its own way, China will fight to the end.

As other countries have sought talks and negotiations, Beijing is digging in for a major battle. The all-out conflict between the number one and number two economies will reverberate around the world, with far-reaching implications for every country, even more than it already has.

The ministry official said the tariff escalation was

> a mistake compounded by another mistake and once again exposes the coercive nature of the US side. China will never accept this.

The economic war against China has embroiled the countries of Southeast Asia, which have been hit with some of the highest tariffs, including Malaysia at 24 percent, Vietnam at 46 percent, Cambodia at 49 percent, Indonesia at 32 percent, and Thailand at 37 percent. These tariffs threaten to devastate their economies.

The aim of these measures is not to equalize or balance trade between the US and these countries. Not even officials in the Trump administration, in their most deranged moments, believe that is remotely possible because the countries involved do not have the economic wherewithal to even come close.

The tariff hikes against the region serve two purposes: one economic and the other geopolitical.

In the wake of the initial round of Trump's tariff hikes against China during his first administration, many companies moved some of their operations aimed at the US market to the region in a strategy dubbed "China Plus One," in order to avoid the tariffs. That road has now been closed.

The geopolitical objectives are the outcome of an evolving situation over the past decade and a half.

Ever since President Obama launched his anti-China "Pivot to Asia" in 2011, announced from the floor of the Australian parliament, many countries in the region have been seeking to maintain a balancing act between China, to which they are deeply connected economically, and the US.

The Trump tariff war against them is a declaration that the days of such maneuvering are over. They must get off the fence and fall in behind the US in its ever-increasing war drive against Beijing, or they will be hit hard.

There may well be negotiations with them over the tariffs. But any talks will involve more than economics because, as the Trump regime has stated, any decrease in tariffs requires that countries "align with the United States in economic and national security matters"—the biggest one of which is China.

As Trump wages war against the world, there is significant blowback hitting both the real economy and the fragile financial system in the US.

So far, the tariff hikes have been a massive hit to both consumers, who purchase a vast range of goods worth billions of dollars sourced in China, and to businesses that depend on imports from China and many other countries all over the world for their production processes.

Almost half of US imports are intermediate goods that are used by US companies to produce the final commodity. In the past, tariffs hit completed imported goods. But those days have gone with the development of globalized production over the past four decades.

The entire cost structure of US businesses, large and small, has been elevated, meaning that in order to counter this effect in the only way possible under the capitalist system, they must introduce cost-cutting programs through layoffs while intensifying the exploitation of those who remain in order to maintain profits. This process has already begun, with tariff-induced layoffs already being undertaken.

The most palpable effect so far of the tariff war has been in financial markets. Wall Street experienced its fourth-largest decline in the post-war period last Thursday and Friday, when trillions of dollars were wiped off market capitalization.

In a wild day of trading on Monday, the market eventually settled with very small losses.

But the sell-off continued yesterday. The S&P 500 index dropped 1.6 percent, while the NASDAQ fell by 2 percent.

The sharp market falls have resulted in a slanging match between two key figures in the Trump entourage: Elon Musk, the billionaire head of DOGE, and Peter Navarro, senior counselor for trade and manufacturing, the chief anti-China hawk.

Yesterday morning, Musk denounced Navarro as a "moron" and "dumber than a sack of bricks," after Navarro said in a TV interview that Musk was just a "car assembler" and that in his opposition to the new tariff regime, he was "protecting his own interests."

Musk's attack expresses opposition in sections of the financial oligarchy who fear that Trump's measures are going to kill the goose that laid the golden egg. Their vast fortunes have not been made from autarky and the isolation of the US from the global economy, but they have been accumulated by exploiting globalization to their advantage.

And a significant factor in the accumulation of their wealth has been the supremacy of the dollar, which has allowed the US to run up debts to historically unprecedented heights, enabling the accumulation of vast fortunes via parasitism and speculation.

But the economic isolationism championed by Trump, with Navarro playing a leading role, is placing a question mark over the dollar's global role.

Besides the continuing market sell-off, there was a highly significant new development that indicates that another financial crisis could be in the making.

The initial response to the tariff hikes was a fall in the yield on Treasury bonds, as a result of buying by investors seeking a safe haven, fearing that Trump's measures would bring a recession. [Bond prices and yield have an inverse relationship in that as demand for them increases, their yield falls.]

But on Monday and again yesterday, the movement went in the other direction. On Monday, the yield on the 10-year Treasury bond jumped by 0.19 percentage points, the biggest one-day rise since September 22. Yesterday, amid what was described as a "weak" auction for the purchase of $58 billion worth of new government debt, the yield rose by a further 0.11 percentage points.

In a market where shifts, up or down, are generally very small, a total rise of 0.3 percent is considered large.

According to the *Financial Times*:

> Tuesday's sell-off is the latest sign of how some investors are ditching even very low-risk assets as … Trump's tariffs on major trading partners spark intense volatility in markets.

One of the driving forces at work in the sell-off is the rise in margin calls being made by banks, which fund hedge funds and other market traders. In return for supplying them with credit, they demand that some cash be lodged with them. But as the value of the assets held by the funds rapidly falls, the banks are making a demand, a margin call, for more money to be placed with them.

Last Friday, it was reported that some hedge funds had been hit with the biggest margin calls since the start of the pandemic in 2020. This has prompted a dash for cash, as hedge funds stump up money to the banks in order to maintain their credit lines, upon which they depend.

The danger is that with hedge funds operating with very much the same business models and the fall in stock prices and other financial assets going across the board, the dash for cash can lead to a widespread sell-off and trigger a financial crisis.

The financial oligarchy is clearly taking the deepening crisis very seriously.

The working class must do the same. And even more so because, unlike the ruling elites who will develop measures of protection, it has no "bailout" mechanisms available to it within the capitalist system.

It must, therefore, make a sober assessment of the situation and, on that basis, develop the necessary political strategy to fight for its independent interests.

That assessment must begin with the understanding that the present "madness" is not the product of the fevered brain of Trump. He is only the most egregious expression of the profound insanity of the capitalist system he represents.

This insanity—destructive trade and economic wars, the growing danger of a third world war, the ever-present threat of a devastating financial crisis, the prospect of depression, and an endless list of other maladies and dangers in conditions where the material resources and the heightened productivity of labor have created the conditions for the advancement of humankind—signifies that the capitalist system has become historically outmoded and must be removed.

Those whom the gods would destroy, they must first make mad, it has been said.

But the capitalist system will not be overturned automatically. It can only be ended consciously through the political struggle of the working class in the fight for international socialism.