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China

The social cost of China's resistance to Trump's tariff war

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Trump's tariffs bullied the whole world. Both Canada and China reacted strongly against them, most countries did not. This garnered a lot of international support for Beijing. A global poll conducted by Morning Consult showed that in January last year, the U.S. in various countries scored more than 20 points while China scored negatively. However, by the end of May this year, after Trump's "Liberation Day", the perceptions reversed, with the U.S. at -1.5 and China at +8.8. Many see this as a reflection of people's sympathy with China's resistance to Trump. This comes with a heavy price, however. China's exports have already slowed down since early 2025, and in May it [plunged 34.5% year-on-year](#).

The secrets of China's resilience

Which side is more resilient in the tariff war between the two largest economies in the world? Some see China as more resilient. This is plausible. Beijing has prepared for this scenario since the 2018 first trade war with the US. Since then, the export-oriented manufacturing and trading companies have raised their overseas investment and connections with local partnerships with the goal of getting round tariffs and other trade obstacles. Once the Trump 2.0 trade war started Chinese firms quickly used these overseas outlets to bypass the Trump's tariffs. In addition, Chinese firms like BYD can use cut-throat competition / export dumping because of the general over-capacity of EV cars in China. The *New York Times* [reported](#) that "shipments of goods to the United States plunged by 21 percent in April, but spiked to Asia as President Trump imposed sky-high tariffs on China...they are gearing up product for ASEAN countries because that is where they have set up their factories in preparation for this situation." And not only Asia. EU is very worried about a surge of Chinese imports after Trump declared his most aggressive tariff war against China.

On top of these tactical moves and responses between the two sides, we need to be aware of the basic differences in terms of their respective strategy of capital accumulation. Both sides are some form of mixed economy between market and state intervention but the US has been more in the "free enterprises" mode, whereas China's state capitalism gives the party state a paramount guiding role. The latter seems to be more tuned to crisis management than a liberal democracy in time of economic crisis.

In 2008 when the financial crisis exploded, the US congress hotly debated Bush the junior's rescue package while the nation looked on in great anxiety. In contrast China under Premier Wen Jiabao, without much debate at all, swiftly rolled out a 4 trillion RMB rescue package to save a collapse in exports. Although the party has allowed the private sector to thrive, it possesses ultimate power over all government departments, all public and private businesses, all classes, and can coordinate different entities in tackling the crisis. The party's motto is Quanguo yipan qi, or "to ensure coordinated national responses, just like chess players do with their pawns".

However, the above statement must be heavily qualified when it comes to provincial governments, which enjoy some form of discretionary power in their implementation of central government policy hence they are also capable of twisting or overdoing the policy to their benefit, often at the expenses of the Central government. One can look at the example of how provincial governments made use of the 2003 Central government policy of turning the real estate industry into a pillar of economic growth—so much so that they created the biggest property bubble in the world. But this often takes a long time to make its negative effect felt, meanwhile the synchronization of both the Central and local government in rolling out rescue package might already be good enough to contain or ease that particular crisis within a relatively short period of time. This swiftness in reacting to economic crisis in a huge country

is impressive.

This time is different

But this time the Chinese crisis is much more complicated and serious than the one in 2008-9. Now we have both a fully home-grown economic crisis compounded by Trump's tariff war. Worse still, we have an autocrat who lacks good judgement. The seemingly effectiveness of Chinese state capitalism was conditional on the top leader's good judgement—good in the sense that they managed capitalism well enough to avoid the big crash in property market to spread further ; but not necessarily good for working people.

Xi Jinping's zero Covid policy was both ineffective and bad for the economy and the people. He reaped his own bitter fruit—an economic slow-down followed by the 2022 White Paper movement. He had not performed well enough in relation to the bursting of the property market bubble as well— his much-delayed rescue exacerbated the crisis so much that, although slightly abated, yet it is still with us today. The *Economist's* report acknowledged the easing of the great crisis in the property market, but also warned that “there are still dangers. The trade war is a drag on confidence. Home prices across 70 cities...declined by about 2% in April from a month earlier. Things are not getting much worse but they will probably not get better without more government support.”

Xi Jinping's rescue package itself is also problematic—again it is chiefly pumping money into the banks and developers to relieve their debts, plus a supply side stimulation, that is, to fund more investment in the manufacturing and infrastructure. The authors (and some economists) always argue for rebalancing the economy from a heavily investment led growth to one which is more driven by demand. This needs to be not just any demand but rather a significant rise of workers' level of consumption through higher wages, which continues until the long-term decline of labour share of national income be reversed and returned to the level of 1990's. This would serve the purpose of improving workers' livelihoods and their education (which in turn would also raise their productivity). It would also meet the goal of expanding the domestic market, which in turn would also alleviate China's tension with other countries which are fearful of its export dumping—a product of the domestic vicious cycles of “over investment > over-capacities > surged export”. However, our top leaders have never shown any real interest in this option.

The tariff war will bring even worse things: reduced income, unemployment, and unpaid wages. A Yiwu boss surnamed Gong [interviewed](#) by the website 'Guanfengwen' said: “I can't sleep all night... Spent the whole month borrowing money, asked all my friends.. Workers' wages, raw materials, all places need money.” Mr. Zhang, the owner of a Christmas tree business, mentioned that one of his counterparts, who relies on the US market for 80 percent of their business, could not afford to maintain factory operations and let all the workers take a month's vacation. The media did not report the feelings of those workers.

Take a look at personal income, the business situation of neighborhood stores, or the sales of online shopping, it is hard for ordinary people to feel optimistic. Then look at the news, you will find more negative sentiment: the US-China tariff war is threatening export industries; a record 12.22 million college graduates will join the workforce in June; the rising price of gold reflects pessimism about the international situation...

When international observers praise China's resilience one must ask the question again and again—who is going to pay the price? Obviously, it is the workers and farmers who will be most hard-hit. After all, back in 2018 when Trump started the first trade war a Chinese official responded with a remark “we Chinese can get by this trade war by eating grass for a year”. What he had not mentioned was that common folks might have to eat grass but not necessarily so for the party officials. Not to mention that when workers survive by eating grass they must have been so absolutely penniless that they would not be buying domestically produced products any time soon.

“Chinese can eat grass for a year”

After all the pains the regime has inflicted on the people in the last seventy years it is, unfortunately, true that Chinese people in general have learned the skill of surviving in a situation of great adversity. Against the backdrop of the tariff war, Chinese companies are adapting fast. The website Sohu [interviewed https://www.sohu.com/a/899679370_120179484] a boss named Zhang, who produces Christmas trees, and his experiences are quite lamentable: In 2014, Russia's invasion of Crimea led to a financial crisis due to the dual impacts of Western sanctions and the plunge in international oil prices - his Christmas trees worth over 1 million yuan were sent to Russia, but the buyer refused to pay.

Starting from 2015, the party discouraged the people to celebrate “foreign festivals” in China, and in some provinces setting up Christmas trees would lead to a fine of 5000 yuan, hence Mr. Zhang received almost no domestic orders. Now with the trade war his orders from the U.S. which worth over 10 million yuan were forced to be put on hold, with over half of them already produced and piling up in warehouse. Yet this boss, who had experienced many storms, stated that he felt “surprisingly calm”.

On Chinese social media, a YouTuber discovered that the cotton socks in a store in Yiwu were only 1.5 yuan a pair and asked the shopkeeper: “How do you make any profit at such a low price?” The reply was: “The profit is less than 0.01 yuan for a pair of socks!” This really means zero profit. This also reflects the low costs in China's labor-intensive industries. An [article](#) on the ‘Sina Finance’ website described it this way: “To make labor-intensive products with quality, currently there is no second Yiwu in the world... If you want to make a keychain, you can find multiple suppliers and the most diligent workers to produce it at the fastest speed, and even the logistics companies in Yiwu are the cheapest.”

American merchants may find workers with lower wages in other parts of the world, but there is no substitute for Yiwu if they want a industrial center where raw materials, labour cost, components, utilities, catering, logistics, and other production factors are all cheap and efficiently supplied.

The bursting of the property market bubble has impoverished the once vibrant middle class, as most of them had invested in the property market. For propertyless working people the slowing down of the economy since 2020 has left many of them jobless, especially those working in construction and other industries related to the property market. The tariff war will further exacerbate unemployment.

According to the [National Bureau of Statistics](#), the first quarter of 2025 growth rate was 5.4%, while unemployment stood at 5.3%. Since the tariff war just started these figures are not reflecting what is happening during this second quarter – it could be even worse than the first quarter.

China's statistics are not known for their credibility. According to a SCMP report China's unemployment statistics exclude “149 million self-employed business owners and nearly 300 million migrant workers. Youth unemployment rate was quoted as 21.3% but some challenged it and put the figure at 50%, the authorities simply stopped releasing the statistics altogether. And when they appeared again, they had changed the methodology of statistics by excluding university students. Without the party state's straitjacket on accountability and freedom of press it would not have been possible for it to be so successfully making the world believing in its propaganda and its “united front” policy—both have been essential for Beijing to win over friends and investors from all parts of the world.

Nevertheless, Chinese bosses have reaped significant profits during their good days, but it is a different story for workers. An ancient Chinese motto taught us that “When the nation thrives, the common people suffer; when the nation collapses, the common people also suffer.” During good business times, they are forced to work overtime to

fulfill orders, endure harsh working conditions and chemical exposure, live in crowded factory dormitories, and frequently encounter bosses who refuse to pay social insurance contributions. The low-cost products from Yiwu rely on two things—the workers' high tolerance of oppression and the Chinese government's tacit consent to employers' violations of labor laws. This is the extreme version of the global "race to the bottom".

Desperate people do desperate things

On May 20, a worker at a textile factory in Zigong, Sichuan Province, set fire to the factory where he had just quit his job. The fire burned for [37 hours](#), and the cause of the incident became a hot topic and a target of censorship. According to local police, the suspect resigned because he was suicidal. They said he was eager to get his wages to send to his mother before committing suicide. Because he could not get the money in time, he decided to take revenge on the factory.

This incident was not directly related to the tariff war, but it shows that after 40 years of embracing capitalism in China, for people like this worker, hard work is still not enough to lift working families out of poverty, and a few hundred or a few thousand yuan can still be the straw that breaks the camel's back. Chinese workers maybe resilient to great pain but ultimately there are limits.

The oppressed people would have risen up and toppled their bosses long ago if not for the fact that the party state always steps forward to help the bosses. On top of the "invisible hands of the market" which disciplines workers through the threat of unemployment there are the visible boots of the state which trample on workers.

Some may now be nostalgic about the Hu Jintao era with his relatively "liberal" policies. But when the 2008-9 financial crisis hit China, his government did not hesitate to cut the minimum wage to give the bosses more leverages to sail through the storm. The premier Wen Jiabao also "encouraged" migrant workers to go back to their home village so that jobless workers would not present any public safety problems for the municipal governments.

Since Xi came to power in 2012 he has gone far beyond his predecessors by shutting down the small number of labour NGOs which supported workers, while continues to crush workers' strikes and protests. At the height of his zero Covid policy his government also helped the bosses of twenty-two industries by [suspending their contribution to the social security fund](#) Will Xi once again shift the burden of economic crisis to workers in the midst of the tariff war? He may or may not, but when workers are denied basic rights to organising and to strike, he can do whatever he likes. This is the most horrific part of the story.

Next time someone tells you how brave and resilient the Chinese government has been in standing up against Trump, remind them this part of the story.

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