

Microeconomic effect of the USA tariff policy on Chinese tires

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Protectionism policy on tire imports from China

Economic protectionism is the act of governments imposing punitive economic policies to protect its local industries from the effects of imports. One of the forms of restriction policies enacted by the United States government is the application of tariffs. For this essence, former US president, Obama, increased the rate of tariffs on Chinese tires from 4% to 35% in September 2009. Given the dynamics of such a decision, there are various expected adverse effects on the bilateral trading between the two countries contrary to the expectation that it would improve the local trade. Such results are majorly felt by the microeconomic players in the country. Social Responsibility is an understanding of competence and knowledge in cultural diversity, the civic duty knowledge and the capability of engaging fairly and effectively with economic players regionally, nationally and globally (Hudzik, 2011)

The implementation of the policy brought about significant efficiencies to the country. About 1200 jobs were saved for the local citizens. However, the policy made the consumers spend more on locally produced products and products from other countries such as Mexico. Eventually, this led to less spending on other retail products. Low turnover witnessed by the other retail industries ended up causing unemployment. As a result of using the cost-benefit analysis, it is evident that the U.S gained fewer benefits as compared to the cost incurred in the protectionism. Other retail sectors lost at least 2500 jobs which are high as compared to the jobs saved.

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According to Thomas Sowell, the international economics' first lesson is that free trade makes us better off while protectionism policies make us worse off. On the contrary, when it comes to trade issues, the first lesson of politics does not recognize the first lesson in international trade. The imposition of trade policies to protect some American workforce and production industries from insurgence of foreign goods resulted in a retaliatory move by China to formulate economic policies that restricted the USA from exporting their products to China. Such restrictions meant that exporters had to dig deeper into their pockets to pay for external tariffs, hence eating back on the profits. Moreover, a decline in, in the long run, renders the producers unable to pay their workforce thus relieving some workers from their jobs. Besides the enactment of protectionist policies by China caused a loss of over \$ 1 billion turnovers.

A significant amount of benefits of protectionism policies went to a minute group of workers and producers who eventually became better organized and financed as compared the large group of final consumers who are widely dispersed and not held when it calls for the exertion of social influence for country's restrictive economic policies. In this case, economists should advise the government accordingly regarding the dynamics of imposing international trade restrictions. It is evident that China reacted by imposing their own limits for the USA to them which is unfavorable for good international relations and personal welfare in the society. By rendering more people jobless, protectionism further leads to a decline in the employment of all other factors of production hence a state of non-Pareto efficiency in the economy.

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In exception of China, the most prominent reapers of the 2009 protection tariffs are countries like Mexico Asian countries were the primary alternatives to the Chinese company. The above nations were selling tires of low-quality tires to the local consumers. The secondary beneficiaries of the policies mainly comprised of the domestic producers. The labor union members who drafted and pushed for petitioning the ITC's inquiry only earned a tiny share of the revenue received from the American households' pockets. Car and light truck tire consumers in the US pay inflated prices whether they purchase the tires from the Chinese or from non-Chinese retailers. The aggregate number of jobs created by the enactment of the traffic policies was superseded by the number of the jobs which were actually lost in the retail sector. Consequently, the US firms dealing with chicken products as exports lost a significant amount of its sales due to the retaliatory traffic policies by China.

Based on economic theories and empirical evidence, protectionism doesn't make an economy better off but rather worse off. It is an economic reality that when both the costs and benefits of protectionism are evaluated, the process predicts a net loss of jobs and reductions in economic welfare and economic efficiency as the case of tire tariffs above clearly illustrates. Trump has boasted that protection will lead to great prosperity and strength for America, but that claim is entirely unsupported by international trade theory and contradicts hundreds, if not thousands, of empirical studies. Before enacting a protectionist policy, the government should seek the expertise of economists to test whether the drafted strategy will be both a practical and less costly to the locals who pay taxes.

Works cited

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