China’s Use of Unofficial Trade Barriers in the U.S.-China Trade War


“Non-tariff barriers” refer to trade restrictions other than official tariffs, such as administrative hurdles and levies that can impede foreign products from entering a market. Examples might include imports suddenly subjected to inspections for “dangerous pests” or unexpected new permitting procedures for certain imports. While barriers like these do not amount to a formal tariff, they nonetheless can stifle imports. How much of the reduction in imports from the U.S. to China during the U.S.-China trade war occurred on account of these non-tariff barriers? Who in China ultimately paid the cost of non-tariff barriers?

**The data.** Researchers first collected administrative data from China’s customs agency between 2015 and 2020, which includes information on an importer’s ownership and location, source country, quantity, cost, and the category of the imported product. They then used Most Favored Nation tariff data from the World Trade Organization, and incorporated any additional tariffs raised in the trade war against the U.S. between April 2018 and December 2020. By merging these two data sources, the researchers provided a comprehensive and detailed view of trade activities focusing on U.S.-China trade dynamics from 2015 to 2020.

To measure the impact of non-tariff barriers on U.S. imports into China, researchers measured differences in the changes in imports of similar products from the U.S. and other countries that were also subject to official tariffs.

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**INSIGHTS**

- Non-tariff barriers, like administrative hurdles, inspections, or quotas, were responsible for 50% of the overall reduction in China’s imports from the U.S. during the height of the U.S.-China trade war in 2018 and 2019.

- Non-tariff barriers increased primarily for non-state-owned importers, thereby shielding the profits of state-owned firms.

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**Non-tariff barriers account for half of import reduction.** The researchers found that non-tariff barriers on U.S. imports increased by an average of 56 percentage points for agricultural products like soybeans and by 17 percentage points for manufactured products like factory machinery between 2017 and 2019. For comparison, average tariffs on U.S. products in China increased by 17 percentage points for agricultural products and by 9 percentage points for manufactured products.

![News reports on China’s non-tariff barriers](chart1)

![Share of U.S. imports subject to China’s non-tariff barriers](chart2)

China’s non-tariff barriers were also more targeted toward specific products from the U.S. relative to official tariffs. For example, non-tariff barriers increased more for agriculture products imported primarily or in large part from the U.S.
Researchers estimate a $38 billion loss in welfare for China’s consumers in 2019 (compared to 2017) due to higher prices caused by new trade barriers, 93% of which can be attributed to China’s non-tariff barriers.

The authors conclude that non-tariff barriers were a primary instrument used by China in the U.S.-China trade war, with implications for China’s trade conflicts with other countries.

Taken together, researchers find that China’s non-tariff barriers were responsible for 50% of the overall reduction in Chinese imports from the U.S. during the height of the U.S.-China trade war in 2018 and 2019.

The increase in non-tariff barriers in 2018 and 2019 for agricultural products was partially reversed in 2020, after China agreed to purchase more from the U.S. (though the official tariffs themselves remained unchanged). For manufactured products, however, there is no evidence that the increase in non-tariff barriers in 2018 and 2019 was reversed in 2020.

**State-owned importers escape costs of non-tariff barriers.** Non-tariff barriers increased primarily for China’s non-state-owned importers of U.S. agricultural products, whereas those faced by state-owned importers went roughly unchanged. Similarly, researchers found that the government raised tariffs by less for products imported from the U.S. when state-owned firms had a larger market share for the product and more when non-state-owned firms had a larger market share. This evidence suggests China’s government preferred that non-state-owned importers bear the brunt of the costs associated with imposing both official and non-tariff barriers on U.S. imports.

**Costs of non-tariff barriers borne by China’s consumers.** China’s consumers in 2019 suffered an estimated $38 billion loss in welfare compared to 2017 due to higher prices brought on by rising trade barriers. Ninety-three percent of the welfare loss was due to higher non-tariff barriers imposed in 2018 and 2019. Non-tariff barriers were more costly than official tariffs because they applied to some importers (like non-state-owned firms) and not others (like state-owned firms), which resulted in costly market inefficiencies, and because non-tariff barriers did not generate revenues.

**Non-tariff barriers provide plausible deniability.** The study provides evidence that the variation in China’s use of non-tariff barriers may have allowed it to block imports from the U.S., while denying any attempt to “punish” the U.S., all while protecting the profits of state-owned firms. The authors conclude that non-tariff barriers were a primary instrument used by China in the U.S.-China trade war, with implications for China’s trade conflicts with other countries.