



# Imagine What Would Happen if China Decided to Impose Economic Sanctions on the USA?

Par [Prof Michel Chossudovsky](#)

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## UPDATE SEPTEMBER 3, 2017

Defense Secretary « Mad Dog » Mattis confirmed at a Press Conference that the « North Korea threat to US will be met with **'massive military response'** » while cautioning that « **'We are not looking for the annihilation of North Korea** - we have many options. » (emphasis added)

Mattis stated that president Trump « wanted to be briefed on each of the « many military options »:

« Any threat to the United States or its territories, including Guam, or our allies will be met with a massive military response, a response both effective and overwhelming. »

Vice President Pence intimated at the press conference that the immediate objective was to freeze trade with North Korea, namely a policy of economic isolation. Trump warned that the United States « **was considering stopping trade with any nation doing business with North Korea** ».

This sanctions regime is essentially directed against China.

What is now on the books is to completely freeze trade with North Korea, 90% of which is with China.

But at the same time, will China heed to these threats. While Beijing controls 90% of the trade with North Korea, the People's Republic of China is America's largest trading partner. According to CNN (September 3, 2017):

'If carried out, that option could mean a halt to US trade with China, which has supported economic sanctions on North Korea but remains the key economic partner for the rogue nation. »

This statement borders on ridicule. Sanctions directed against China would immediately backlash against America: what would happen if China decided to curtail its trade with the the USA, which is the topic of this article first published on August 3, 2017

**China is not dependent on US imports. Quite the opposite.** America is an import led economy with a weak industrial and manufacturing base, heavily dependent on imports from the PRC.

Imagine what would happen if China following Washington's threats decided from one day to the next to significantly curtail its « Made in China » commodity exports to the USA.

It would be absolutely devastating, disrupting the consumer economy, an economic and financial chaos.

« Made in China » is the backbone of retail trade in the USA which indelibly sustains household consumption in virtually all major commodity categories from clothing, footwear, hardware, electronics, toys, jewellery, household fixtures, food, TV sets, mobile phones, etc.

**Michel Chossudovsky**, September 3, 2003

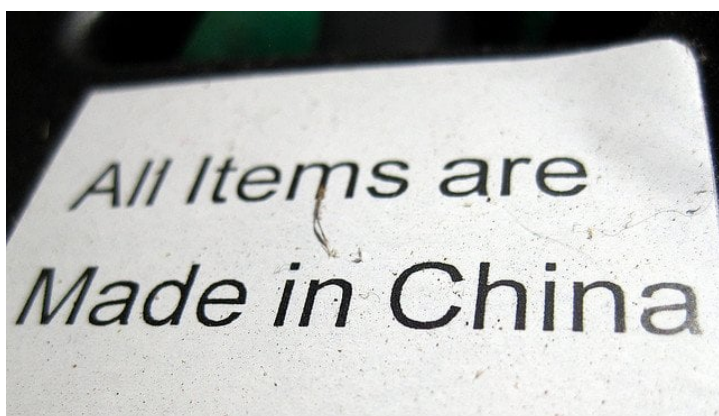
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*In June, Washington threatened Beijing with a sanctions regime, in response to China's increased bilateral commodity trade with North Korea. Initially, the US sanctions were not intended to be against the Chinese government: selected Chinese banks and trading companies involved in the financing of China-DPRK commodity trade would be potential targets of US reprisals.*

Having lost patience with China, the Trump administration is studying new steps to starve North Korea of cash for its nuclear program, including an option that would infuriate Beijing: [sanctions on Chinese companies that help keep the North's economy afloat.](#)

According to Chinese sources, China's trade with the DPRK increased by 37.4 percent in the first quarter of 2017, in relation to the same period in 2016. China's exports increased by 54.5 percent, with imports from the DPRK experiencing an 18.4 percent increase.

The insinuation was crystal clear: curtail your trade with North Korea, or else...



Coupled with the aggressive legislative sanctions « package » recently adopted by the US Congress directed against Russia, Iran and North Korea, Washington now threatens China in no uncertain terms.

Trump is demanding that Beijing relinquish its relationship with the DPRK, by unconditionally siding with Washington against Pyongyang. Washington has granted China six months « to prove that it is committed to preventing a nuclear-armed North Korea », despite the fact that Beijing has expressed its firm opposition to the DPRK's nuclear weapons program.

The political deadline is coupled with veiled threats that « if you do not comply », punitive trade measures will be adopted which could result in the disruption of China's exports to the

United States.

Moreover, the White House is intent upon conducting « an investigation into China's trade practices » focussing on alleged violations of U.S. intellectual property rights. A "Section 301" investigation, named after a portion of the 1974 Trade Act is slated to be launched.

Following the completion of the investigation, Washington threatens to « **impose steep tariffs on Chinese imports [into the US], rescind licenses for Chinese companies to do business in the United States**, or take other measures, which could, "pave the way for the U.S. to impose sanctions on Chinese exporters or to further restrict the transfer of advanced technology to Chinese firms or to U.S.-China joint ventures."

In formulating these veiled threats, the Trump administration should think twice. These measures would inevitably backlash on the U.S. economy.

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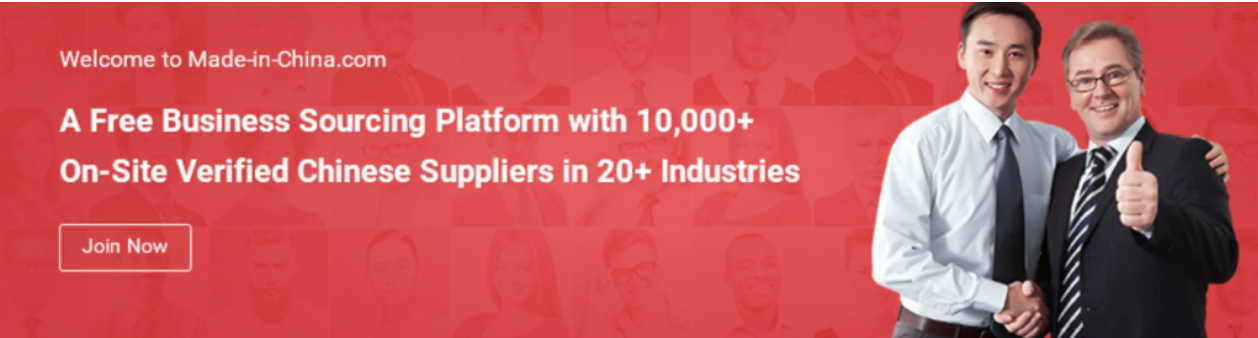
Imagine what would happen if China following Washington's threats decided from one day to the next to significantly curtail its « Made in China » commodity exports to the USA.

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« Made in China » is the backbone of retail trade which indelibly **sustains household consumption in virtually all major commodity categories** from clothing, footwear, hardware, electronics, toys, jewellery, household fixtures, food, TV sets, mobile phones, etc. Ask the American consumer: The list is long. « China makes 7 out of every 10 cellphones sold Worldwide, as well as 12 and a half billion pairs of shoes' (more than 60 percent of total World production). Moreover, China produces over 90% of the World's computers and 45 percent of shipbuilding capacity ([The Atlantic](#), August 2013)

A large share of goods displayed in America's shopping malls, including major brands is « Made in China ».

« Made in China » also dominates the production of a wide range of industrial inputs, machinery, building materials, automotive, parts and accessories, etc. not to mention the extensive sub-contracting of Chinese companies on behalf of US conglomerates.



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China is America's largest trading partner. According to US sources, trade in goods and services with China totalled an estimated \$648.2 billion in 2016.

China's commodity exports to the US totalled \$462.8 billion dollars.

### **Import Led Growth**

Importing from China is a lucrative multi-trillion dollar operation. It is the source of tremendous profit and wealth in the US, because consumer commodities imported from China's low wage economy are often sold at the retail level more than ten times their factory price.

Production does not take place in the USA. The producers have given up production. The US trade deficit with China is instrumental in fuelling the profit driven consumer economy which relies on Made in China consumer goods.

A dozen designer shirts produced in China will sell at a factory price FOB at \$36 a dozen (\$3 dollars a shirt). Once they reach the shopping malls, each shirt will be sold at \$30 or more, approximately ten times its factory price. Vast revenues accrue to wholesale and retail distributors. The US based « non-producers » reap the benefits of China's low cost commodity production. (Michel Chossudovsky, The Globalization of Poverty and the New World Order, Global Research, 2003).



The import of commodities from China (in excess of 462 billion dollars) is conducive through the interplay of wholesale and retail markups (which contribute to value added) to a substantive increase in America's GDP, without the need for commodity production. Without Chinese imports, the GDP rate of growth would be substantially lower.

What we are referring to is Import Led Growth. US businesses no longer need to produce, they subcontract with a Chinese partner.

And why is this occurring? Because America's manufacturing industries



(in many sectors of production) has in course of the last forty years been closed down and relocated offshore (through subcontracting), to cheap labor locations in developing countries.

China's economy is not only linked to industrial assembly, China increasingly constitutes a competitor and major exporter in a variety of high technology sectors.

### **Image: Make America Great Again: Made in China**

#### **In Your Face Donald Trump!**

In summary, this kind of economic blackmail on the part of the Trump administration against China does not work. It falls flat.

In turn, America is threatening both Russia and China militarily including the pre-emptive use of nuclear weapons. How will Russia and China respond to US threats?

While US sanctions against Russia have largely backlashed on the European Union, it is not excluded (although unlikely) that China could at some future date respond to US threats by impose economic sanctions against the USA.

In the short run, the US cannot relinquish its imports of Chinese manufactured goods. It would be economic suicide.

#### **Laughing in Beijing**

Chinese policy makers are fully aware that the US economy is heavily dependent on « Made in China ».

And with an internal market of more than 1.3 billion people, coupled with a global export market, these veiled US threats will not be taken seriously by Beijing.

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## **A propos :**

Michel Chossudovsky is an award-winning author, Professor of Economics (emeritus) at the University of Ottawa, Founder and Director of the Centre for Research on Globalization (CRG), Montreal, Editor of Global Research. He has taught as visiting professor in Western Europe, Southeast Asia, the Pacific and Latin America. He has served as economic adviser to governments of developing countries and has acted as a consultant for several international organizations. He is the author of eleven books including *The Globalization of Poverty and The New World Order* (2003), *America's "War on Terrorism"* (2005), *The Global Economic Crisis, The Great Depression of the Twenty-first Century* (2009) (Editor), *Towards a World War III Scenario: The Dangers of Nuclear War* (2011), *The Globalization of War, America's Long War against Humanity* (2015). He is a contributor to the Encyclopaedia Britannica. His writings have been published in more than twenty languages. In 2014, he was awarded the Gold Medal for Merit of the Republic of Serbia for his writings on NATO's war of aggression against Yugoslavia. He can be reached at [crgeditor@yahoo.com](mailto:crgeditor@yahoo.com) Michel Chossudovsky est un auteur primé, professeur d'économie (émérite) à l'Université d'Ottawa, fondateur et directeur du Centre de recherche sur la mondialisation (CRM) de Montréal, rédacteur en chef de Global Research.

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