



China-US Trade Disputes (XI)

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China proposes tariffs on US\$60 billion of US goods for retaliation

Last Friday (3 August), the Chinese government unveiled a list of US imports worth about US\$60 billion that will be subject to additional tariffs of 5% to 25%. The move came after the US announced on 1 August that it is considering increasing the proposed additional tariff rate on US\$200 billion worth of Chinese imports to 25% from 10%. We will continue to closely monitor developments in this regard.

China retaliates with tariffs on US\$60 billion of US goods

China's Ministry of Commerce (MOFCOM) said in a statement on its website that China is poised to impose retaliatory tariffs of 5%, 10%, 20% or 25% on US\$60 billion worth of US imports, if the US goes ahead with its latest threat of imposing 25% additional tariffs on US\$200 billion worth of Chinese goods.¹

The import duties will be imposed on 5,207 US products. Many of the goods are agricultural-related, including coffee, honey and vegetables, with others on various metals, chemicals, machines and mechanical appliances, etc. The implementation date of the tariffs will be announced later and subject to the actions of the US, according to a ministry statement.

¹ <http://www.mofcom.gov.cn/article/ae/ai/201808/20180802772616.shtml>

A White House spokeswoman told reporters Friday that ‘instead of retaliating, China should address the longstanding concerns about its unfair trading practices’.

Top 15 US items on China’s new tariff list

Rank	Tariff item	Product description	China’s import from US in 2017 (in million US\$)	Additional tariff rate (%)
1	4703.21.00	Coniferous chemical wood pulp, soda or sulphate	1,070	5
2	4101.50.19	Whole raw hides and skins of equine animals, weight>16kg	892	5
3	4407.91.00	Oak wood, sawn/chipped lengthwise, sliced/peeled, thick>6mm	829	25
4	8479.89.99	Other machines and mechanical appliances, n.e.s.	691	20
5	2603.00.00	Copper ores & concentrates	681	25
6	8523.49.20	Optical media for apparatus of heading 84.71, other than reproducing sound/image	645	5
7	2711.11.00	Natural gas, liquified	637	25
8	9018.39.00	Needle n.e.s., catheters, cannulae & the like	571	5
9	9027.50.00	Other instruments & apparatus using optical radiations	532	5
10	3304.99.00	Beauty, make-up or skin-care preparations, n.e.s.	505	25
11	9027.80.99	‘Other’ instruments & apparatus under 90.27 (i.e. instruments and apparatus for physical or chemical analysis, for measuring or checking viscosity, porosity, expansion, surface tension or the like, and for measuring or checking quantities of heat, sound or light)	494	5
12	9018.12.91	Chromoscope ultrasonic diagnostic equipment	440	5
13	8541.90.00	Parts of semiconductor devices & mounted piezo-electric crystals	438	20
14	8543.70.99	Other machines and apparatus having individual functions, n.e.s.	408	10
15	2926.90.90	Other nitrile-function compounds, n.e.s.	407	5

Source: MOFCOM and ITC Trade Map, compiled by Fung Business Intelligence

Our take

China's retaliatory tariffs target a smaller amount of US goods (US\$60 billion) than the US does (US\$200 billion of Chinese goods), reflecting the fact that China is running out of options for tariff retaliation due to its lopsided trade balance with the US.² Despite this, China has tried to maximize the political costs of the tariffs on US President Donald Trump by targeting farming, mining and industrial areas that supported Trump in the 2016 presidential election.

Having said that, we regard China's retaliation as very measured, with no intention to expand the trade war beyond a tariff war, as China has not unveiled any non-tariff retaliatory measures. The Chinese government warned earlier that it will adopt unspecified comprehensive 'quantitative and qualitative' measures if the US levies extra tariffs on US\$200 billion of Chinese goods, which prompted concerns that China's retaliation might include disrupting the operations of US companies in the country.

² China's imports from the US totalled US\$154 billion last year. After the earlier proposed tariffs on US\$50 billion of US goods, only about \$104 billion is available for China's retaliation.

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