



China-US Trade Disputes (XIV)

FUNG BUSINESS INTELLIGENCE

Fung Business Intelligence
Global Sourcing
19 September 2018

China hits back with tariffs on US\$60 billion of US imports

The Chinese government announced on Tuesday night (18 September) that it will impose retaliatory tariffs of 5% or 10% on US\$60 billion worth of US imports starting from 24 September. The move comes less than 24 hours after the US decided to levy additional tariffs on US\$200 billion of Chinese imports. In our view, the China-US trade war is rapidly escalating with no end in sight. We will continue to closely monitor developments in this regard.

China's tariffs on US\$60 billion of US goods

The Customs Tariff Commission of China's State Council said that China will impose additional tariffs of 5% or 10% on US\$60 billion worth of US products starting from 24 September, on the same day as the US tariffs on US\$200 billion of Chinese imports come into effect, but at lower tariff rates than previously announced.

The tariffs will be imposed on 5,207 US products, including machinery, mechanical appliances, minerals and metals, chemicals, wood products and paper, and agricultural products such as coffee, honey and vegetables. A total of 3,571 US goods will be subject to extra tariffs of 10% (down from the previously announced 20% or 25%)¹, while the other 1,636 items will be subject to extra tariffs of 5% (previously announced as 5% or 10%)².

¹ <http://images.mofcom.gov.cn/www/201808/20180803202819697.pdf>;
<http://images.mofcom.gov.cn/www/201808/2018080320283549.pdf>

² <http://images.mofcom.gov.cn/www/201808/20180803202856881.pdf>;
<http://images.mofcom.gov.cn/www/201808/20180803202917053.pdf>

The Chinese government also warned that it will respond accordingly if the US further increases the tariff rates on Chinese imports.³

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	10
4	8479.89.99	Other machines and mechanical appliances, NESOI	691	10
5	2603.00.00	Copper ores & concentrates	681	10
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	10
8	9018.39.00	Needle NESOI, 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, NESOI	505	10
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	10
14	8543.70.99	Other machines and apparatus having individual functions, NESOI	408	5
15	2926.90.90	Other nitrile-function compounds, NESOI	407	5

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

³ http://gss.mof.gov.cn/zhengwuxinxi/gongzuodongtai/201809/t20180918_3022593.html

US's response

In response to China's announcement, US President Donald Trump declared that 'if there's retaliation against our farmers and our industrial workers and our ranchers... we are going to kick in another US\$257 billion⁴ (of tariffs on Chinese imports)'.

It was reported that Trump is likely to issue a formal statement over the next few days directing US Trade Representative Robert Lighthizer to draw up plans for the next round of tariffs that, combined with earlier rounds of tariffs, would cover virtually all Chinese imports.

Trade talks at risk?

China and the US have been trying to restart trade talks, and a series of Washington visits by Chinese officials had been reportedly scheduled for the next few days, including a trip of Chinese Vice Premier Liu He to Washington on 27-28 September.

Amid the latest round of tariffs, it was reported that China is considering sending lower-level officials instead of Liu He to Washington for negotiations, or even skipping the trade talks altogether. As of early Wednesday (19 September), no official announcement has been made on the issue.

Our take

In such a rapidly escalating trade war, additional import duties could eventually be extended to cover almost all items traded between the world's two largest economies.

Against this backdrop, sourcing businesses need to get prepared for the possible escalation of the China-US trade war and carry out strategic planning and re-planning for their supply chains, to mitigate potential negative impacts on their business. This includes exploring alternative sources of supply, redirecting shipments, restructuring production chains, as well as conducting country of origin management, tariff engineering and customs valuation planning.

⁴ An official statement issued by Trump on 17 September said it was US\$267 billion.

FUNG BUSINESS INTELLIGENCE

Fung Business Intelligence collects, analyses and interprets market data on global sourcing, supply chains, distribution, retail and technology.

Headquartered in Hong Kong, it leverages unique relationships and information networks to track and report on these issues with a particular focus on business trends and developments in China and other Asian countries. Fung Business Intelligence makes its data, impartial analysis and specialist knowledge available to businesses, scholars and governments around the world through regular research reports and business publications.

As the knowledge bank and think tank for the Fung Group, a Hong Kong-based multinational corporation, Fung Business Intelligence also provides expertise, advice and consultancy services to the Group and its business partners on issues related to doing business in China, ranging from market entry and company structure, to tax, licensing and other regulatory matters.

Fung Business Intelligence was established in the year 2000.

The **Fung Group** is a privately held multinational group of companies headquartered in Hong Kong whose core businesses are trading, logistics, distribution and retailing. The Fung Group employs 42,150 people across 40 economies worldwide, generating total revenue of US\$22.66 billion in 2017. Fung Holdings (1937) Limited, a privately held business entity headquartered in Hong Kong, is the major shareholder of the Fung group of companies.

CONTACT

Helen Chin
Vice President
helenchin@fung1937.com
(852) 2300 2471

William Kong
Research Manager
williamkong@fung1937.com
(852) 2300 2404

Global Sourcing
Fung Business Intelligence
10/F LiFung Tower,
888 Cheung Sha Wan Road
Kowloon, Hong Kong

T: (852) 2300 2470
F: (852) 2635 1598
E: fbicgroup@fung1937.com
W: <http://www.fbicgroup.com>



© Copyright 2018 Fung Business Intelligence. All rights reserved.

Though Fung Business Intelligence endeavours to ensure the information provided in this publication is accurate and updated, no legal liability can be attached as to the contents hereof. Reproduction or redistribution of this material without prior written consent of Fung Business Intelligence is prohibited.