



China-US Trade Disputes (VI)

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China-US tit-for-tat tariff threats continue

China on Wednesday (4 April) unveiled a list of US products worth about US\$50 billion that will be subject to a new 25% tariff, including soybean, automobiles and chemical products, following the release of a similar product list for tariff by the US just eleven hours earlier.

Just one day later, US President Donald Trump threatened to levy additional tariffs on US\$100 billion of Chinese goods in response to China's 'unfair retaliation'.

In our view, the tit-for-tat threats between China and the US are likely to continue for a while, as both countries attempt to win concessions from each other in trade talks. We will continue to closely monitor developments in this regard.

[China proposes 25% tariffs on US products](#)

The Chinese government decided to impose additional tariffs of 25% on 106 items of products under 14 categories from the US (see the table below), the Ministry of Commerce said in a statement on its website.¹ The import value of the targeted US goods amounted to roughly US\$50 billion in 2017.

¹ <http://www.mofcom.gov.cn/article/ae/ai/201804/20180402728484.shtml>

China's tariff announcement was quicker and tougher than many expected. However, the tariffs will not come into effect immediately. The date of implementation will depend on when the US government imposes its announced tariffs on US\$50 billion of Chinese products, the Ministry of Finance said.²

Category	Import value in 2017 (in million US\$)
1 Soybean	13,945
2 Corn	159
3 Cotton	991
4 Sorghum	956
5 Feed	66
6 Wheat	390
7 Beef	25
8 Orange juice	44
9 Whisky	8
10 Tobacco	170
11 Automobile and parts	12,942
12 Liquefied petroleum gas	1,762
13 Chemical products	6,945
14 Aircraft	9,523

[US threatens with new tariffs against China](#)

After China's announcement, US President Donald Trump threatened to retaliate with additional tariffs on US\$100 billion of Chinese goods on Thursday. 'In light of China's unfair retaliation, I have instructed the United States Trade Representative to consider whether US\$100 billion of additional tariffs would be appropriate under section 301 and, if so, to identify the products upon which to impose such tariffs,' Trump said in a statement. A White House spokesperson later clarified that they would consider tariffs against US\$100 billion in goods, not US\$100 billion in tariffs.

Shortly after Trump's announcement, US Trade Representative Robert Lighthizer expressed support for the move, calling Trump's response 'appropriate'. He also urged China to change its behaviour.

² http://www.mof.gov.cn/zhengwuxinxi/caizhengxinwen/201804/t20180404_2862340.htm

Door open for negotiations?

1. Before Trump's threats on Thursday, senior officials from both countries had tried to downplay the possibility of a full-blown trade war. On Wednesday, US Secretary of Commerce Wilbur Ross hinted that the US-Sino trade dispute ultimately may be settled at the bargaining table. 'Even shooting wars end with negotiations... It wouldn't be surprising at all if the net outcome of all this is some sort of negotiation', he said. Meanwhile, China's Vice Finance Minister Zhu Guangyao also told reporters that 'both sides have put their lists on the table... Now it is time for negotiations.'
2. Moreover, Trump emphasized that the US is still open to negotiations concerning China's trade practices, even after he made his latest tariff threats. 'The US is still prepared to have discussions in further support of our commitment to achieving free, fair, and reciprocal trade,' Trump said in a statement. US Trade Representative Lighthizer also emphasized that the additional tariffs will not be implemented until they undergo a public consultation process.

Our take

As both China and the US try to gain concessions from each other in the ongoing trade talks, the back-and-forth between the two countries on tariff threats is not likely to end soon. However, while the tariff threats seemed to raise the chances of an all-out trade war, both sides have left room for negotiations.

China has already said that the implementation of its tariffs will depend on the action of the US. Meanwhile, the US tariffs will not come into effect until after a public consultation period that lasts about two months. Even after that, the White House will have 180 days to decide whether to continue. This waiting period, which could be as long as eight months, will create space for negotiations for China to address the trade imbalance issue and the alleged intellectual property theft.

FUNG BUSINESS INTELLIGENCE

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