



China-US Trade Disputes (VIII)

FUNG BUSINESS INTELLIGENCE

Fung Business Intelligence

Global Sourcing

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China-US trade war breaks out

Trump threatens additional tariffs on up to US\$500 billion worth of Chinese goods

After a few months of back-and-forth tariff threats between the US and China, a China-US trade war becomes reality as the US started to levy 25% additional tariffs on US\$34 billion worth of Chinese imports at 12:01 am (US Eastern time) on 6 July, and China followed suit immediately and imposed 25% additional tariffs on the same amount of US imports. We will continue to closely monitor developments in this regard.

The US tariffs on US\$34 billion of Chinese products

The tariffs that took effect on 6 July cover 818 tariff lines from China worth US\$34 billion.

Selected tariff lines:

Category	Product	
<i>Aerospace and marine equipment</i>	<ul style="list-style-type: none">• Air combat flying simulators• Airplane and parts	<ul style="list-style-type: none">• Spacecraft• Vessels and cruise ships
<i>Communications and technology</i>	<ul style="list-style-type: none">• Communication satellites• Industrial robots	<ul style="list-style-type: none">• Instruments and apparatus for telecommunications
<i>Locomotives and vehicles</i>	<ul style="list-style-type: none">• Motor vehicles• Railway or tramway coaches	<ul style="list-style-type: none">• Railway/tramway locomotives

Category	Product
<i>Machinery</i>	<ul style="list-style-type: none"> • Concrete mixers • Derricks and cranes • Drilling machines • Industrial dryers • Nuclear reactors • Plows
<i>Others</i>	<ul style="list-style-type: none"> • Television cameras • Motorcycles and cycles • Medical, surgical and dental instruments and appliances

These 818 tariffs items belong to the first set of a product list that covers 1,102 tariff lines worth US\$50 billion that will be subject to additional tariffs of 25%.

The second set of tariff lines contains 284 items and covers US\$16 billion worth of Chinese imports, including a variety of chemicals, plastics and resins, locomotives and other railway equipment, and machines for the manufacture of semi-conductors. These 284 tariff lines have been undergoing further public review till 31 July, after which the United States Trade Representative (USTR) will issue a final determination.

[China's tariffs on US\\$34 billion of US goods](#)

Additional tariffs of 25% are applied to 545 items of US imports worth US\$34 billion, including agricultural products such as soybean, corn, wheat, cotton, rice, sorghum, beef, pork, poultry, dairy products, nuts and vegetables, aquatic products, as well as autos.

A second set of tariff lines contains 114 items and covers US\$16 billion worth of US imports, including crude oil, natural gas, coal, refined oil products, chemical products, and medical supplies. The implementation date of these tariffs will be announced after the US announces its decision as to whether and when it will impose additional tariffs on the second set of tariff lines from China.

[US threatens with new tariffs on US\\$500 billion of Chinese imports](#)

Several hours before the US tariffs came into effect, US President Donald Trump threatened that the US will impose 10% additional tariffs on US\$200 billion of Chinese imports if China retaliates (which China did immediately). He also warned that the US will pursue additional tariffs on another US\$300 billion of goods if China retaliates again. As such, all of the US imports from China (worth US\$506 billion in 2017) will ultimately be subject to extra tariffs of 25% or 10%.

Impacts on apparel and footwear sourcing

While the two sets of the tariff list published by the US do not include apparel and footwear, given the amount (US\$200 billion + US\$300 billion) of the Chinese imports targeted by the latest tariff threat by Donald Trump, it is highly likely that apparel and footwear will be hit with extra tariffs if the tariff threat becomes a reality.

Against this backdrop, sourcing companies must step up their search for new locations for production and sourcing aside from China. In fact, with or without the China-US trade disputes, sourcing companies need to stay alert to the long-term trend to diversify production and sourcing and be less dependent on any single source, such as China. To this end, it is essential to have reliable on-the-ground intelligence into where acceptable alternative sources of production are beginning to emerge in Asia and beyond, including sub-Saharan Africa, and where existing sources (ex-China) are upgrading, such as Bangladesh, Cambodia and Indonesia.

How Li & Fung can help

Li & Fung is the pioneer of supply chain in China and globally and is leading efforts to create the digital supply chain of the future. With unrivalled vendor networks and strong vendor relationships, we are at the front of the field in the race to secure additional or alternative production capacity.

Besides, we have long experience in helping customers adjust to changing political and economic conditions in Asia and globally, so as to buffer their supply chains and protect their sources. We also have 'feet on the ground' in new production areas of promise, where we are constantly monitoring key factors and new events that affect sourcing and production.

In addition, we have a research arm in Hong Kong – Fung Business Intelligence – to analyze the latest developments, making their insights available to key Li & Fung customers or even conducting specific research for some customers.

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 over 39,900 people across 40 economies worldwide, generating total revenue of over US\$22.5 billion in 2016. Fung Holdings (1937) Limited, a privately held business entity headquartered in Hong Kong, is the major shareholder of the Fung group of companies.

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