



# China-US Trade Disputes (XXVI)

FUNG BUSINESS INTELLIGENCE

Fung Business Intelligence  
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## US delays additional tariffs on US\$156 billion of Chinese imports

*On Tuesday, the US announced that it would delay the proposed 10% additional tariffs on some imports from China, and remove certain products from the tariff lists altogether, in the hopes of easing the negative impact of such tariffs on US consumers. However, most apparel and footwear items are still set to be subject to tariff hikes on 1 September. We will continue to closely monitor developments in this regard.*

### US retreats on additional tariffs on Chinese imports

The US Trade Representative office (USTR) announced Tuesday (13 August) that the imposition of 10% additional tariffs on US\$156 billion (2018 trade value) of Chinese imports will be delayed to 15 December from 1 September.<sup>1</sup> The USTR said the delay affects cell phones, laptop computers, computer monitors, video game consoles, certain toys, and certain items of footwear and clothing. The tariff list for these items can be found [here](#). US President Donald Trump said that the move was driven by concerns about the impact of tariffs on US consumers ahead of the Christmas shopping season.

Additional tariffs on other items, including tools, most apparel items and some footwear, will still go into effect on 1 September. Those goods had a import value of US\$107 billion in 2018. The tariff list for these items can be found [here](#). Meanwhile, the USTR, citing 'health, safety, national security and

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<sup>1</sup> <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2019/august/ustr-announces-next-steps-proposed>

other factors', has removed some Chinese products such as bibles and shipping containers from the new tariff lists entirely.

The US decision to suspend the tariffs came after a conference call between Chinese and US negotiators, including Chinese Vice Premier Liu He, US Trade Representative Robert Lighthizer and US Treasury Secretary Steven Mnuchin. A statement from China's Ministry of Commerce (MOFCOM) said that the two sides agreed to talk again in two weeks. According to media reports, the next round of in-person trade talks is expected to take place in September.

### [Most apparel and footwear items are still on the September tariff list](#)

According to a *Sourcing Journal* analysis, most apparel and footwear items are still set to be subject to tariff increases on 1 September.

For women's and men's apparel, T-shirts, sweaters, suits, trousers, shorts, pullovers, swimwear, socks, gloves, some overcoats and many more items are on the September tariff list. Footwear items that will see tariff hikes on 1 September include waterproof footwear, ski boots, sports footwear, footwear that covers the ankle and footwear that does not cover the ankle, sandals, protective active footwear, golf shoes, leather footwear, disposable footwear and formed uppers for footwear made from textile materials, leather, or any material other than leather.

Meanwhile, apparel items such as certain outerwear and jackets made up of synthetic or artificial fibers, men's and boys' suits containing 36% or more wool or fine animal hair will enjoy the three-month delay. For footwear, items like sports footwear with rubber or plastic outer soles valued not over US\$3 a pair, and ankle covering footwear with rubber or plastic outer soles valued over US\$12 a pair, will also see tariffs delayed until 15 December.

### [Our take](#)

The three-month delay of the implementation of extra tariffs on US\$156 billion of Chinese imports is likely a political move designed to avoid a jump in consumer prices ahead of the Christmas shopping season. Thus, it should not be misinterpreted as a positive step towards resolving the yearlong China-US trade war.

In our view, even if China and the US can reach a comprehensive trade agreement to end the trade war, broader uncertainties and tensions (such as an escalating technology war) between the two

countries are likely to remain for a long time, as the key issue between China and the US is geopolitical rivalry instead of trade.

**Implications for our sourcing business: We need more diverse and flexible supply chains**

The ongoing China-US trade war has caused disruptions in the global trade landscape, bringing fresh challenges and greater unpredictability to our sourcing business. Under such circumstances, production and supply chains now need to be even more diverse, agile, and technology-driven. Businesses with a strong global supplier network and deep relationships with suppliers will be in the best position to meet the new challenges. To navigate the challenging situation, businesses should continue to carry out strategic planning and re-planning for their supply chains, through diversifying sourcing base, nearshoring and onshoring production, and digitizing supply chains.

## 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.

### About Fung Group

Fung Holdings (1937) Limited, a privately-held business entity headquartered in Hong Kong, is the major shareholder of the Fung Group of companies, whose core businesses operate across the entire global supply chain for consumer goods including trading, logistics, distribution and retail. The Fung Group comprises 42,000 people working in more than 40 economies worldwide. We have a rich history and heritage in export trading and global supply chain management that dates back to 1906 and traces the story of how Hong Kong and the Pearl River Delta emerged as one of the world's foremost manufacturing and trading regions. We are focused on both creating the Supply Chain of the Future to help brands and retailers navigate the digital economy as well as creating new opportunities, product categories and market expansion for brands on a global scale.

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