



# China-US Trade Disputes (XXVIII)

FUNG BUSINESS INTELLIGENCE

Fung Business Intelligence  
Global Sourcing  
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## US delays tariff hike on US\$250 billion of Chinese goods for two weeks

*Donald Trump announced on Wednesday that the US will postpone raising tariffs on US\$250 billion worth of Chinese goods from 1 October to 15 October 'as a gesture of good will'. Trump's move came hours after China announced to exempt 16 US products from additional tariffs. We will continue to closely monitor developments in this regard.*

### China grants tariff exemptions to 16 US goods

On Wednesday (11 September), China unveiled a list of 16 US products that will be exempt from the first round of China's 25% additional tariffs on US imports. The tariff exemption will take effect next Tuesday (17 September) and will remain in place until 16 September next year, according to a statement by the Customs Tariff Commission of China's State Council.<sup>1</sup>

Cancer drugs, lubricants, pesticides and shrimp meal were among the products that will be exempt from tariffs. The list did not include major items like soybeans and other agricultural products.

China announced the exemption plan in May and invited interested companies to apply to have products added to the exemption list. A second round of applications started last week. The Customs Tariff Commission added that additional exemptions would be announced 'at appropriate times'.

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<sup>1</sup> [http://gss.mof.gov.cn/zhengwuxinxi/zhengcefabu/201909/t20190911\\_3384638.html](http://gss.mof.gov.cn/zhengwuxinxi/zhengcefabu/201909/t20190911_3384638.html)

## [US postpones tariff hike on US\\$250 billion of Chinese imports](#)

Hours after China's announcement, US President Donald Trump said that the US will delay raising tariffs on US\$250 billion worth of Chinese goods from 1 October to 15 October 'as a gesture of good will'. Trump said that the delay came at the request of Liu He, Chinese Vice Premier, and due to the fact that China will be celebrating its 70<sup>th</sup> Anniversary on 1 October.

The tariff rate on US\$250 billion of Chinese imports was set to increase to 30% from 25%. Affected Chinese goods include machinery, communications and technology products, wood products and paper, minerals and metals, chemicals, transport equipment, and a wide range of consumer goods such as 'apparel and clothing accessories made of leather, fur, plastic and rubber', footwear made of crocidolite and asbestos, hats and headgear, handbags, travel goods, lighting products and furniture.

## [An interim trade deal possible?](#)

Lower-level Chinese and US officials are expected to meet next week in Washington before minister-level meetings take place in early October, which will involve Chinese Vice Premier Liu He, US Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin.

As the two sides prepare for trade negotiations, Trump signalled on Thursday that he would consider an interim trade deal with China, though he prefers a comprehensive trade deal. 'A lot of people are talking about it, I see a lot of analysts are saying an interim deal — meaning we'll do pieces of it, the easy ones first. But there's no easy or hard. There's a deal or there's not a deal. But it's something we would consider, I guess,' said Trump.

## [Our take](#)

While the tariff exemption announced by China could be seen by some as an olive branch to the US ahead of trade negotiations in October, it is probably aimed at reducing the impact of the tariffs on domestic enterprises, in our view. Actually, the US has already announced eight rounds of tariff exemptions on certain Chinese products since late 2018, with a view to minimizing impact on US firms and consumers.

What is of more significance is the delay in the tariff hike on US\$250 billion of Chinese imports, which enables bilateral trade negotiations to take place before the tariff hike kicks in, leaving room for a further postponement or even a cancelling of some tariffs if the trade talks make progress.

However, even if the two countries can reach an interim deal for a ceasefire or 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, in our view.

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

The lingering 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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