



# China-US Trade Disputes (XXVII)

FUNG BUSINESS INTELLIGENCE

Fung Business Intelligence  
Global Sourcing  
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## US hikes tariffs on US\$550 of Chinese goods in tit-for-tat escalation

*Last Friday, Donald Trump said that the US will increase the additional tariff rate on US\$550 billion of Chinese imports by 5%. Trump's move, announced on Twitter, came hours after China announced to impose additional tariffs of 5% or 10% on US\$75 billion of US imports. We will continue to closely monitor developments in this regard.*

### China imposes retaliatory tariffs on US\$75 billion of US imports

China's Ministry of Commerce (MOFCOM) announced on 23 August that China will impose additional tariffs of 5% or 10% on 5,078 US products worth US\$75 billion beginning 1 September and 15 December, and will reinstitute on 15 December additional tariffs of 25% on cars and 5% on auto parts, which were suspended last December.<sup>1</sup> The revenge from China comes after the US unveiled tariffs on an additional US\$300 billion of Chinese goods earlier, which are scheduled to go into effect in two stages on 1 September and 15 December.

Moreover, an MOFCOM spokesperson said on 22 August that China will release an 'unreliable entity list' in the near future, which is widely viewed as China's response to the US 'entity list'. Foreign companies considered to have damaged the interests of Chinese companies and threatened China's national security will be placed on the list. It is widely expected that the list will include some US technology companies.

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<sup>1</sup> [http://gss.mof.gov.cn/zhengwuxinxi/zhengcefabu/201908/t20190823\\_3372941.html](http://gss.mof.gov.cn/zhengwuxinxi/zhengcefabu/201908/t20190823_3372941.html)

### [US retaliates with additional tariffs on US\\$550 billion of Chinese imports](#)

In retaliation for China's tariff revenge, US President Donald Trump said in a series of tweets that the US will raise its existing tariffs on US\$250 billion of Chinese imports to 30% from the current 25% starting 1 October, the 70<sup>th</sup> anniversary of the founding of the People's Republic of China.

The planned tariffs on another US\$300 billion of Chinese imports will also increase to 15% from 10%. The US will begin imposing extra tariffs on some of these Chinese products from 1 September, but tariffs on about US\$156 billion of Chinese goods have been delayed until 15 December.

The US Trade Representative office confirmed the effective dates of the tariffs, but said that it will conduct a public consultation period before the imposition of the 30% tariffs on 1 October.

### [Trump orders US companies to leave China](#)

In his tweets, Trump also told US companies to leave China: 'Our great American companies are hereby ordered to immediately start looking for an alternative to China, including bringing your companies HOME and making your products in the USA.'

Trump said that he could invoke the *International Emergency Economic Powers Act* to justify such an order. Experts said that Trump lacks the authority to pull existing US investments out of China, but he could create conditions that would make it difficult for US companies to do business with China, such as banning US funds from being transferred to China.

### [Our take](#)

Trump's latest move increases the likelihood that the two countries will be locked in a protracted trade war for years. In our view, even if the two countries 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 escalating 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.

For more information, please visit [www.fbicgroup.com](http://www.fbicgroup.com).

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