



# China-US Trade Disputes (X)

FUNG BUSINESS INTELLIGENCE

Fung Business Intelligence

Global Sourcing

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## US raises tariff rate on US\$200 billion of Chinese goods to 25%

*This is an update on our Issue IX of the China-US Trade Disputes series published on 11 July, which details the US's proposed additional tariffs of 10% on US\$200 billion of Chinese products.*

### US proposes to raise tariff rate on US\$200 billion of Chinese imports

US President Donald Trump has directed the US Trade Representative (USTR) Robert Lighthizer to consider increasing the proposed additional tariff rate on US\$200 billion worth of Chinese imports to 25% from 10% as announced on 10 July, according to an USTR statement released on 1 August.<sup>1</sup> In light of the possible tariff rate hike, the USTR has also extended the deadline of the public comment period to 5 September from 30 August, after which the USTR will issue a final determination.

‘The increase in the possible rate of the additional duty is intended to provide the administration with additional options to encourage China to change its harmful policies and behavior and adopt policies that will lead to fairer markets and prosperity for all of our citizens,’ Lighthizer said in the statement.

When asked about the possible tariff rate increase earlier in the day, China’s Foreign Ministry spokesperson said that the US pressure and ‘blackmail’ will not work and that China will hit back if the US takes further escalatory steps.

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<sup>1</sup> <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/august/statement-us-trade-representative>

### *Our take*

Chinese goods subject to this round of extra tariffs include some consumer goods such as apparel and footwear. Although the direct impact on apparel and footwear sourcing will be small in the very short term as only a few items of apparel and footwear are targeted by the tariffs, sourcing businesses still need to get prepared for the possible escalation of the China-US trade war and carry out strategic planning and re-planning for their supply chains, to mitigate potential negative impacts on their business. This includes exploring alternative sources of supply, as well as conducting country of origin management and customs valuation planning.

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