



China-US Trade Disputes (XXIV)

FUNG BUSINESS INTELLIGENCE

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Global Sourcing

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US to impose 10% additional tariffs on another US\$300 billion of Chinese goods

US President Donald Trump said Thursday that the US will impose 10% additional tariffs on another US\$300 billion worth of Chinese imports starting 1 September, a significant escalation in the China-US trade war. The tariff announcement came after the two countries just concluded a new round of trade talks in Shanghai on Wednesday. We will continue to closely monitor developments in this regard.

[US to levy new tariffs on Chinese imports despite 'constructive' trade talks](#)

Donald Trump announced, in a series of tweets on Thursday (1 August), that the US will impose 10% additional tariffs on another US\$300 billion worth of Chinese goods, effective 1 September. Trump also said later in the day that the tariff rate could go 'well beyond' 25%. In the meantime, the two countries will continue with trade talks on a comprehensive trade deal to end the yearlong China-US trade war.

The surprise tariff announcement came in the wake of a meeting on Thursday morning at which Trump got a report from Treasury Secretary Steven Mnuchin and US Trade Representative Robert Lighthizer on their trade talks with Chinese negotiators in Shanghai this week (on 30-31 July), the first in-person talks between the two countries since trade negotiations broke down earlier in May.

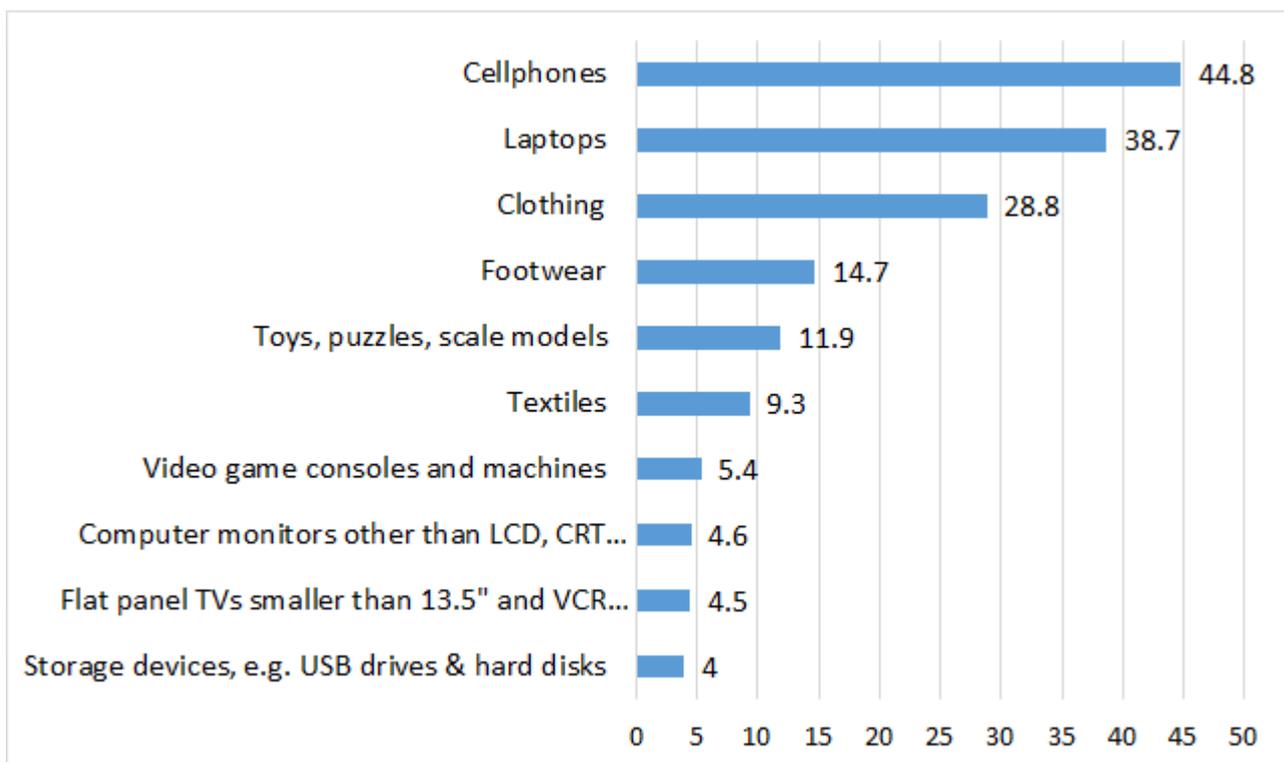
In his tweets, Trump also described the latest trade talks as ‘constructive’ and left the door open to further talks. However, Trump also complained of China’s alleged failure to fulfill its commitments to buy US agricultural products ‘in large quantities’ and to stop the sale of fentanyl¹ to the US.

Trade negotiations will continue in Washington in early September, according to a White House statement released before Trump’s tweets. However, it is unclear whether the plan will change now as the US has ended the trade war truce with new tariffs on Chinese goods.

Chinese goods impacted by the tariffs

The latest round of US tariffs involves 3,805 product items, covering nearly every consumer product left untouched by previous US tariffs on US\$250 billion worth of Chinese imports, such as clothing, shoes, cellphones, laptops, and watches.

**Top 10 Chinese goods subject to the 10% additional tariffs
(value of imports from China in 2018 in billion US\$)**



Source: US International Trade Commission, compiled by Fung Business Intelligence

¹ Fentanyl is a potent synthetic opioid. Synthetic opioids, including fentanyl, are now the most common drugs involved in drug overdose deaths in the US, according to the US Institute on Drug Abuse. (Source: <https://www.drugabuse.gov/publications/drugfacts/fentanyl/>) The US government believes China is the primary source of fentanyl consumed in the US.

Our take

The announced 10% additional tariffs on another US\$300 billion of Chinese imports, combined with tariffs in-place on US\$250 billion of Chinese goods, would subject nearly all Chinese imports to extra tariffs. These tariffs will continue to hit Chinese exporters and disrupt global supply chains in the near future.

Trump's latest move, which will likely invite retaliation by China, 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 ever-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.

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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.

CONTACT

Helen Chin
Vice President
helenchin@fung1937.com
(852) 2300 2471

William Kong
Senior Research Manager
williamkong@fung1937.com
(852) 2300 2404

Global Sourcing
Fung Business Intelligence
10/F LiFung Tower,
888 Cheung Sha Wan Road
Kowloon, Hong Kong

T: (852) 2300 2470
F: (852) 2635 1598
E: fbicgroup@fung1937.com
W: <http://www.fbicgroup.com>



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