



China-US Trade Disputes (V)

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Global Sourcing

4 April 2018

US unveils list of Chinese products subject to 25% tariffs

At 5:00 pm (US Eastern time) on Tuesday (3 April), the office of the US Trade Representative (USTR) released a list of 1,300 Chinese products that will be subject to a new 25% tariff.

The list follows an executive memorandum signed by US President Donald Trump on 22 March to slap punitive tariffs on Chinese imports, in retaliation for China's alleged intellectual property theft and forced technology transfer.

The move came just one day after China officially levied tariffs on US\$3 billion of US imports as a response to the US tariffs on Chinese steel and aluminum. In our view, bilateral trade tensions between the two countries are escalating, particularly as China is expected to announce retaliatory measures soon. We will continue to closely monitor developments in this regard.

Chinese products subject to 25% tariffs

The list includes about 1,300 tariff lines of Chinese goods ranging from machinery, to medical supplies, to technology products. The annual trade value of the goods subject to the tariffs is roughly US\$50 billion.¹

¹ <https://assets.documentcloud.org/documents/4430282/Office-of-the-United-States-Trade-Representative.pdf>

The US had previously revealed that the proposed tariffs would hit Chinese aerospace, machinery, and technology products. However, the list released Tuesday includes some unexpected items, such as medical supplies and artillery weapons.

Although the list does not target apparel and footwear products directly, it does include more than 80 machinery and tools for apparel and textiles manufacturing, and a few for footwear manufacturing (see the table below).

The tariffs will not go into effect immediately. There is roughly a 50-day period when the public can provide feedback and the government will hold a public hearing (scheduled on 15 May) on the tariffs, after which the USTR said it would issue a 'final determination' on the product list.

Selected tariff lines:

Category	Product	
<i>Textiles and footwear manufacturing machinery</i>	<ul style="list-style-type: none"> Machinery for making or repairing footwear Sewing machines 	<ul style="list-style-type: none"> Textile printing machinery Textile spinning machines Weaving machines
<i>Other machinery</i>	<ul style="list-style-type: none"> Bookbinding machines Brewery machines Concrete mixers Drilling machines 	<ul style="list-style-type: none"> Industrial dryers Nuclear reactors Plows Tower cranes
<i>Aerospace and marine equipment</i>	<ul style="list-style-type: none"> Air combat flying simulators Airplane and parts 	<ul style="list-style-type: none"> Helicopters Tanker, ferry and fishing boats
<i>Communications and technology</i>	<ul style="list-style-type: none"> Communication satellites Industrial robots 	<ul style="list-style-type: none"> Instruments and apparatus for telecommunications Semiconductors
<i>Medical supplies</i>	<ul style="list-style-type: none"> Artificial body parts and teeth Dental fillings Hearing aids 	<ul style="list-style-type: none"> Malaria test kits Vaccines X-ray machine parts
<i>Others</i>	<ul style="list-style-type: none"> Aluminum products Artillery weapons Cash registers Fire extinguishers Flat-panel television sets 	<ul style="list-style-type: none"> Iron and steel products Motor vehicles Motorcycles Train parts Water boilers

US's intentions

1. The US is targeting the 1,300 Chinese products to try to force China to change its intellectual property practices, the USTR office said. The annual trade value of US\$50 billion of affected products 'is appropriate both in light of the estimated harm to the US economy, and to obtain elimination of China's harmful acts, policies, and practices,' the USTR office said in a report on Tuesday.
2. Speaking shortly before the USTR announcement, US President Donald Trump reiterated his intention to address the US-Sino bilateral trade imbalance. 'We intend to get along with China, but we have to do something very substantial about the trade deficit,' Trump said.

China's responses

In response to the US's move, China's Ministry of Commerce (MOFCOM) said in a statement on Wednesday (4 April) that it 'strongly condemns and firmly opposes' the proposed US tariffs.

China plans to immediately bring the US action to the dispute settlement body of the WTO, and is ready to take countermeasures on US products with the same intensity and scale that will be published in the coming days, the MOFCOM said.

Our take

1. We expect that China will soon announce strong retaliatory measures, such as restrictions on soybeans, aircrafts and cars, as a response to Tuesday's tariff announcement, as China has already warned of 'countermeasures with the same intensity and scale'. The back-and-forth between China and the US on tariffs is not likely to end soon.
2. There is roughly a 50-day consultation period when the public and the business sector can give comments on the tariffs. Even after that, it is not clear when the tariffs would be applied. This waiting period will create space for negotiations for China to address the trade deficit issue and the US's allegations on intellectual property theft.
3. The tariffs on Chinese-made machinery for apparel and footwear could actually diminish the prospects for the revival of US domestic manufacturing of apparel and footwear, as importing the machinery could cost as much as 25% more, which would directly raise costs on US manufacturers.

FUNG BUSINESS INTELLIGENCE

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