

Politics

# China Vows Retaliation Against Trump's \$200 Billion Trade Threat

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- ▶ New tariffs could take effect after public consultations
- ▶ U.S. plan is "totally unacceptable," China's government says



China vowed to fightback against the Trump administration's plans to impose tariffs on an additional \$200 billion in Chinese goods, escalating a trade war between the world's two biggest economies.

Beijing described the latest U.S. move as "totally unacceptable" bullying, and urged other countries to join China to protect free trade and multilateralism. China promised to lodge complaints at the World Trade Organization but didn't detail what its retaliatory measures would be.

"China is shocked at the U.S. action," the Commerce Ministry said in a statement on its website Wednesday. "To protect the core interests of the nation and its people, China's government is, as in the past, forced to retaliate."

The response came hours after the Trump administration released a proposed list of thousands of products on which it plans to impose 10 percent tariffs, ranging from vacuum cleaners and windshield wipers to sterling silver spoons and badger hair. The U.S. omitted some high-profile items like mobile phones.

The news sent markets lower <<https://www.bloomberg.com/news/articles/2018-07-10/stock-futures-fall-as-trump-reloads-tariff-bazooka-markets-wrap>> as stocks fell, the dollar gained and commodities slid. China's yuan weakened.

#### Read more on the escalating conflict

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China Has Arsenal of [Non-Tariff Weapons](https://www.bloomberg.com/news/articles/2018-07-11/china-has-arsenal-of-non-tariff-weapons-to-hit-back-at-trump) <<https://www.bloomberg.com/news/articles/2018-07-11/china-has-arsenal-of-non-tariff-weapons-to-hit-back-at-trump>> to Hit Back at Trump

Here's How a Trade War Between the U.S. and China [Could Get Ugly](https://www.bloomberg.com/news/articles/2018-07-08/here-s-how-a-trade-war-between-the-u-s-and-china-could-get-ugly) <<https://www.bloomberg.com/news/articles/2018-07-08/here-s-how-a-trade-war-between-the-u-s-and-china-could-get-ugly>>

The U.S. China Trade Relationship: A [Dispute in Five Charts](https://www.bloomberg.com/politics/articles/2018-07-06/the-u-s-china-trade-relationship-a-dispute-in-five-charts) <<https://www.bloomberg.com/politics/articles/2018-07-06/the-u-s-china-trade-relationship-a-dispute-in-five-charts>>

Trump Must Meet Xi to [Stop Trade War](https://www.bloomberg.com/politics/articles/2018-07-11/trump-must-meet-xi-to-stop-trade-war-top-house-republican-says), <<https://www.bloomberg.com/politics/articles/2018-07-11/trump-must-meet-xi-to-stop-trade-war-top-house-republican-says>> Top House Republican Says

If the proposed tariffs go into effect after public consultations end on Aug. 30, duties implemented by the administration aimed squarely at China will cover nearly half of all U.S. imports from the Asian nation.

Some members of Trump's own Republican party are calling the trade war unwise while American businesses and economists warn it could derail the strongest global upswing in years.

Fresh U.S. tariffs would also come at a time when the Trump administration is seeking Beijing's help reining in North Korea's nuclear-weapons program. With little sign of continued formal negotiations, the two powers appear headed toward a protracted trade conflict that may undermine growth and shake up corporate supply chains.

Li Yong, a senior fellow at the China Association of International Trade in Beijing said one retaliatory tactic China could deploy would be a bigger push to attract foreign investment, just not from the U.S.

"The U.S. closed the door for negotiations," Li said. "It's up to them to open the door again."

One complication for how China responds is the fact it imported \$130 billion of U.S. goods last year, less than a third of the value of U.S. imports from China. That means in an all-out, tit-for-tat trade war, China would not be able to match the tariffs dollar by dollar.

In its response, the Commerce Ministry's dropped a line from a previous statement that it would fight Trump's tariffs with the "same scale and intensity."

Tao Wang, head of China economic research at UBS AG in Hong Kong said China may decide against an aggressive response in order to limit the fall out to its own economy.

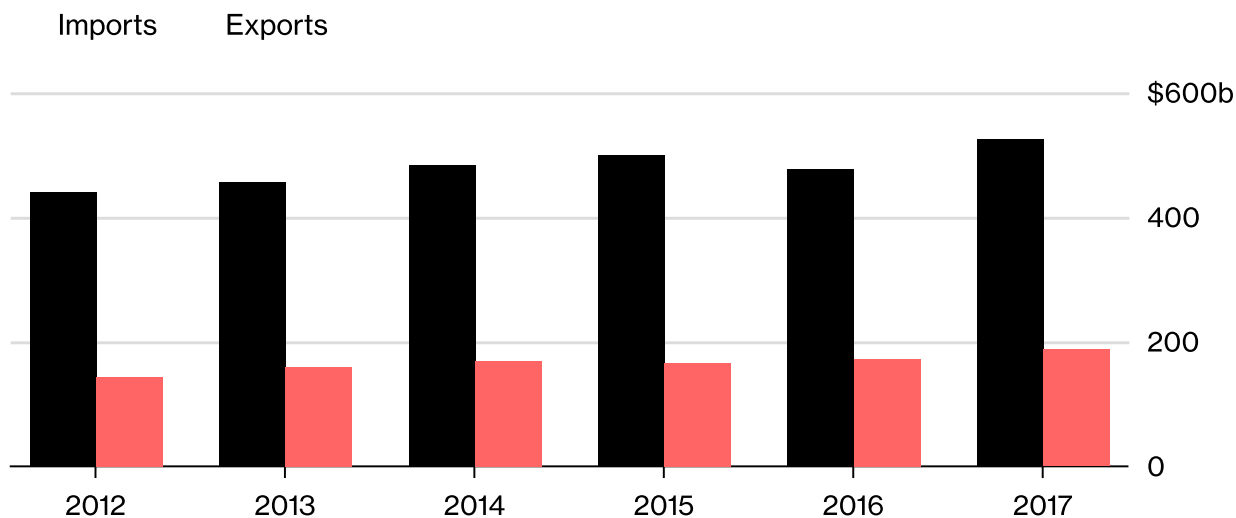
"While we think China may retaliate in certain areas against U.S. imports and business interests in China, it will unlikely do so aggressively or explicitly so as to inflict the same amount of damage on U.S. companies or invite additional retaliation from the U.S."

U.S. officials argue they had no choice but to move forward on the new tariffs after China failed to respond to their concerns over unfair trade practices and Beijing's abuse of American intellectual property, according to two senior officials who spoke to reporters. High-level talks between the world's two largest economies starting in May failed to deliver a breakthrough to head off a trade war.

"For over a year, the Trump administration has patiently urged China to stop its unfair practices, open its market, and engage in true market competition," U.S. Trade Representative Robert Lighthizer said in an emailed statement. "China has not changed its behavior -- behavior that puts the future of the U.S. economy at risk."

## What's in a Trade Gap?

## The U.S. imports hundreds of billions of dollars more than it exports to China



Source: U.S. Department of Commerce

Note: Data are for goods and services

The White House move drew immediate condemnation from Senate Finance Chairman Orrin Hatch, a Republican from Utah, who called it “reckless” and not “targeted.”

The Retail Industry Leaders Association, a lobbying group, said U.S. businesses and consumers will lose from the administration’s trade battle. “American retailers and the families we serve barely had time to process the barrage of tariffs implemented last week,” Vice President of International Trade Hun Quach said in a statement. “Now, we will need to grapple with new tariffs on an additional \$200 billion worth of imports, which are bound to include even more consumer products and everyday essentials.”

The Trump administration on July 6 imposed 25 percent duties on \$34 billion in Chinese imports, the first time the president has implemented tariffs directly on Beijing after threatening to do so for months. The first round of tariffs covered Chinese products ranging from farming plows to machine tools and communications satellites.

China immediately retaliated with duties on the same value of U.S. goods, including soybeans and cars.

## Dollar-for-Dollar

In addition, the U.S. is considering duties on a further \$16 billion in Chinese goods, after a public hearing later this month. China has vowed to retaliate dollar-for-dollar to any further U.S. tariffs.

“The internal political dynamics in both countries make it unlikely that either side will stand down and offer conciliatory measures that could deescalate tensions and lead to a resumption of negotiations,” Eswar Prasad, a professor of trade policy at Cornell University, said in an email.

So far, tariffs imposed by the two countries are expected to have a modest impact on growth and inflation, economists estimate. But duties on more than \$200 billion in Chinese imports may push the trade war into territory where it begins to bite meaningfully into growth. A full-blown global trade war would shave 0.4 percentage point off world growth, according to Bloomberg Economics.

Trump has been considering tariffs against China since his officials concluded in March that Beijing violates U.S. intellectual-property rights, such as by forcing American firms to hand over technology.

“Rather than address our legitimate concerns, China has begun to retaliate against U.S. products. There is no justification for such action,” Lighthizer said.

– *With assistance by Enda Curran, Miao Han, Jenny Leonard, Andrew Mayeda, and Xiaoqing Pi*

*(Updates with markets and economist reaction beginning in fifth paragraph.)*

## In this article

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**UBS GROUP AG**

15.25 CHF ▼ -0.12 -0.78%

GBP

**British Pound Spot**

1.3133 GBP ▲ +0.0119 +0.9144%

SI1

**Generic 1st 'SI' Future**

15.54 USD/t oz. ▲ +0.14 +0.90%

CNY

**China Renminbi Spot**

6.7697 CNY ▼ -0.0054 -0.0797%

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