

US-China trade dispute

China threatens new tariffs on \$60bn of US goods

Latest salvo in growing trade battle follows Washington move on own levies



Workers load imported soybeans at a port in Nantong, east China. The country is threatening new tariffs on US goods © AP Gabriel Wildau in Shanghai and Shawn Donnan in Washington AUGUST 3, 2018

China has said it will impose new tariffs on \$60bn worth of imports from the US, including aircraft and liquefied natural gas, in a rapid riposte to Donald Trump's latest threat to raise US levies on Chinese goods.

In the latest salvo in the growing trade battle between the world's two biggest economies, the Chinese commerce ministry [said](#) on Friday that its decision was a response to the US's [proposal](#) to raise the rate of threatened tariffs on \$200bn worth of Chinese exports to 25 per cent, up from an original plan of 10 per cent. Those tariffs could take effect next month.

"The implementation and date of [Chinese] tariffs will be decided by US actions," the ministry said.

Beijing's tariffs threat signals that [the dispute with the US](#), which has unsettled financial markets and started to disrupt crucial global supply chains, is likely to continue escalating in the months to come. Low-level talks have yet to agree on even the contours of further negotiations, with both sides showing no sign of backing down.

The White House quickly fired back on Friday, calling China's latest threat a miscalculation.

"I am privy to what President Trump has been thinking and he is going to stand tough," Larry Kudlow, the head of Mr Trump's National Economic Council, told Fox Business television.

Instead of retaliating, China should address the longstanding [US] concerns about its unfair trading practices

White House spokeswoman

This week's moves amount to a further slip toward the worst-case scenario of an all-out trade war between the two powers which the International Monetary Fund and others [have warned could derail global growth](#).

The \$200bn tariffs threat updated by Mr Trump this week was in response to previous retaliation by China.

Hawks in Washington believe that dialling up pressure on Beijing is the only way to force China into the policy changes it demands – such as abandoning industrial subsidies and what the US charges is a wholesale state-backed enterprise to steal US technology.

A White House spokeswoman said: "Instead of retaliating, China should address the [US's] longstanding concerns about its unfair trading practices."

But China has aimed its fire at politically-sensitive US exports and Mr Trump is also facing domestic pressure at home with [business and farm groups rounding on him](#) this week after he made the \$200bn tariffs threat.

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The threat of Chinese tariffs on imports of US LNG is a potentially serious blow to the hopes of companies planning to invest in a new wave of export projects in Texas, Louisiana and Alaska. China is already the world's second-largest LNG importer and the third-largest market for US LNG exports, and is expected

to be by far the largest source of additional demand over the coming decade and beyond.

Charlie Riedl of the Center for LNG, which represents the US industry, said: “Should these tariffs remain, China will source the LNG from other suppliers eager to fill the gap. This would be a tremendous missed opportunity and would have very real effects on the US LNG industry.”

New [trade data](#) out on Friday showed that the US trade deficit with China was continuing to increase despite Mr Trump making reducing it one of his top economic priorities. In the first six months of this year, the US deficit in goods rose to \$185.7bn from \$171.1bn in the same period last year, according to the US Census Bureau.

The finance ministry in Beijing said China would impose tariff rates of between 5 and 25 per cent. The commerce ministry said such a tiered approach was “reasonable and restrained”, but added that China also reserved the right to impose further tariffs.

The list of 5,207 US products affected by the new Chinese tariffs includes small and medium-sized aircraft, LNG, soyabean oil, lumber and auto parts. The 25 per cent tariffs cover the largest share of the overall list, encompassing 2,493 products.

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“The two sides have dug themselves in to their positions and shown no willingness to back off, despite the potential damage to their economies,” said Eswar Prasad, economics professor at Cornell University and former China head at the International Monetary Fund.

Both sides have already imposed tariffs on \$34bn worth of one another’s exports. China’s latest threat against \$60bn in US goods – in response to the US threat against \$200bn in Chinese shipments – reflects the heavy imbalance in bilateral trade.

The US exported only \$129bn in goods to China last year against \$505bn in imports, according to official US data, leaving Beijing less room to match the White House dollar-for-dollar.

But the fight has also become about the two countries’ economic futures, with US officials portraying their aggressive approach to Beijing as a way to protect America’s

economic future from a China that is intent on leading the world in areas such as artificial intelligence and robotics.

Likewise, Yanmei Xie, a political analyst with Gavekal Dragonomics in Beijing, said Chinese policymakers had arrived at the conclusion that Mr Trump's trade challenge was aimed at thwarting China's technological advancement.

Additional reporting by Tom Mitchell in Beijing and Ed Crooks in New York

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