US-China trade dispute

Trump approves US tariffs on $50bn in Chinese imports

Announcement will bring the countries closer to a trade war

US president Donald Trump has portrayed the tariffs as a tool to build leverage in negotiations with trading partners. © Reuters

Shawn Donnan in Washington JUNE 15, 2018

US president Donald Trump has decided to impose tariffs on about $50bn in imports from China, in a move that will bring the world's two largest economies closer to a trade war.

The final decision, which the Trump administration claims is justified by Beijing's longstanding theft of US companies' intellectual property, came at a gathering of the president's top White House trade advisers on Thursday, according to people briefed on the meeting's outcome.

It sets the stage for a major escalation of trade hostilities between the two countries. It also follows Mr Trump's decisions in recent weeks to begin levying tariffs on steel and aluminium imports from Canada, the EU and Japan, provoking a rift with G7 allies.

"The Trump administration is now poised to open another front in its rapidly expanding global trade war," said Eswar Prasad, a Cornell University economist and China expert.

The US is due to release on Friday a new list of products from China to be targeted with a 25 per cent duty that will be imposed in several tranches. An initial list of 1,300 product categories was released earlier this year, ranging from pharmaceuticals to flat screen televisions. Many of the companies and other interested groups providing feedback pleaded with the Trump administration not to impose the duties.

The new list will be similar to the original but more focused on Chinese exports linked to Beijing's "Made in China 2025" plan to lead the world in 10 key sectors including robotics, according to people briefed on the White House discussions.

The tariffs are due to be implemented in stages to allow public comment on new product categories being added. They are expected to be followed this month by new investment restrictions as well as new limits on US exports of "industrially significant" products.

Chinese domestic markets fell on Friday following the latest news on US tariffs, with the Shanghai Composite ending the day down 0.7 at a 20-month low while the Shenzhen Composite shed 1.8 per cent to the lowest since February.

Beijing has promised to retaliate against any tariffs. The Chinese ministry of foreign affairs said on Friday: "If the US imposes unilateral and protectionist measures that harm China's interest, we will immediately respond using the necessary measures to firmly defend our legitimate interests."

In interviews and other public appearances this week, Mr Trump said he was poised to get tough on trade with China, whose $337bn annual surplus with the US has long been a target of his scorn.

The decision to go ahead was made by his cabinet ahead of Mr Trump's trip to last weekend's G7 meeting in Québec and his summit in Singapore with North Korea's Kim Jong Un.

But Mr Trump did not give his final sign off to the plan until Thursday, according to people briefed on the White House talks.

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The tariffs have been heavily opposed by the US business community and many Republicans in Congress, although there is broad consensus in the US on the need to take a tougher approach to China.

They have also been opposed until recently by some within the Trump administration, including US Treasury secretary Steven Mnuchin, who have been arguing for negotiations with Beijing to be allowed to play out. During a visit to Beijing this month by Wilbur Ross, commerce secretary, Chinese officials pledged to increase purchases of US farm and energy exports worth about $70bn annually. They said later that any such purchases depended on new US tariffs not taking effect.

Mr Trump and his defenders have portrayed the tariffs as a tool to build leverage in negotiations with trading partners.

"China's response . . . which its government had already telegraphed, will be a proportionate set of surgical tariff strikes aimed at inflicting a combination of economic and political damage on the US", said Mr Prasad, a former China mission chief for the IMF.

Among the targets listed by Beijing for potential retaliation earlier this year were US soyabean exports to China, worth about $14bn in 2017.

"It will be challenging for both sides to find a way to de-escalate these tensions while saving face and before trade and investment flows between the two countries take a sizeable hit," Mr Prasad said.

"While the overall impact of an open trade war on the two economies is likely to be modest, there could be significant damage inflicted on specific export-oriented firms and industries."

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