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POLITICS

U.S. Moves to Finalize Tariffs, Investment Restrictions on China

Final list of tariffs on \$50 billion in imports will be released by June 15



Commerce Secretary Wilbur Ross is expected to visit China in early June. PHOTO: CHERISS MAY/ZUMA PRESS

By *William Mauldin*

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WASHINGTON—The Trump administration sent a sudden, harsh message to its Chinese counterparts on Tuesday morning, saying the U.S. was moving forward with its threat to apply tariffs on Chinese imports and other moves to restrict Beijing from accessing sensitive U.S. technology.

The move surprised many observers after the White House had for days trumpeted the outlines of a deal, in which any trade war with China would be put on hold while negotiators—led on the U.S. side by Treasury Secretary Steven Mnuchin—worked on a deal that would have China reduce its \$375 billion annual trade advantage by buying more U.S. goods.

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The White House said Tuesday it would announce by June 15 a final list of \$50 billion in imports from China that would be subject to tariffs of 25%, with the duties implemented “shortly thereafter.” Planned

investment restrictions aimed at preventing Chinese acquisition of American technology would also be announced by June 30, the White House said in a statement.

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The measures, which had been on the table for months, had been put on the back burner as both sides sought to work out a truce. But the White House has come under pressure in recent days for having been too accommodating to China in its negotiations. Lawmakers, in particular, have expressed concern about the Trump administration being too conciliatory over ZTE Corp., a major Chinese tech company banned from buying U.S.-made parts after it was found to have violated sanctions on Iran and North Korea.

Officials in Beijing, who had been hard at work on measures to ease trade tensions, were caught off-guard by the news, according to people familiar with the matter. The \$50 billion in tariffs on Chinese imports is the first tranche in a package that the White House said could lead to tariffs on a total of \$150 billion in Chinese imports.

The shot across China's bow comes as Commerce Secretary Wilbur Ross prepares to meet Chinese officials in Beijing from Saturday through next Monday. Meanwhile, President Donald Trump has said he is relying on China to put pressure on North Korea, and U.S. officials are working with North Korean counterparts to salvage a summit set for June 12.

“The Trump administration is clearly signaling, ahead of Wilbur Ross's trip to Beijing, that the gloves are off given China's unwillingness to agree to a trade deficit reduction target or to make broader trade concessions,” said Eswar Prasad, a Cornell University professor of international trade. In addition, the “hardline stance may partly reflect the perception that China played a part in nearly derailing the Trump-Kim summit.”

U.S. Trade Representative Robert Lighthizer has emphasized that the U.S. may still resort to tariffs under an investigation that his office conducted into alleged theft of U.S. technology and intellectual property. Tuesday's statement from the White House mentioned that investigation, launched under trade law known as Section 301, as well as a case Mr. Lighthizer is pursuing against Chinese licensing requirements at the World Trade Organization.

China's ZTE has suspended business operations after the Commerce Department blocked it from accessing U.S.-made parts that are critical to its business. A White House spokeswoman and spokesmen for Messrs. Ross and Lighthizer declined to comment on the context of Tuesday's statement on tariffs and investment restrictions.

Meanwhile, Chinese authorities had signaled recently they would approve Qualcomm Inc.'s planned \$44 billion acquisition of Netherlands-based NXP Semiconductors NV in the next few days, according to people familiar with the matter, in what would be another significant step toward easing frayed U.S.-China trade relations.

—Bob Davis and Lingling Wei contributed to this article.

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