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Business

Trump administration slaps tariffs on roughly $200 billion more in Chinese goods — a move almost certain to trigger retaliation

By David J. Lynch and
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President Trump threw his biggest punch yet at China, imposing tariffs on an additional $200 billion worth of Chinese imports and gambling that American consumers are willing to pay more for popular products to wring trade concessions from Beijing.

With Monday's announcement, roughly half of the $505 billion in goods that Americans buy annually from Chinese firms will face new import levies.

Unlike the $50 billion in Chinese products that Trump hit in the first tariff wave, in July — which fell mainly on industrial goods — Monday's action will affect consumer products such as air conditioners, spark plugs, furniture and lamps.

Starting Sept. 24, American importers will pay an extra 10 percent tariff for the affected items, rising to 25 percent at the end of the year, according to senior administration officials, who briefed reporters on the condition of anonymity.

China has vowed to retaliate against the latest U.S. tariffs with new import taxes on $60 billion in American products. If that happens, the president said he would immediately begin the process of approving tariffs on a further $267 billion in Chinese imports — effectively taxing everything Americans buy from China.

Trump acted — accusing China of posing "a grave threat to the long-term health and prosperity of the United States economy" — even as Chinese officials weighed an invitation to visit Washington for talks aimed at ending the months-old dispute.

"The Trump administration is yet again sending a perplexing mixed message by inviting Chinese officials for negotiations and then imposing additional tariffs in the run-up to the talks," said Eswar Prasad, former head of the International Monetary Fund's China division. "It is difficult to see what the administration's vision of an end game might be other than total capitulation by China to all U.S. demands."

Trump said the tariffs are designed to force China to change a range of unfair trade practices, including compelling American companies to surrender their technology in return for access to the Chinese market.

"For months, we have urged China to change these unfair practices, and give fair and reciprocal treatment to American companies," the president said. "We have been very clear about the type of changes that need to be made, and we have given China every opportunity to treat us more fairly. But, so far, China has been unwilling to change its practices."

Trump has described the tariffs as leverage in negotiating Chinese policy changes with Chinese President Xi Jinping. But several preliminary rounds of talks have yielded no agreement and Trump has said he was in no hurry to settle the dispute.

"We stand ready to negotiate with China any time if they are willing to move towards serious talks to remedy trade problems," White House National Economic Council Director Larry Kudlow said in New York on Monday.

He said China had to agree to some of the White House's demands for any progress to be made.

"He has not been satisfied with the talks with China on this," Kudlow said of Trump.

In deciding to proceed with additional tariffs, the president ignored pleas from hundreds of U.S. companies that appeared at public hearings last month to oppose the new levies. Executives complained that the tariffs would make their products more expensive, costing them sales.

The U.S. Trade Representative's office received roughly 6,000 written comments when Trump first proposed the new tariffs, most opposing them.

Initial reaction from the business community Monday was unfavorable.

"Let's face it, nobody on either side has any idea how long this tariff war will last or where it will end up," said Rufus Yerxa, president of the National Foreign Trade Council. "Setting aside whether this would be a successful negotiating tactic by the president, which only time will tell, the rapid escalation of tariffs and increasing uncertainty will cause significant short-term harm to both businesses and consumers."

Jim O'Sullivan, chief economist for High-Frequency Economics, said financial markets will probably adopt a "could have been worse" reaction to the latest tariffs.

At the White House, Trump wrongly said that "China is now paying us billions of dollars in tariffs" and he celebrated the Treasury Department collecting "tremendous amounts of money, which is great for our country."

In fact, tariffs are taxes that are paid by Americans who import goods from abroad. Through the end of August, the administration had collected nearly $22 billion in revenue because of its new tariffs, according to the nonpartisan Tax Foundation.

Officials agreed to exclude roughly 300 product categories from the final product list, including bluetooth electronics, car seats for children, and some chemicals. Apple won waivers for several of its popular consumer products including the Apple Watch.

The president has long been fiercely critical of China, accusing it during the 2016 campaign of "the rape" of the American economy and vowing to create a more balanced trade pattern. Yet despite months of tariff talk, the gap between what the United States buys from China and what it sells there continues to widen.

Through July, the United States ran a $233.5 billion trade deficit in goods trade with China, an 8 percent increase compared with the same period in 2017.

The tariff duel is causing companies that rely on Chinese factories to rethink their business relationships, said Craig Allen, president of the U.S.-China Business Council. "These supply chains are incredibly complex and the disruption will be inflationary," he said. "There's no way around it."

So far, however, the U.S. economy has shrugged off the president's trade war. Although individual companies have complained about their operations being disrupted by material shortages or cost increases, growth remains strong and unemployment is approaching a half-century low.

Excluding fuel, import prices rose just 1.3 percent over the past year, according to the Bureau of Labor Statistics.

But uncertainty over trade policy remains unusually high. The United States is trying to negotiate a new North American trade deal even as it threatens to impose national security tariffs on imported automobiles, especially those from Europe.

The president on Monday said he will soon reach new deals with U.S. trading partners that will reverse the offshoring trend of the past generation. "What's going to happen is businesses will start moving back into the United States, which to me is — that's the dream," Trump said. "The businesses are going to pour back into the United States. That's jobs, that's a lot of other things; that's a lot of taxes coming to us. And product will start being made here again."

Trump's showdown with China also could intensify. The president has threatened to expand his tariffs to cover all Chinese imports, an escalation that many economists say would be costly.

"Attempts to help those hurt by globalization via higher tariffs or other forms of protectionism, even if well meaning, will raise prices and hurt all consumers, especially poor and middle-class families," said economist Satyam Panday of S & P Global Ratings. "Not to mention damage the competitiveness of companies that import raw materials and components from other countries and folks who work in export industries."

China no longer can match U.S. tariffs on a dollar-for-dollar basis, since it imports only $135 billion of American products. But Chinese officials have other ways of making the United States hurt, including by harassing American multinationals with tax audits and customs inspections or mobilizing consumer boycotts against them.

Business groups are pinning their hopes for defusing the standoff on talk that Trump and Xi could meet this fall on the sidelines of an international gathering such as the Group of 20 summit in Buenos Aires in November.

A decision to back away from confrontation with China could only be made by one man. "China trade is now a presidential level, political issue. It was not under Obama. And it was not under Bush," said Derek Scissors, a China expert at the American Enterprise Institute. "Now everything is subject to the president deciding."

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