

US-China trade dispute

China retaliates against US tariffs on \$50bn of imports



The US has also threatened to impose tariffs on semiconductor-related imports from China © AP
Shawn Donnan in Washington and Tom Hancock in Shanghai 15 June 2018

The US unveiled tariffs on \$50bn in imports from China that will take effect within days and Beijing immediately responded in kind, as the world's two largest economies escalated their hostilities over trade.

"My great friendship with President Xi [Jinping] of China and our country's relationship with China are both very important to me," US president Donald Trump said. "Trade between our nations, however, has been very unfair, for a very long time. This situation is no longer sustainable."

The **new import taxes**, aimed at forcing Beijing to stop what the US claims has been systematic theft of US intellectual property, will apply to products ranging from cars and helicopters to bulldozers and industrial tools and machinery.

Washington also threatened to impose tariffs on semiconductor-related imports from China, which the US tech industry says would raise prices on consumer electronics and hurt American companies and their supply chains.

“The United States can no longer tolerate losing our technology and intellectual property through unfair economic practices,” Mr Trump said, adding that the tariffs would “serve as an initial step toward bringing balance to the trade relationship between the United States and China”.

Talks between Beijing and Washington to prevent a trade war have ground to a halt but Mr Trump indicated that he was still open to negotiation. “I have a wonderful [relationship with President Xi](#). We’ll all work it out. He understands it’s unfair,” he told Fox News in an interview.

Other US officials and Beijing indicated they were preparing for an escalation of hostilities and pointed to what is likely to become a series of tit-for-tat tariff rollouts over the summer.

The first of the new tariffs on a \$34bn tranche of [818 product lines](#) will take effect from July 6, the US said. Duties on a [separate list](#) of 284 products worth \$16bn will be subject to a public consultation period and take effect later.

China’s commerce ministry responded on Friday that it would “immediately introduce countermeasures of the same scale and strength”, though it did not provide a full list of the tariffs or details about when they would be imposed.

“At the same time, all the economic and trade-related achievements previously reached by the two sides will be rendered invalid,” the ministry said, referring to the results of earlier rounds of China-US trade talks.

Mr Trump warned that the US was prepared to impose yet more tariffs if China chose to go ahead with its advertised retaliation against US farm exports such as beef and soybeans.

US officials have been putting the final touches on a list of a further \$100bn in Chinese imports to target for tariffs in the event of Chinese retaliation, although such US action could take months to roll out.

In a call with reporters, a senior US trade official argued that Washington’s tariffs responded to years of failed talks by US administrations and widely documented unfair practices by Beijing.

“It’s a misnomer to label anything China now does as retaliation,” the official said. “They are the ones who started the problem.”

In early US trade on Friday, the S&P 500 was down 0.4 per cent, while the Dow Jones Industrial Average slipped 0.5 per cent. The Nasdaq Composite was off 0.6 per cent.

Shares in large industrials seen at risk from a global trade war, including [Boeing](#), [Caterpillar](#) and agricultural equipment maker [Deere](#) were down 1.6 per cent, 1.7 per cent and 1.4 per cent, respectively. Food producers [Tyson Foods](#), [Hormel Foods](#) and [Pilgrim’s Pride](#) were also lower.

The US dollar, which earlier hit a seven-month high, was a touch weaker, with the DXY index down 0.03 per cent at 94.746 per cent.

The US tariffs were welcomed by some Democrats.
“The president’s actions on China are on the money,”
said Chuck Schumer, the top Democrat in the Senate.

But Friday’s move drew immediate protests from the US business community, farm groups and pro-trade members of Mr Trump’s Republican party.

“Tariffs will harm American and Chinese businesses and consumers, and will put economic growth in both countries at risk,” said Orrin Hatch, chairman of the Senate finance committee.

The US Chamber of Commerce, the country’s largest business group, said the new tariffs would place the “cost of China’s unfair trade practices squarely on the shoulders of American consumers, manufacturers, farmers, and ranchers”.

US officials said businesses would be allowed to apply for exemptions from tariffs on individual products, echoing a similar process under way for previously announced steel and aluminium tariffs.

One of the main expected targets for Chinese retaliation is agricultural exports. US farmers export \$14bn in soyabeans, half their total exports, to China.

“For American farmers this isn’t theoretical any more, it’s downright scary. It’s no longer a negotiating tactic, it’s a tax on their livelihoods,” said Brian Kuehl, executive director of Farmers for Free Trade, a lobby group. “The imposition of these tariffs is not only a blow to our farmers, it’s a win for our competitors.”

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