

U.S. and China Expand Trade War as Beijing Matches Trump's Tariffs



Employees at a manufacturing plant in McKeesport, Pa., earlier this year. China said it will hit back by imposing its own tariffs on United States goods. Ross Mantle for The New York Times

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WASHINGTON — The Trump administration on Friday escalated a trade war between the world's two largest economies, moving ahead with tariffs on \$50 billion of Chinese goods and provoking an immediate tit-for-tat response from Beijing.

The president is battling on a global front, taking aim at allies and adversaries alike. The United States has levied global tariffs on metal imports that include those from Europe, Canada and Mexico, while threatening to tear up the North American Free Trade Agreement.

These countries are fighting back, drawing up retaliatory measures that go after products in Mr. Trump's political base. China's response was swift on Friday, focusing on \$50 billion worth of American goods including beef, poultry, tobacco and cars.

The trade actions could ripple through the global economy, fracturing supply chains and costing jobs at American companies that will be forced to absorb higher prices. Although the United States economy is especially strong, the tariffs are expected to drive up prices for American consumers as well as for businesses that depend on China for parts.

Things could get worse if the United States and China ratchet up their actions. Mr. Trump has already promised more tariffs in response to China's retaliation. China, in turn, is likely to back away from an agreement to buy \$70 billion worth of American agricultural and energy products — a deal that was conditional on the United States lifting its threat of tariffs.

“China's proportionate and targeted tariffs on U.S. imports are meant to send a strong signal that it will not capitulate to U.S. demands,” said Eswar Prasad, a professor of international trade at Cornell University. “It will be challenging for both sides to find a way to de-escalate these tensions.”

The penalties make good on a campaign promise by Mr. Trump to crack down on Chinese trade practices that he says have cost American jobs. On Friday, Mr. Trump said in a statement that trade between the countries had been “very unfair, for a very long time.”

Mr. Trump added, “These tariffs are essential to preventing further unfair transfers of American technology and intellectual property to China, which will protect American jobs.”

But the White House has lately vacillated between taking a tough stance on Chinese trade practices and declaring that the trade war was “on hold.”

In recent weeks, the administration had tried to defuse tensions with China ahead of a summit meeting with the North Korean leader. Mr. Trump extended a lifeline to the Chinese telecommunications company, ZTE, at the request of President Xi Jinping.

Some advisers, including the treasury secretary, Steven Mnuchin, had feared the economic consequences of a trade war and pushed for a negotiated solution instead. The latest action appears to be a victory for the more hard-line faction of the Trump administration, including the president's trade advisers, Robert E. Lighthizer and Peter Navarro, who have pushed for a protectionist approach.

“This is not about a policy,” said Mickey Kantor, the former commerce secretary and a chief trade negotiator for the Clinton administration. “This is not about asserting U.S. leadership. It's about the president having an impulse that if he does this, he will strengthen his base, send a signal to China, and be able to say he's been strong and tough.”

Tariffs of 25 percent on roughly \$34 billion of Chinese products — drawn from a list that the administration published in April that has since been refined — will go into effect on July 6, the office of the United States trade representative said. The administration is also proposing tariffs on roughly \$16 billion of new products, which it said would undergo further review, including public hearings.

In total, the tariffs will fall on 1,102 categories of Chinese goods, including nuclear reactors, aircraft engine parts, bulldozers, ball bearings, motorcycles and industrial and agricultural machinery. The list generally focuses on industrial sectors that relate to the country's Made in China 2025 plan for dominating high-tech industries, like aerospace, automobiles, information technology and robotics, the administration said.

The revised list dropped some products purchased directly by American consumers, including flat-screen televisions and printer accessories, while adding semiconductors, machinery and plastics, according to an analysis by Chad Bown, a senior fellow at the Peterson Institute for International Economics.

In a call with reporters Friday, a senior official said the administration would soon roll out a process for companies to apply for exclusions to the tariffs for products they cannot get from another source.

China said it would hit back with additional tariffs of 25 percent on about \$50 billion of American-made products, the country's Commerce Ministry said in a release. These will also come in two rounds, with penalties on about \$34 billion of goods, including agricultural products, automobiles and seafood, scheduled to take effect the same day as the United States tariffs. Tariffs on another \$16 billion worth of American goods, including medical equipment, chemical products and energy products, will be announced later, the ministry said.

The ministry said in a separate statement Friday that all other recent trade terms negotiated by the United States and China would also be declared invalid.

Tensions could escalate further in the coming weeks. The White House is formulating a plan for restricting Chinese investments in the United States and putting stricter limitations on the types of advanced technology that can be exported to the country. It has said those restrictions will go into effect shortly after they are announced by June 30.

The White House says its measures are necessary to reset the trade relationship with China, a country Trump administration officials accuse of manipulating economic rules and costing millions of American jobs.

The moves could damp economic growth that has been stoked by the administration's tax cuts — though the overall effects are likely to be limited because of the small size of the tariffs relative to the American economy. But in a few industries that are heavily affected, the pain could be substantial. Economists say the tariffs will drive up prices for American consumers purchasing products at retail stores as well as for businesses that depend on China for parts used to make other goods in the United States.

Goldman Sachs economists said Friday that the initial tariffs on \$34 billion of products would have a minimal effect on growth and inflation, in part because it was concentrated on industrial rather than consumer goods. But they cautioned that the president's moves raised the odds that other measures, including more tariffs from the United States and China and restrictions on investment, would follow.

In another analysis, the Tax Foundation, a conservative nonprofit organization, found that tariffs on China and steel and aluminum would have a minimal impact on growth and wages, but that it could lower American employment by more than 45,000 full-time jobs in the long run.

"Imposing tariffs places the cost of China's unfair trade practices squarely on the shoulders of American consumers, manufacturers, farmers and ranchers," said Thomas J. Donohue, the president of the United States Chamber of Commerce. "This is not the right approach."

The National Retail Federation, which represents grocers, chain restaurants and other stores, said the tariffs would not combat China's abusive trade practices, but only "strain the budgets of working families by raising consumer prices."

But the tariffs received commendation from others, including lawmakers across the political spectrum who have urged the president to remain tough on China. Senator Marco Rubio, Republican of Florida, called the announcement an "excellent move," while Senator Chuck Schumer of New York, the Democratic leader, said the tariffs were "right on target."

"China is our real trade enemy, and their theft of intellectual property and their refusal to let our companies compete fairly threatens millions of future American jobs," Mr. Schumer said.