

US targets \$300 billion of Chinese goods for new tariff hikes

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This comes a day after Beijing announced a rise in tariffs on American goods worth \$60 billion. Earlier on Friday, the US had hiked levies on \$200 billion of Chinese goods inviting a threat of retaliation from China.

Chinese President Xi Jinping with his US counterpart Donald Trump. (File)

US officials Tuesday listed \$300 billion more of Chinese goods for possible tariff hikes escalating tensions between the two countries locked in a trade battle. This comes a day after Beijing announced a rise in tariffs on American goods worth \$60 billion. Earlier on Friday, the US had hiked levies on \$200 billion of Chinese goods inviting a threat of retaliation from China.

After Tuesday's hike, a foreign ministry spokesman, Geng Shuang, said "China will fight to finish," adding that China has the determination and capacity to safeguard our interests. "China's countermeasures have shown our determination to safeguard the multilateral trade system," Geng said.

However now China and the United States have agreed to keep talking about their trade dispute, the Chinese government said as US President Donald Trump said he thought recent discussions in Beijing would be successful.

Products in the new list

The latest list announced by the US comprising 3,805 product categories is a step towards carrying out President Donald Trump's May 5 threat to extend punitive 25 per cent duties to all Chinese imports, a US trade representative (USTR) said. The list "covers essentially all products" which were not already affected by punitive tariffs, these include laptop computers, saw blades, turbine parts, tuna and garlic. However the list excludes pharmaceuticals and rare earth minerals used in electronics and batteries, the USTR observed. It said a June 17 hearing would be held before Washington decides how to proceed.

Contribution of social media

Also Tuesday, China's strictly-monitored social media were filled with comments criticising Washington, a scene starkly different from little online discussions of the trade dispute going on since a past few weeks. This also suggested that official censors, which might have blocked the earlier comments, have now started allowing those that favour Beijing to deflect potential criticism of President Xi Jinping's government. The United States is "sucking the blood of the Chinese," said someone in a comment on the "Strong Country" blog of the ruling Communist Party's newspaper People's Daily. Another comment on the site said, "Why are Chinese people bullied? Because our hearts are too soft!"

Where it all started

The US and China have been slugging it out since Trump slapped heavy tariffs on imported steel and aluminium items from China in March last year, and China responded by imposing tit-for-tat tariffs on billions of dollars worth of American imports. The dispute escalated after Washington demanded that China reduce its \$375 billion trade deficit with the US,

and introduce verifiable measures for protection of Intellectual Property Rights, technology transfer, and more access to American goods in Chinese markets.

Trump's indecision and warning

Although on Monday, Trump told reporters he still was thinking whether he would go ahead with penalties on the additional \$300 billion of Chinese goods, he warned Xi on Twitter that China will be hurt very badly if it doesn't agree to a trade deal. Trump wrote that Beijing had a great deal, almost completed, and you backed out! The last round of negotiations was held Friday in Washington with no word of progress. Both governments hinted towards more talks in future but set no date. Trump said Monday he would meet Xi during the Group of 20 meeting of major economies six weeks from now on June 28 and 29 in Osaka, Japan.

What analysts say

The time just before the next talks between the two countries will be highly volatile for financial markets, said Macquarie Bank analysts in a report. Both sides have the incentive to act half-crazy and unpredictable before that in order to cut a better deal, they said. Also according to some analysts, the risk of further escalation of tension between the two nations over trade tariffs is likely to remain as of now. The risk of further escalation is far from over, said Timme Spakman of ING in a report. The two governments have given themselves a few more days to make peace before their latest tariff hikes hit.

Impact on Asian stock market

Asian stock markets fell Tuesday as the fight, with no negotiated settlement in the near future, triggered anxiety among the investors about the impact on global economic growth. China main market index lost 0.7 per cent while Tokyo's benchmark declined by 0.6%. Hong Kong, Australia and Taiwan fell. On Monday, the Dow Jones Industrial Average fell 2.4% and the tech-heavy Nasdaq lost 3.4%, the highest drop percentage of the year. This came after China's Finance Ministry announced duties of 5% to 25% on about 5,200 American products, including batteries, spinach and coffee.

Current economic imbalance

Chinese tariffs announced Monday won't take effect until June 1. The US hikes apply to Chinese goods shipped starting Friday, which will take about three weeks to cross the Pacific and arrive at US ports. Tariff hikes already in place have disrupted trade in American soybeans and Chinese medical equipment. That has sent shockwaves across other Asian economies that supply Chinese factories. Meanwhile, Beijing is running out of US imports to penalise because of skewed trade balance. Chinese regulators have instead targeted American companies in China by slowing down the clearing of shipments through customs and the processing of business licences.

- (With inputs from Agencies)