

China strikes back at United States with higher tariffs on American goods

By Julia Horowitz

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London (CNN Business) — China is striking back at the United States as the trade war between the world's two biggest economies continues to escalate.

Beijing said Monday that it will increase tariffs on roughly \$60 billion worth of US goods on June 1, including American cotton, machinery, grains and aircraft parts. More than 4,000 items are affected, most of which will carry tariffs of 25% — up from 10% when they were first levied last September.

The move follows [Friday's increase](#) in US tariffs on \$200 billion worth of Chinese exports from 10% to 25%. The Trump administration, which has accused China of backtracking on previous trade commitments, sought to turn up the pressure on Beijing after months of talks failed to produce a breakthrough.

But it's not clear whether the return of tit-for-tat penalties will push Beijing toward a deal.

US and Chinese negotiators ended another round of talks on Friday without an agreement to resolve American concerns on market access and intellectual property theft.

It's up in the air when they'll meet again. Larry Kudlow, President Donald Trump's top economic adviser, said Sunday there is a ["strong possibility"](#) Trump will meet Chinese President Xi Jinping at the G20 economic summit in Japan next month. Liu He, China's top trade negotiator, said last week there would be another round of talks in Beijing.

Meanwhile, the Trump administration has begun the process to apply tariffs of 25% to the remaining \$300 billion worth of goods China exports to the United States.

High stakes

The trade dispute, which began last July, has hurt Chinese exporters, damaged companies on both sides and slowed global growth.

Apple ([AAPL](#)) partially blamed the trade war for a revenue decline in the first three months of 2019, and construction company Caterpillar ([CAT](#)) said that Chinese tariffs cost it more than \$100 million in 2018.

The latest actions are poised to make things worse. Experts have said that tariff hikes could hit growth in both economies, and that Beijing may be forced to step in with new stimulus measures.

[Global markets](#) have also been whipsawed by the trade fight. The Dow on Monday fell by [more than 600 points](#).

Last week, the S&P 500 and the Nasdaq posted their worst weekly drops since December, while the Dow had its worst week since March. Analysts fear there could be [worse to come](#) if the trade war escalates further.

If the US presses ahead with its plan to apply tariffs to all of China's exports, Beijing's options to respond are limited as it has already targeted the vast majority of American exports.

China could, instead, choose to make life harder for American companies operating within its borders with hurdles like customs delays and heightened scrutiny by regulators. Big names like Boeing ([BA](#)), Nike ([NKE](#)), Tesla ([TSLA](#)), General Motors ([GM](#)), Intel ([INTC](#)) and many others are all hugely dependent on the Chinese market.

In response to speculation that its sales to China could suffer, Boeing ([BA](#)) said Monday it was "confident the US and China will continue trade discussions."

Still, further disruption and additional cost is likely as more companies get caught in the crosshairs.

"While companies have managed to work around the previous rounds of tariffs — tweaking supply chains and rerouting goods — this would become harder if the scope of tariffs widens," UBS analysts said in a note Monday.

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