

## China strikes back with \$US60B in tariffs on US goods

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**Beijing:** China has stared down Donald Trump's trade war threat and says it will retaliate with \$US60 billion in tariffs on US goods to start on Monday.

China's Finance Ministry said the new tariffs, ranging from 5 per cent to 10 per cent, would be triggered on September 24, the same day Trump's \$US200 billion package of tariffs on thousands of Chinese products comes into effect.

Trump had earlier warned that if China retaliated, he would respond by slapping another \$US267 billion in tariffs on Chinese imports - effectively taxing all Chinese goods sold in the US.

China's commerce ministry said China was forced to retaliate.

"In order to safeguard its legitimate rights and interests and the global free trade order, China will have to take simultaneous counter measures," said a Chinese Commerce Ministry spokesman.

Beijing "deeply regrets" the tariffs, the spokesman said.

The new tariffs dwarf those previously [announced in July of \\$US34 billion and of \\$US16 billion in August](#). The third wave of tariffs, effective on September 24, will start at 10 per cent and increase to 25 per cent on January 1.

Trump also threatened to immediately impose almost \$US270 billion of additional tariffs if the Chinese government announces retaliatory measures against US farmers and manufacturers. This would effectively be a tax on all Chinese products entering the US, and more.



US President Donald Trump announced US\$200 billion worth of new tariffs on Monday US time

*Photo: SIPA USA*

Trade talks between the US and China, due to be held next week, are now clearly in doubt. Beijing has repeated that it will only negotiate on an equal basis.

China's foreign ministry spokesman Geng Shuang said on Tuesday afternoon: "What the US has done shows no sincerity, no good faith at all".

Liu had been invited to Washington next week to meet with US treasury secretary Steven Mnuchin.

Australia's Reserve Bank board discussed the trade war at its recent meeting, concluding that the "significant tensions around global trade policy ... represented a material risk to the outlook."

"Ongoing uncertainty about trade policy had led to volatility in the prices of some commodities," according to the board's minutes, which were released on Tuesday. "More generally, the direction of international trade policy in the United States continued to be a source of uncertainty for the outlook for the world economy."

The initial US tariffs will [reduce Australia's GDP by 0.3 per cent by 2022](#), according to modelling by KPMG - a \$36 billion drop in economic growth over five years.

If the tariffs rise to 25 per cent, however, the Australian economy will be \$58 billion worse off over five years.

The KPMG modelling found Australia would be hit harder by the US-China trade war than the European Union or Japan.

Unlike the previous rounds of tariffs - which targeted industrial goods - this tranche will affect consumer products and could lead to price rises for items such as air conditioners, spark plugs, furniture and lamps.

In Beijing, China's commerce ministry was unusually silent in the hours after the US tariff announcement, as China's top trade negotiator, vice-minister Liu He was reported to have been locked in meetings to decide China's response to the Trump salvo.

The commerce ministry said the US increasing tariffs "brings new uncertainty to the consultations between the two sides. It is hoped that the US will recognise the possible negative consequences of such actions and take convincing means to correct them in a timely manner".

Liu had been expected to go to Washington next week to resume talks with Stephen Mnuchin, but the tariffs will be triggered on Monday, putting negotiations in doubt.

The prospect of a more aggressive trade war with China pushed stocks lower, after investors had previously been largely untroubled by the [Trump administration's trade policies](#).

The S&P 500 index fell 16.18 points, or 0.6 per cent on Monday US time, while the Dow Jones Industrial Average lost 92.55 points, or 0.4 per cent.

In a statement, Trump said the tariffs were the result of an investigation which found China had engaged in unfair trade and intellectual property practices for many years.



Bundles of aluminum ingots sit stacked at a China National Materials Storage and Transportation Corp. stockyard in Wuxi, China.

*Photo: Bloomberg*

"These practices plainly constitute a grave threat to the long-term health and prosperity of the United States economy," he said.

"As President, it is my duty to protect the interests of working men and women, farmers, ranchers, businesses and our country itself. My administration will not remain idle while those interests are under attack."

Earlier in the day [the President tweeted](#): "Tariffs have put the US in a very strong bargaining position, with Billions of Dollars, and Jobs, flowing into our Country - and yet cost increases have thus far been almost unnoticeable.

"If countries will not make fair deals with us, they will be 'Tariffed!'"

Australian Trade Minister Simon Birmingham warned the trade war between the US and China would hurt consumers and would have "possible negative effects" on other nation's economies.

"Tariffs ultimately result in consumers paying more and disruptive trade practices ultimately hurt economies rather than help them," Birmingham told ABC radio.

"That's why we continue to urge everybody, whether they are those who engage in market distorting subsidies, or whether they are those who might talk about or pursue multi-lateral tariff actions, to think carefully about the consequences of doing so."

He said consumers benefit from access to the lowest cost goods.

"No-one benefits from trade disputes or a global trade war.

"Today's announcement from the United States is a concerning development and we urge all parties to step back from further escalating tariffs and to tackle trade distorting subsidies or other issues."

Birmingham said Australia's economic growth had come from seizing export opportunities.

"The Liberal-National government will ensure we continue to have the backs of Australian industry. We'll work hard to ensure they aren't caught in the crossfire of today's news by continuing to pursue new opportunities for Australia's farmers and businesses to access markets at the lowest possible cost."

He said the Australian government was "always concerned where people are not necessarily following the traditional rules-based order of international trade".

US business groups reacted angrily to the announcement, saying the tariffs would raise consumer prices and threaten jobs.

"These tariffs are going to be paid for by the working families who drive our economy," said Jonathan Gold, a spokesman for a business group formed to fight tariffs called Tariffs Hurt the Heartland. "Tariffs are taxes, plain and simple.

"By choosing to unilaterally raise taxes on Americans, the cost of running a farm, factory or business will grow."

Some products - such as smart watches, Bluetooth devices, bike helmets, high chairs and play pens - were exempted from the tariffs after lobbying from companies including tech giant Apple and the chemical industry.

Trump's top economic advisor, Larry Kudlow, said in New York on Monday: "We stand ready to negotiate with China any time if they are willing to move towards serious talks to remedy trade problems."

Asked whether the US was attempting to contain China with tariffs, Mr Geng said he had never heard any US official say this.

"We have been repeating that sound and steady development of China US ties serves the fundamental interests of the two sides and it is also what the international community wishes to see. We would like to work with the US to achieve that, however the protectionist and unilateral measures taken by the US side is very unacceptable to us."

