

China announces tariff hike on \$75 billion of US products

China on Friday announced tariff hikes on \$75 billion of U.S. products in retaliation for President Donald Trump's latest planned increase, deepening a conflict over trade and technology that threatens to tip a weakening global economy into recession.

China also will increase import duties on U.S.-made autos and auto parts, the Finance Ministry announced.

The announcement comes as leaders of the Group of 7 major economies prepare to meet in France this weekend.

Tariffs of 10% and 5% will take effect on two batches of goods on Sept. 1 and Dec. 15, the ministry said in a statement. It gave no details of what goods would be affected but the timing matches Trump's planned duty hikes.

Washington is pressing Beijing to narrow its trade surplus and roll back plans for government-led creation of global competitors in robotics, electric cars, and other technology industries.

The spiraling conflict has battered exporters on both sides and fueled concern it might drag down weakening global economic growth.

Peter Navarro, who advises Trump on trade policy, tried to downplay the impact of Chinese tariff hikes. He said they were "well anticipated" and would only strengthen Trump's resolve.

China's government appealed to Trump this week to compromise in order to reach a settlement.

That came after Trump warned that the American public might need to endure economic pain in order to achieve long-term results.

The United States, Europe, Japan, and other trading partners say Beijing's development plans violate its market-opening commitments and are based on stealing or pressuring foreign companies to hand over technology.

Some American officials worry they might erode U.S. industrial leadership.

Chinese leaders have offered to alter details but are resisting giving up a development strategy they see as a path to prosperity and global influence.

The talks are deadlocked over how to enforce any deal. China insists Trump's punitive tariffs have to be lifted as soon as an agreement takes effect. Washington says at least some have to stay to ensure Beijing carries out any promises it makes.

Trump announced plans to raise tariffs Sept. 1 on \$300 billion of Chinese products after talks broke down in May. Increases on some goods were postponed to Dec. 15.

Trump escalated "trade frictions" and is "seriously threatening the multilateral trading system," the Finance Ministry said. "China was forced to take countermeasures."

A separate statement said tariffs of 25% and 5% would be imposed on U.S.-made autos and auto parts on Dec. 15. Beijing announced that increase last year but suspended it after Trump and his Chinese counterpart, President Xi Jinping, agreed at a meeting in December in Argentina to put off further trade action while they negotiated.

Trump and Xi agreed in June to resume negotiations. But talks in Shanghai in July ended with no indication of progress. Negotiators talked by phone this month and are due to meet again in Washington next month.

BMW, Tesla, Ford, and Mercedes Benz are likely to be the hardest hit by the Chinese auto tariffs. In 2018, BMW exported about 87,000 luxury SUVs to China from a plant near Spartanburg, S.C. It exports more vehicles to China than any other U.S. auto plant.

Together, Ford, BMW, Mercedes, and others export about 250,000 vehicles to China from the U.S. each year, according to the Center for Automotive Research, a think tank in Ann Arbor, Michigan. Most of them are luxury cars and SUVs with higher profit margins that can cover higher U.S. wages.

Tesla, which is building a plant in China, now gets about 12% of its revenue by exporting about 14,300 electric cars and SUVs from California to China,

according to Barclays. Most of Ford's exports are from the Lincoln luxury brand, but most of the vehicles it sells in China are made in joint venture factories.

Trump already has imposed 25% tariffs on \$250 billion of Chinese products. Beijing retaliated by imposing its own penalties on \$110 billion of American goods. But their lopsided trade balance meant China was running out of imports for retaliation.

Friday's announcement, if it applied to goods not already affected by Chinese penalties, would extend tariff hikes to everything China imports from the United States. That would match Trump's hikes, which cover almost all of what Americans buy from China.

Associated Press writers Tom Krisher in Detroit and Deb Riechmann in Washington, DC, contributed to this report.

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