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More global trade sectors threatened by ever-growing US-China trade war

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On May 10, 2019, the United States raised tariff rates from 10% to 25% on USD 200 billion worth of Chinese goods, following the breakdown of trade negotiations that began in December of 2018. The Chinese government retaliated with tariffs on USD 60 billion of U.S. goods. Both countries vowed to stay the course as the trade war continues to escalate.

The United States Trade Representative (USTR) also released a statement, as well as a request for public comment. The statement includes an annex listing all of the remaining goods imported from China, worth as much as USD 325 billion, that may be subjected to an additional 25% tariff later in the year. The USTR statement gives a brief background of the trade war, citing a March 2018 report, “Findings of the Investigation into China’s Acts, Policies, and Practices related to Technology Transfer, Intellectual Property, and Innovation Under Section 301 of the Trade Act of 1974,” that laid the groundwork for imposing tariffs.

Part of the U.S. strategy in imposing tariffs is to change China’s behavior regarding trade and investment. The March 2018 report issued by the USTR was followed by an update in September 2018, alleging no action on China’s part to change its behavior or even admit that there is a problem to begin with. China responded with a white paper, “The Facts and China’s Position on China-US Trade Friction,” that put forth the argument that trade between the two countries was actually more balanced than U.S. officials and media contended, when taking into account the services and sales of U.S. companies doing business in China. This back and forth led to negotiations in May that ended in failure, and the increase in tariff rates and the initialization of a possible “List 4” of tariffs that could go into effect as early as July or August 2019.

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