

US-China trade dispute**China's Liu He denies backtracking on trade agreements with the US**

Washington is preparing new tariffs after alleging that Beijing "renege"



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Christian Shepherd in Hong Kong, Tom Mitchell and Nian Liu in Beijing and James Politi and Demetri Sevastopulo in Washington
MAY 12, 2019

Chinese vice premier Liu He has denied that China backtracked on agreements made in trade negotiations with the United States, in Beijing's first detailed response to Washington's allegation that changes to negotiation texts prompted President Donald Trump to call for additional tariffs on Chinese goods.

Over recent months both sides believed they were nearing a draft agreement that might be concluded as soon as this week. But Mr Trump, who had insisted since late January that the negotiations were proceeding smoothly, changed his tune last week as he alleged Mr Liu's team was seeking to "renegotiate" terms of the evolving deal.

On Friday, Mr Trump ordered a [sharp rise](#) in the punitive tariff rate currently imposed on about \$200bn worth of Chinese imports, from 10 per cent to 25 per cent.

He also moved closer to imposing tariffs on all imports from China after talks between Mr Liu and US officials in Washington failed to find a last-minute resolution.

Robert Lighthizer, the US trade representative, said Mr Trump had told him to start preparations for imposing tariffs on the roughly \$300bn in Chinese goods that are currently not subject to tariffs.

“[The president] ordered us to begin the process of raising tariffs on essentially all remaining imports from China, which are valued at approximately \$300bn,” he said in a statement. “Details will be on the USTR website on Monday as we begin the process prior to a final decision on these tariffs.”

The Chinese government said last week that it would respond to Mr Trump's move with new tariffs of its own but has so far been relatively calm in its response, as it believes a deal could still be within reach.

Mr Liu told Chinese media at the weekend there had not been a breakdown in talks and that China had not “reneged” on the deals, claiming that the two sides were still in the process of exchanging draft agreements when Mr Trump threatened higher tariffs.

“We believe that before an agreement is reached, any change is very natural,” he said, according to Hong Kong-based Phoenix Media. “We did not backtrack. We had disagreements over how to write some of the text is all.”

China wants a deal “premised on equality and dignity”, Mr Liu said, adding that the remaining differences were “matters of principle” over which China could not make concessions.

On Saturday evening, however, Mr Trump taunted Beijing's negotiators. “I think that China felt they were being beaten so badly in the recent negotiation that they might as well wait around for the next [US presidential] election, 2020, to see if they could get lucky and have a Democrat win,” the president said. “The deal will become far worse for them if it has to be negotiated in my second term. Would be wise for them to act now.”

The higher US duties imposed on Friday will only apply to Chinese goods shipped from Friday onwards — and not on products already en route to or in US ports. China has yet to announce counter measures.

As most merchandise trade between the world's two largest economies is transported across the Pacific by ship, that gives both sides several weeks to negotiate a settlement before the tariffs kick in. The two sides concluded their 11th formal round of trade talks in Washington on Friday.

China believes the tariffs are the “starting point” of the trade dispute and must be fully removed before a deal can be reached, Mr Liu told Phoenix.

“The Chinese are showing remarkable restraint and an eagerness to stay engaged in talks despite harsh words from the US,” said Eswar Prasad, a professor at Cornell University and former head of the International Monetary Fund's China division.

China, which imports far less from the US than the US does from China, has imposed tariffs of its own on almost all US imports, with most of the impact felt by American [farmers](#) and energy exporters.

Mr Trump said on Twitter the US government would “buy agricultural products from our Great Farmers, in larger amounts than China ever did” — heralding a big round of state subsidies for the US farming sector.

US farmers have already seen a sharp drop in exports to China over the past year due to the trade war and have been begging the administration to reach a deal with Beijing. Last year, the Trump administration put in place a \$12bn aid package for farmers to prevent a political backlash, but until this week it had ruled out a new one.

The US imported goods worth \$505bn from China in 2017, according to US data, compared to exports to China of \$130bn.

Aside from raising existing tariff levels, the Chinese government could resort to [non-tariff barriers](#) and other administrative measure to punish US corporate interests in the world's second-largest economy.

While Chinese officials will not welcome an all-out trade war, they are unlikely to try to avoid one at all costs as [nationalist attitudes](#) harden at home.

“Basically the US cannot defeat China through trade,” said Huang Weiping, an economics professor at Renmin University in Beijing. “American sanctions did not break Russia or Cuba. They will definitely not break China.”

The total value of China's exports have fallen from about 35 per cent of GDP to 18 per cent since 2006, with exports to the US now equivalent to just four per cent of GDP.

Li Linghui, owner of a suitcase exporter whose products will be hit by the tariff increase, said he was not concerned even though one-third of his business is in the US. “If they increase tariffs we'll just be more expensive in the US,” he said. “It's American customers who are going to bear the cost, not us. I'm not going to lose money selling to them.”

“And I can always turn to [China's] domestic market,” he added. “I will survive.”

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