

US-China trade dispute

China makes trade concession to US by opening car industry to foreigners

Beijing accompanies new carrot for Trump with stick of raised sorghum tariffs



Presidents Xi Jinping and Donald Trump in Mar-a-Lago in Palm Beach, Florida, last year © AP Charles Clover, Emily Feng and Sherry Fei Ju in Beijing 4 MINUTES AGO

Beijing has conceded to US policymakers by lifting ownership rules that limit foreign investment in Chinese carmakers, the first significant sign China is willing to bend to American demands.

The Chinese government said it would abolish foreign ownership caps on electric vehicles, shipping and aircraft manufacturing by the end of the year.

Donald Trump has blasted the allegedly unfair treatment of US car exports and threatened [tariffs and investment restrictions](#) in sectors where access to China's market is more limited than the US's.

The [ownership restrictions](#), which currently require foreign companies to set up 50-50 joint ventures with a Chinese partner in order to manufacture cars domestically, would also be removed for commercial vehicles by 2020 and all others by 2022.

But Beijing accompanied the concession by imposing a 178 per cent import duty on [US sorghum crops](#), a sign it is adopting a carrot-and-stick approach to its deepening trade dispute with Washington. China imported almost \$1bn of US sorghum last year, according to customs data.

The Chinese announcement was given a cool reception by the US, where the office of the US trade representative said it would consider taking China to the World Trade Organization over the sorghum measures.

“The president has made it clear that any further illegal trade actions by China are not acceptable, including the unfair targeting of US sorghum producers,” said Lindsay Walters, deputy press secretary.

“While we appreciate that China is recognising longstanding US concerns about discriminatory practices in the autos, ship, and aircraft sectors, we await actual implementation of any policy change.”

The five-year timetable to ease ownership restrictions, unveiled by China’s state planning agency on Tuesday, is in line with a pledge made last week by President Xi Jinping.

It comes as Beijing and Washington are locked in an economic war of words, with both sides threatening new tariffs on \$150bn of bilateral trade. The IMF on Tuesday warned in its [annual review](#) of the international economy that a full-blown US-China trade dispute would threaten the post-crisis global recovery.

“The strategy [in Beijing] involves giving Trump some symbolic wins while also taking measures that affect US business and agricultural interests, counting on them to bend the administration’s ear from the other side,” said Eswar Prasad, a Cornell University economist and former China expert at the International Monetary Fund.

Mr Prasad said Beijing was attempting to draw Mr Trump to the negotiating table while making clear it was prepared to retaliate. The White House did not immediately respond to a request for comment.

The debate over Mr Trump’s tariff threats has divided Washington, with much of the US business community and Republicans in Congress pushing the White House to tone down its rhetoric because of fears it could damage the world’s two largest economies.

There are also signs the Trump administration is engaged in its own internal debate between those favouring a quick deal with Beijing and those wanting to wage a longer conflict aimed at reining in China’s economic ambitions.

Foreign car manufacturers have long complained about Beijing’s use of ownership caps and joint venture requirements to protect domestic manufacturers at their expense.

Tu Le, head of Sino Auto Insights, a market research company, said the new rules could be meaningful for electric vehicle makers such as [Tesla](#) that do not already have operations in China.

Recommended

But he added they were unlikely to lead to huge shifts in the way foreign vehicle manufacturers conducted business in China, as most had learnt how to [make](#)

[handsome profits](#) in the country despite the restrictions. [General Motors](#), the largest American carmaker in China, said in a statement that it was content with its current set-up.

“GM’s growth in China is a result of working with our trusted joint venture partners,” it said. “We will continue to work with our partners to provide high-quality products and services to consumers.”

Michael Dunne, author of *American Wheels, Chinese Roads* and an expert on the country’s automotive industry, said: “Before champagne corks are popped, I wonder why the effective date is four years away. Will China put in new market access rules around technology?”

Beijing’s move to target agriculture will be felt hardest in some of the farming states that voted for Mr Trump in the 2016 presidential election.

Ma Wenfeng, analyst at Beijing Orient Agribusiness Consultant, said the tariffs on sorghum — imposed in response to a Chinese anti-dumping investigation that began in February — would be relatively painless for China.

China began buying large amounts of US sorghum in 2014 after inflated grain prices set by Beijing made US imports relatively cheaper.

“It doesn’t make a big difference to China if we don’t import from the US,” he said. “The reason for starting sorghum imports in the first place was because of the pricing policy.”

Additional reporting by Shawn Donnan and Chris Giles in Washington, Patti Waldmeir in Chicago and Peter Campbell in London

[Copyright](#) The Financial Times Limited 2018. All rights reserved.

[Show more comments](#) 46

Industrial metals

Surging China steel output defies Trump pressure

Country ramps up production despite 25% tariffs announced by White House