

Snap | 13 May 2019

China shows goodwill

China responds mildly against last Friday's US tariff hike to contain the conflict from further escalating



China raised retaliatory tariffs to 25% on a package of US\$60bn of imports from the US. This is considerably less than the US tariff hike to 25% on US\$200bn of imports from China last Friday.

The retaliatory measures will take effect from 1 June. This roughly corresponds to the date at which the first US tariffs of last Friday's hike become effective. The US applied tariffs on products shipped from China from last Friday and mostly affects goods shipped by sea. This means that the first goods to be affected by the tariffs will arrive about three weeks from now (average shipping time to the US).

With the meeting in Washington and this gentle response, China aims to keep the door open for further negotiations on a trade deal and contain further escalation. The US has threatened to raise

additional tariffs if China were to retaliate. With that, the risk of further escalation is far from over.

If the US were to expand its tariff measures, China is expected to continue to retaliate in a similar mild fashion as today. This, because it is difficult for China to retaliate with equal measures since China imports a lot less from the US than the other way around. However, this is not the only reason. With its mild response, China also maintains the moral high ground in the conflict.

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