

China to halve tariffs on \$75-bn US goods from February 14

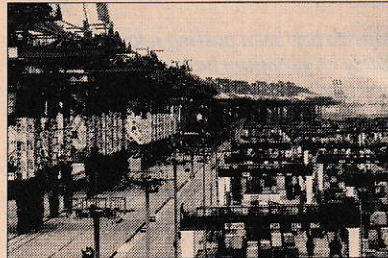
BLOOMBERG
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CHINA WILL HALVE tariffs on some \$75 billion of imports from the US later this month, reciprocating a US action and likely satisfying part of the interim trade deal.

The cut will be effective from 1:01 pm on February 14, Beijing time, according to a ministry of finance statement on Thursday, the same time as when the US will implement reductions in tariffs on Chinese products. Punitive Chinese tariffs on American goods that were adopted from September 1 last year will be lowered, with the rate on some dropping to 5% from 10%, and the others to 2.5% from 5%.

Both nations agreed to cut tariffs on each others' goods as part of the phase-one deal signed last month. Even with the world's two biggest economies pausing their trade war, tariffs remain on large parts of their bilateral trade with numerous other points of friction in the relationship. The ongoing coronavirus that has claimed more than 500 lives in China and sickened thousands is raising concerns that the Asian nation might have to declare force majeure if the situation worsens.

The January 15 deal has a clause that states the US and China will consult "in the event that a natural disaster or other unforeseeable event" delays either from complying. Chinese officials are hoping the US will agree to some flexibility on pledges in their phase-one trade deal, people familiar with the situation said, though it is unclear if such a request has been for-



mally raised.

Other retaliatory tariffs China has imposed on US goods will remain, according to the statement. In the meantime, China will continue processing applications for tariff exemptions, it said.

"We don't see any impact from this tariff cut — the measures are in line with what the US side is doing," said Li Qiang, head of Shanghai JC Intelligence. While China will continue to process waivers on farm product imports, it won't remove its punitive tariffs if the US maintains its duties, he said.

The yuan extended gains after news of the tariff reduction, with the offshore rate advancing as much as 0.26% to 6.9573 per dollar. Soybean futures traded in Chicago hardly moved following the news, trading 0.6% higher. Brent futures in London inched up, rising as much as 2.4%.

In the deal, China agreed to increase its imports from the US, including agricultural products and services, from 2017 levels by no less than \$200 billion over the next two years. China is set to release January trade data on Friday, providing a first glimpse of this year's imports from the US.