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TRADE

EXPORTERS SCRAMBLE TO BEAT U.S. TARIFF RISE

Chinese companies, facing losses from higher duties, mull rushing shipments or selling through other countries to American customers

Associated Press in Beijing

One of China's biggest ball-bearing makers, Cixin Group, is weighing plans to rush shipments to customers in the United States before possible US tariff increases make its sales unprofitable.

The company, in Ningbo, Zhejiang province, is among exporters of goods from motorcycle parts to electronics that are scrambling to cope with US President Donald Trump's higher duties by shipping early, raising prices or finding new markets.

The 25 per cent tariff increase would turn Cixin's profits to losses in the US market, which takes 30 per cent of the firm's exports, according to company manager Wang Liqiang.

"We are considering manufacturing as many ball bearings as possible for the US market before the imposition of tariffs," Wang said. "We can do it by working overtime."

Some companies are looking at ways to hide their Chinese origin by shipping goods through other countries.

"Maybe customers will buy from South America, and then South America sells to the US," said Yvonne Yuan, a sales manager for Shenzhen Tianya Lighting, a manufacturer of LED bulbs.

Trump said higher duties on US\$60 billion of Chinese goods were meant to punish Beijing for stealing or pressuring foreign companies to hand over foreign technology.

The plan targets goods US officials say benefit from improper Chinese policies including machinery, industrial components and aerospace, telecommunications and other technology.



China's exports last year increased 7.9 per cent, down from the heady double-digit rates of the past decade. Photo: AFP

Trump left time to negotiate. A public comment period runs until May 11, with a hearing scheduled for May 15.

Economists and Chinese officials said the overall impact of the tariff increase on China should be limited. But for exporters that depend on the US market, the potential costs are alarming.

Knock-on effects could greatly increase the impact, Moody's Investors Service researchers said in a report.

Chinese manufacturers that supplied inputs to the targeted sectors would see reduced demand and more pricing pressure, spreading the effects of tariffs deeper into the country's economy, the report said.

Manufacturing and processing of metals and metal products, as the key input sectors for technology product manufacturing, would be hurt the most.

Chinese exporters are flexible and resourceful but many are

struggling with higher costs and slowing demand.

China's exports last year rose 7.9 per cent, down from the heady double-digit rates of the past decade. The US buys about 20 per cent of China's exports.

Some exporters already are reeling from previous US tariff increases of up to 500 per cent on washing machines, solar modules and some metal products, meant to offset what the Trump administration said were improper subsi-



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PAN JIANLE

dies that allowed them to sell at unfairly low prices.

Others are confident American customers cannot do without them.

Makers of motorcycle components planned to use that leverage to ask buyers to split the cost if tariffs rose, said Pan Jianle, an official of the Motorcycle Parts Association in Wenzhou.

She said the company exported worldwide but the US was its biggest market.

"The US motorcycle parts industry relies heavily on China. It is difficult for US customers to find products with good quality and value for money from other places," she said.

Pan declined to provide the value of exports of motorcycle components to the US.

Electronics manufacturers also planned to ask buyers to share higher costs, said Li Zengyou, the secretary general of the manufacturing chamber of commerce in Zibo, Shandong province.

Zibo's electronics exports to the US last year totalled US\$1 billion, Li said. That would mean that if the tariff rise applied to all their sales, it could add US\$250 million to the cost.

If higher tariffs hit, "they will raise the price", Li said. "If US customers fail to accept it, they will stop exporting to the US and turn to explore other markets."

As China reaches out for help in trade war, the European Union finds itself caught in the crossfire.

Cixin's margins in the US were about 10 per cent, which would be wiped out by a 25 per cent tariff increase, Wang said.

The company also exports to Europe and Latin America.

"We can't bear all the costs," he said. "We can try to increase our exports to other countries, but it is not easy to establish a long-term relationship with new customers."