

U.S.-CHINA TRADE WAR

Recovery may take time despite trade deal

Further downturn in export growth is likely even if the US and China reach agreement

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Global trade could remain subdued even if the United States and China reach a deal to end their trade war later this month, according to research firm TS Lombard.

In its latest report on emerging markets, the firm said it expected the decline in export growth to get even steeper in April despite a strong recovery in Chinese exports in March.

"The model suggests that there will be a sharp downturn in China's export growth in April, followed by a smaller decline in May, while exports may contract at a slower pace in June," Jon Harrison, managing director for emerging markets macro strategy at TS Lombard, said in a report. "A US-China trade deal appears likely in the coming month, but there will continue to be a lagged impact on world trade."

After a double-digit drop in February, Chinese exports grew at 14.2 per cent in March, well ahead of forecasts, according to the General Administration of Customs. Imports, however, continued to shrink, following declines in January and February.

The timing of the Lunar New Year holiday in 2018 meant exports were slower to recover in the previous year, leading to a more favourable comparison.

The US has placed tariffs on nearly half of the goods imported from China as the Trump administration seeks to force Beijing to change years of what it says are unfair trade practices and overcome a trade deficit that soared to US\$419.2 billion last year.

US Treasury Secretary Steven Mnuchin told Fox Business on Monday that the two sides were making progress on a potential deal but "we still have more work to do". American and Chinese officials are meeting in Beijing this week and a Chinese delegation is expected to travel to Washington later this month.

Last week, Standard Chartered and the Hong Kong Productivity Council said sentiment among small and medium-sized businesses rose sharply headed into the second quarter.

In its report, TS Lombard said it believed the regionalisation of global trade, in light of the trade war, would lead to a strengthening of links between Asian countries and the "emergence of a trading bloc centred on China".



The US Department of Commerce found that certain polyester-textured yarn from China was being unfairly subsidised. Photo: Reuters

China yarn firms face duties up to 460pc

Washington accuses producers of unfair subsidies as trade talks kick off

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The mainland's yarn producers are likely to suffer even if US and Chinese negotiators are able to reach a deal in coming weeks to end the trade war between the world's two largest economies.

The US Department of Commerce found on Monday certain polyester-textured yarn from China and India was being unfairly subsidised. To offset the subsidies, the department slapped duties of 32 to 460 per cent on Chinese producers, while Indian producers will face duties of between 7.1 and 20.5 per cent.

The US decision is preliminary and the duties could be reduced or even eliminated after further investigation.

Following its preliminary investigation, the US assigned a duty of 32.04 per cent for polyester-textured yarn made by Fujian Billion Polymerization Fiber Technology Industrial and a duty of 459.98 per cent on Suzhou

Shenghong Fiber, as well as Suzhou Shenghong Garment Development and its cross-owned companies.

A fact sheet released by the department said the preliminary duty for all other Chinese producers and exporters of the yarn would be 32.04 per cent.

The US Customs and Border Protection will collect cash depo-

sits from importers of the yarn from China- and India-based firms at these preliminary rates.

While the preliminary duties are heavy, they are unlikely to have any major impact on either economy.

In 2017, imports of polyester-textured yarn from China and India were valued at an estimated US\$35 million and US\$19.6

million, respectively, according to US government data.

The US is expected to announce its final determinations by September 10, while the US International Trade Commission will announce its ruling on the proposed duties within 45 days of the department's decision.

If a final determination is approved by both bodies, orders will be issued to impose countervailing duties on a continuing basis. If either agencies' determination is negative, no duties will be imposed.

This week, another round of negotiations between US and Chinese officials is taking place in Beijing. Talks kicked off yesterday, attended by Chinese Vice-Premier Liu He and US Treasury Secretary Steven Mnuchin and US Trade Representative Robert Lighthizer.

Before the start of the talks, Chinese and US officials said significant progress had been made in the bilateral consultations.

Both sides exchanged pleasantries in front of the gathered media, with Mnuchin telling his Chinese counterpart: "Nice to see you. It's good to be back here."



Members of the US and China delegations in Beijing, led by Chinese Vice-Premier Liu He and US Treasury Secretary Steven Mnuchin. Photo: EPA