Problems Mount as Trade War Escalates

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Early this morning, China announced it would raise the tariff rate on all goods imported from the U.S. from 84% to 125%, effective April 12. The Chinese Commerce Ministry added that China would not respond to any future U.S. increases, saying: "at the current tariff level, there is no market acceptance for U.S. goods exported to China." Today's escalation is in direct response to the Trump administration increasing the import tax on Chinese goods to 145% yesterday.

U.S. soybean farmers will feel the tax pinch as China accounts for half of all soy export revenue. Suddenly unaffordable U.S. prices have prompted Chinese companies to increase purchases of less expensive Brazilian beans. The EU's counter to Trump's reciprocal tax targeted specific imports, *including soy*, which should also encourage European countries to seek alternate sources. The foreign response up to this point has been primarily on goods, but exported U.S. services – technology, software, cloud storage – will be increasingly vulnerable as the trade war persists.

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