

US-China Trade Talks

6/19/19

Back on track?

Announced yesterday:

- **Trump and Xi to meet at G20 in late June**
- **Negotiating teams to meet before then**

It's been roughly 6 weeks since the US-China trade talks came off the rails.

Since then there been little except tariffs, bans, threats, and veiled threats on both sides, as the trade combatants seemed more interested in showing their fangs than talking things through. Yesterday offered the first glimmer of hope since early May, as it was announced that Presidents Trump and Xi would have an “extended” meeting during the G20 summit in Japan on June 28-29, and that negotiators for both sides would meet again before that date. Given the ups and downs in the conflict thus far, it is way too early to celebrate. But a return to talks is certainly welcome.

Blame, tariffs, bans, and threats. Since talks stalled in early May...

The US has...

- *Blamed China for the collapse of talks*
- *Raised tariffs on \$200 billion in Chinese products*
- *Threatened to raise tariffs on another \$300 billion*
- *Issued a ban on doing business with Huawei (delayed implementation)*

China has...

- *Blamed the US for the collapse of talks*
- *Raised tariffs some US products*
- *Reminded the US that it can restrict exports of rare earth minerals*
- *Threatened retaliation against companies that don't do business with Huawei*
- *Announced fines and investigations against US companies (maybe signaling future retaliatory measures)*

What happens next?

The optimistic view

Both sides have plenty of incentive to reach a deal—to avoid economic pain (both sides), to score a big win before an election (Donald Trump), to make changes its economy needs anyway (China). So maybe talks will stay on track, move toward common ground, and reach an agreement with without too much delay (by the end of 2019, if not earlier).

The pessimistic view

Both sides seem willing to dig in for a long conflict. Trump's position on China is more popular than not, he seems to relish hardline positions, and although it might take a hit from tariffs, the US economy is still doing fairly well. On China's side, they might be more vulnerable economically, but politically their leaders are in a stronger position, the people tend to support nationalistic efforts, and it could be tempting to try to outlast Trump, hoping he only gets one term.