

US-China Trade Talks

Trade War:

7/1/19

Postponed, but not cancelled (yet)

Announced yesterday:

- **Trump and Xi meeting produces a truce**
 - *Resumed:* Negotiations to restart
 - *Delayed:* New tariffs, Huawei ban
 - *Agreed:* China will buy more US agricultural products
 - *Missing:* Resolution of sticking points; schedule or deadlines for talks.

US China trade talks are back on after a presidential meeting this weekend in

Osaka, Japan on the sidelines of the G-20 conference. Coming after two months of stalled talks and escalating threats, the announcement is good news for those who would like to see a productive resolution to the conflict. Both sides agreed to delay implementation of new tariffs or counter measures. The US is delaying enforcement of its ban on US companies selling parts to Chinese telecom giant Huawei. China reportedly will begin buying more US farm products. Not bad. Yet, overall, it is a middle of the road result. A bad result would have been the two sides saying there is no reason to continue talks. A better result would have been if it was announced that the presidents resolved a few key sticking points or they have agreed upon a schedule. This announcement is right down the middle. The talks are not further ahead nor further behind. They appear to be right where they were two months ago, with a chance to move forward.

Lack of visibility makes it hard assess possibility of an eventual agreement.

While we have a general sense as to the issues being discussed and we've been told an agreement was very close before, we actually don't have details relative to the terms under discussion and we can't say for sure how far apart the two sides are. So while this is a positive sign, there's no reason to think an agreement is either likely or imminent. Then again, there's no reason to rule out an agreement, either.

The US domestic debate might have more fireworks than the China talks.

In a possible precursor of what's to come, both Democrats (Sen. Schumer) and Republicans (Sen. Rubio) forcefully criticized President Trump for taking the pressure off Huawei, even if only partially and temporarily. Due to the lack of visibility into the terms to date, the inherently complex nature of the issue, and the upcoming election, this is likely what we will see if and when a deal is announced—intense scrutiny and criticism. Stay tuned for more political fireworks.