



China-US Trade Disputes (XVII)

FUNG BUSINESS INTELLIGENCE

Fung Business Intelligence

Global Sourcing

4 February 2019

Progress seen in China-US trade talks

At the end of two days of high-level talks to resolve trade conflicts on 30-31 January, negotiators from both China and the US hailed major progress, with further negotiations set up in the near future. We will continue to closely monitor developments in this regard.

China and US make progress in trade talks

Chinese Vice-Premier Liu He led a delegation to Washington on 30-31 January to hold trade talks with a US delegation led by US Trade Representative (USTR) Robert Lighthizer to resolve China-US trade conflicts. This latest round of high-level talks follows an earlier one held by mid-level officials from the two countries in Beijing on 7-9 January.

According to a statement issued by the White House, this round of trade talks covered a wide range of issues, including (1) forced technology transfer; (2) protection of intellectual property rights; (3) tariff and non-tariff barriers faced by US companies in China; (4) cyber theft; (5) excess capacity caused by Chinese market-distorting forces such as subsidies and state-owned enterprises; (6) market barriers and tariffs that limit US sales of goods and services to China; and (7) currency policy. The two sides also discussed the need to reduce the US trade deficit with China.¹

Both China and the US talked of progress being made in the trade talks. According to China's state-owned Xinhua News Agency, 'important progress' has been made in the negotiations, and China has

¹ <https://www.whitehouse.gov/briefings-statements/statement-united-states-regarding-china-talks/>

agreed to expand imports of US agricultural products, energy products, industrial manufactured goods, and services, while the US would seriously address relevant Chinese concerns.² US President Donald Trump also touted ‘tremendous progress’ in the trade talks, and expressed optimism about reaching a trade deal with China.³

Trump indicated that he will meet with Chinese President Xi Jinping in the near future to discuss and agree on some of the difficult issues, with specific plans still pending.⁴ Meanwhile, a US trade delegation led by Robert Lighthizer and Treasury Secretary Steven Mnuchin will visit Beijing in mid-February for a new round of talks.

However, the US also reiterated in a statement that the 90-day negotiation process represents a hard deadline, and that US additional tariffs on US\$200 billion of Chinese goods will increase from 10% to 25% unless the two countries reach an agreement by 1 March.⁵

Our take

While the US has promised nothing substantive in the trade talks so far, China has agreed to expand imports of US products, and it has already resumed buying US soybeans.⁶ China has also made a series of goodwill moves since the Xi-Trump meeting on 1 December, such as suspending the additional tariffs on US autos for three months starting from 1 January, further opening the domestic market to foreign firms by issuing a shortened market access ‘negative list’, lifting the ban on US rice imports, etc. Such concessions from China indicate its eagerness to reach a trade deal with the US.

However, given that the trade negotiations will touch on the sensitive issue of ‘structural changes’ in China’s economic policies, on which the differences between the two countries are deep, and that the US insists on an enforcement mechanism of the trade deal that could carry the threat of US tariffs, we do not expect a smooth negotiation process. That being said, it is possible that a deal of some sort could be reached before the 1 March deadline to allow for further negotiations between the two countries, in our view.

² <http://tradeinservices.mofcom.gov.cn/article/news/ywdt/201902/77248.html>

³ <https://www.whitehouse.gov/briefings-statements/remarks-president-trump-meeting-vice-premier-liu-peoples-republic-china/>

⁴ <https://www.whitehouse.gov/briefings-statements/remarks-president-trump-meeting-vice-premier-liu-peoples-republic-china/>

⁵ <https://www.whitehouse.gov/briefings-statements/statement-united-states-regarding-china-talks/>

⁶ In the meeting with Trump on 31 January, Liu He also said that China would make a new, immediate purchase of 5 million tonnes of US soybean.

FUNG BUSINESS INTELLIGENCE

Fung Business Intelligence collects, analyses and interprets market data on global sourcing, supply chains, distribution, retail and technology.

Headquartered in Hong Kong, it leverages unique relationships and information networks to track and report on these issues with a particular focus on business trends and developments in China and other Asian countries. Fung Business Intelligence makes its data, impartial analysis and specialist knowledge available to businesses, scholars and governments around the world through regular research reports and business publications.

As the knowledge bank and think tank for the Fung Group, a Hong Kong-based multinational corporation, Fung Business Intelligence also provides expertise, advice and consultancy services to the Group and its business partners on issues related to doing business in China, ranging from market entry and company structure, to tax, licensing and other regulatory matters.

Fung Business Intelligence was established in the year 2000.

The **Fung Group** is a privately held multinational group of companies headquartered in Hong Kong whose core businesses are trading, logistics, distribution and retailing. The Fung Group employs 42,150 people across 40 economies worldwide, generating total revenue of US\$22.66 billion in 2017. Fung Holdings (1937) Limited, a privately held business entity headquartered in Hong Kong, is the major shareholder of the Fung group of companies.

CONTACT

Helen Chin
Vice President
helenchin@fung1937.com
(852) 2300 2471

William Kong
Research Manager
williamkong@fung1937.com
(852) 2300 2404

Global Sourcing
Fung Business Intelligence
10/F LiFung Tower,
888 Cheung Sha Wan Road
Kowloon, Hong Kong

T: (852) 2300 2470
F: (852) 2635 1598
E: fbicgroup@fung1937.com
W: <http://www.fbicgroup.com>



© Copyright 2019 Fung Business Intelligence. All rights reserved.

Though Fung Business Intelligence endeavours to ensure the information provided in this publication is accurate and updated, no legal liability can be attached as to the contents hereof. Reproduction or redistribution of this material without prior written consent of Fung Business Intelligence is prohibited.