



China-US Trade Disputes (XIX)

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US delays tariff hike on China amid progress in trade talks

After four days of high-level trade negotiations between China and the US concluded on Sunday (24 February), US President Donald Trump, citing 'substantial progress' in 'productive' trade talks, announced that he would extend the 1 March deadline for trade negotiations and delay the scheduled tariff increase on US\$200 billion of Chinese imports. He is also planning to meet with Chinese President Xi Jinping to conclude the trade agreement in the near future. We will continue to closely monitor developments in this regard.

US delays tariff increase on Chinese imports

Trade talks in Washington between the two negotiation teams, led by Chinese Vice-Premier Liu He and US Trade Representative (USTR) Robert Lighthizer and Secretary of the Treasury Steven Mnuchin, respectively, were originally scheduled for two days on 21-22 February but extended through the weekend (23-24 February) after the two sides reported progress in the talks.

As the four-day trade talks ended on Sunday, Trump, in a series of posts on Twitter, touted 'substantial progress' in the negotiations and announced to delay the tariff increase on US\$200 billion worth of Chinese imports from 10% to 25% scheduled on 1 March. Trump also said that he will meet with President Xi at his Mar-a-Lago resort in Florida to conclude the trade agreement. Trump did not set a new deadline for the trade talks to conclude, but he said that there could be 'very big news over the next week or two' if all went well in the negotiations.

As a side note, Reuters reported last week that China and the US were drafting six memorandums of understanding (MOUs) on forced technology transfer and cyber theft, intellectual property rights, services, agriculture, non-tariff barriers to trade, and currency. However, Trump said on Friday that he did not like MOUs because they 'don't mean anything'. USTR Lighthizer agreed to change the term to 'trade agreement' after explaining that writing MOUs was a standard procedure in forming trade agreements.

[Trade talks produce progress but hurdles remain](#)

US Secretary of the Treasury Mnuchin said on Friday that the two countries reached an agreement on currency. Under the agreement, China must notify the US when and why they are intervening in the exchange rate of the Renminbi, according to media reports quoting one person with knowledge of the negotiations.

Besides the currency deal, both China and the US did not provide specific details on the kind of progress that had been made. According to media reports, the two countries have narrowed their differences on intellectual property rights and market access, and China has agreed to buy up to US\$1.2 trillion of US goods in the coming years to reduce the US trade deficit with China. However, differences remain on 'structural changes' to China's treatment of state-owned enterprises, subsidies, forced technology transfers and cyber theft, and the enforcement mechanism of the potential trade deal. USTR Lighthizer, a trade hawk pushing China to make structural reforms, also emphasized that major hurdles remained in the negotiations.

[Our take](#)

Although it remains to be seen whether further negotiations will iron out the differences between China and the US on the sensitive issue of 'structural changes' in China's economic policies, the announcement of the delay in the tariff hike signals that the two countries are moving closer to a comprehensive trade deal to end a months-long trade war.

However, even if China and the US can reach a trade agreement to end the trade war, broader uncertainties and tensions (such as an escalating technology war) between the two countries are likely to remain for a long time, as the key issue between China and the US is power politics instead of economics.

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