

Enough Progress? Taking a closer look as the U.S. - China trade truce nears the halfway point.

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David S. Robinson
919.653.7809
DRobinson@nexsenpruet.com

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With the tariff truce between the United States and China passing the halfway point, all eyes will next turn to Washington, D.C. for insights. With U.S. President Donald Trump indicating that a trade deal "could well happen" and China's economy posting its slowest growth numbers since 1990 – 6.6% in 2018 – analysts remain optimistic that a deal will be struck by March 1, the end of the 90 day truce announced at the end of 2018. Without a deal, on March 1, an existing, additional U.S. tariff of 10% on a very large number – US\$200 Billion worth – of Chinese imports will automatically increase to 25%. This trade dispute worries many, including U.S. businesses with a Chinese component to their supply chain. U.S. stock markets appear to react to every rumor and innuendo. With the March 1 date looming, how much progress has been made?

Following vice-ministerial level talks in Beijing earlier this month, President Trump said on Saturday that a deal "could very well happen" after a "very extraordinary number of meetings," though he denied reports that U.S. tariffs on Chinese products might soon be lifted. "If we make a deal, certainly we would not have sanctions and if we don't make a deal, we will," he said. "It's going well. I would say about as well as it could possibly go." China's Foreign Ministry reported that the sides were "making positive efforts" to reach an agreement that would be "mutually beneficial." Their comments precede Chinese Vice-Premier Liu He's trip to Washington on January 30 and 31, where he is expected to meet U.S. Trade Representative Robert Lighthizer and U.S. Treasury Secretary Steven Mnuchin for top level talks. No one expects full resolution of the Trump Administration's demand for structural changes in China with respect to forced technology transfer, intellectual property protection, non-tariff barriers, cyber intrusions and cyber theft of trade secrets for commercial

purposes, services and agriculture. However, Chinese agreement on a critical path towards addressing these issues could stay the 25% action further. U.S. negotiators continue to press the Chinese to agree to regular check-ups on its reforms and shorter timelines for rectifying the overall trade imbalance.

Although the U.S. Government has expressed skepticism at China's reported offer (in Beijing, earlier this month) to purchase \$1 Trillion of U.S. products over a six year period to eliminate the trade surplus, the Trump tariffs do appear to have gotten China's attention and brought Chinese negotiators to the table with tangible potential solutions. Although the U.S. will undoubtedly continue to press for structural reforms over the long term, a short term deal to increase U.S. exports to China, in return for lower U.S. tariffs on Chinese exports should allow the Trump administration to claim victory, while affording the Chinese some political cover for their concession, given their recent economic numbers. The markets will likely cheer such a deal and, for a U.S. president who reportedly views the U.S. stock market as a political poll, the truce should hold for much of 2019. This blogger is optimistic.

About David S. Robinson

Few attorneys understand the opportunities and dynamics of global trade better than Nexsen Pruet's David Robinson, Special Counsel and International Business attorney. Based in Raleigh, N.C., he assists clients in cross-border transactions around the world. He helps global businesses integrate corporate compliance and operational programs into subsidiary operations, facilitate the transfer of personnel among operations, comply with export control and boycott regulations and negotiate commercial and joint venture relationships.

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