

Flash note
14/08/2020

Alex Fusté
@AlexfusteAlex
alex.fuste@andbank.com

China is still very pressured by Washington, and offers some gesture

- **Trump administration satisfied with China purchase progress in Phase 1 trade deal:** White House economic adviser Larry Kudlow expressed that Trump administration is satisfied with China's progress in meeting commitments to purchase US goods in a Phase 1 trade deal, signaling that the pact will survive an initial review on Saturday. US Trade Representative Lighthizer commented that China is accelerating commodities purchases, providing a boon for US agriculture.
- **Meanwhile, Washington continues to apply new measures to isolate China and force it to reverse its decisions in Hong Kong, and to enforce it in the application of Western free trade standards:**
 1. **Hong Kong's US exports to be relabeled 'Made in China':** SCMP reported that goods made in Hong Kong for export to the United States will have to be labelled "Made in China" after September 25, according to a US government notice. The move will see Hong Kong companies subjected to the same trade war tariffs levied on mainland Chinese exporters, should they make products subject to these duties
 2. **Taiwanese President saying that wants to start talks on a free-trade pact with the US.** This is part of a broad effort to deepen partnership with the US and resist pressure from Beijing. The president said that starting trade negotiations are among her priorities, though a time frame for the talks was not revealed.
 3. **Chinese Tencent Tech. trying to soothe concerns about US ban:** Tencent company said it did not believe a U.S. move to ban transactions on its international messaging to payments WeChat app would apply to its domestic Weixin platform, potentially limiting fallout from the move. Executives tried to soothe market sentiment and said the company was in the process of seeking further clarification from relevant parties.
- **China's days as world's factory could be over:** Hon Hai Precision Industry Chairman Young Liu said at a post-earnings briefing, that "the company is gradually adding more capacity outside of China, with its proportion outside the country now being 30% compared to 25% last

June". That ratio will rise as Foxconn moves manufacturing to Southeast Asia and other regions to avoid escalating tariffs on Chinese-made goods headed to US markets. Liu noted that while China will still play a key role, its "days as the world's factory are done."

I am now going on vacation, so communications will be interrupted until September 8.

Good luck and take care.