

Flash Note 13/12/2018

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US-China dispute. Last decisions made.

Steps in the right direction

- China orders up to 2M tons of US soybeans. Jim Sutter, chief executive officer of the US Soybean Export Council, noted last night that Chinese importers have purchased up to 2M metric tons of American soy over the last 24 hours. The shipments are expected to occur during the first quarter.
- US President Donald Trump confirmed that China was buying a “tremendous amount” of US soybeans and that trade talks with Beijing were already underway, with more meetings likely among US and Chinese officials.
- China planning to replace Made in China 2025 plan in a move to resolve trade tensions with the US. The WSJ reported that China's top planning agency and senior policy advisers are drafting to replace the Made in China 2025 plan. The article said the revised plan would play down China's bid dominate manufacturing, and to allow more participation by foreign companies.
- China moving forward with tariff cut on imported US autos. A proposal to eliminate the 25% surcharge slapped onto US-made cars this year has been submitted to China's cabinet. This would reduce tariffs on US cars (From the current 40% to 15%) in line with what other countries pay. The plan would be reviewed in coming days, though has not been finalized and could change. In our view, this final 15% should be reviewed lower in order to adjust to the tariffs applied in the US to foreign autos.
- Trump says he could intervene in US case against Huawei CFO: US President Donald Trump told he would intervene in the Justice Department's case against a top executive at Huawei Technologies if it served national security interests or helped close a trade deal with China.

Steps in the wrong direction

- Trump administration preparing to condemn China according to The Washington Post. In an article, the WP reported that the Trump administration is preparing a series of actions to call out China over what it says are continued efforts by Beijing to steal America's trade secrets,

advanced technologies, and to compromise sensitive government and corporate computers.

- Vice-President Wang Qishan vows to keep 'strategic focus', vowing that China will not abandon its economic model, while striving to be a leader in 'economic globalization' and pledged support for the multilateral economic system.

A net positive assessment which makes me think that the trade truce could be lasting (though I cannot say this with a high degree of confidence).

Best