

## Flash Notes 16/04/2019

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### US-China Trade conflict. Talks nearing final round?

#### *Trade Talks*

- US Treasury Secretary Steven Mnuchin said that a US-China trade agreement would go “way beyond” previous efforts to open China’s markets to US companies and hoped that the two sides were “close to the final round” of negotiations.
- One of the key points for the advance in negotiations has been that **the US has recently softened its demand for China to reduce state industrial subsidies**: Citing US negotiators, Washington would have tempered demands that China curb industrial subsidies as a condition for a trade deal after strong resistance from Beijing, marking a retreat on a core US objective for the trade talks.
- The US has become resigned to securing less than they would like on curbing subsidies **in order to secure a deal that meets Washington objectives in terms of forced technology transfers, improving intellectual property protection and widening access to China’s markets**.
- Additionally, the WSJ reported yesterday that as part of a prospective trade deal, the US and China have agreed on measures that would require greater disclosure of economic actions as a way to deter Beijing from currency manipulation.
- While currency manipulation is already disallowed under guidelines of international organizations such as the G20, these lack enforcement mechanisms.
- Regarding this last point of enforcement mechanisms, the US Treasury Secretary Steven Mnuchin told at the IMF meetings that the US is open to facing “repercussions” if it doesn’t live up to its commitments in a potential trade deal with China, acknowledging that the enforcement mechanism works in both directions.

#### *Massive production of iPhones will begin in India, not China*

- The president of Foxconn, Terry Gou, said that this year the iPhone will enter mass production in India. This is an important change for the largest Apple phone assembler, which has long concentrated such work in China.

- Apple has manufactured older phones at a plant in Bangalore for several years, but will now also assemble the latest models in India. In fact, Foxconn said it is ready to begin test production of the iPhones before starting the large-scale assembly at its factory located in the city of Chennai (south of India).
- Why now? Apple had been losing share to local competitors such as Huawei and Xiaomi. Additionally, Indian legislation would help the Californian company avoid import tariffs of 20 percent.

In a nutshell. According to the most relevant information in these last hours, it seems that the negotiations are progressing, and the risk of a new escalation of tensions is gradually reduced. As a result, the Chinese market reacted with another strong rise of more than 2% this past dawn.

As we said last week, the Chinese market still had room for further gains.

Best