

## Flash Notes 21/05/2019

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## Huawei - The US eases some restrictions imposed on the company. Why?

- The US Secretary of Commerce Wilbur Ross said that the US government temporarily eased some trade restrictions imposed recently on China's Huawei. This is due to two reasons:
  - The move sought to minimize disruption for Huawei's customers around the world.
  - Easing of restrictions will last 90 days and is intended to give telecommunications providers that rely on Huawei equipment time to make other arrangements.
- What's next?
  - Beijing warns of retaliation against US action on Huawei, as suggested by Chinese ambassador to the EU (Zhang Ming), who said in a Bloomberg interview that "China could retaliate after President Donald Trump blacklisted Huawei Technologies". "Chinese companies' legitimate rights and interests are being undermined, so the Chinese government will not sit idly".
  - Meanwhile, Chinese Foreign Ministry spokesman Lu Kang reiterated that "China-US trade talks could have hope for success only by following the right track of mutual respect, equality and mutual benefit."

This last sentence is loaded with important signals. On the one hand, it seems to hint at the desire to return to the path of negotiations, and on the other hand, hints that China will remain firm in the dynamics of retaliation. Something that was predictable because Xi has linked the legitimacy of the Communist Party to stand firm against the United States, so it has self-imposed a narrow margin for maneuver.

In a nutshell. This means that things can get worse before they go on the right track.

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