

**Flash Note:**  
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## **Tentative truce before G20? An update on the situation**

### **Trade conflict**

- The SCMP (South China Morning Post) reported the US and China have tentatively agreed to another truce in their trade war in order to resume talks aimed at resolving the dispute.
- In an interview with Fox Business, US President Donald Trump vowed to impose additional tariffs on China if a trade deal is not reached. However, his "plan B" may include a 10% tariff (instead of 25%) on the final tranche for Chinese imports.
- China chip designers say Beijing goals impossible without US tech. Industry executives and chip designers interviewed by Nikkei, whose business has flourished under Beijing's desire for a homegrown semiconductor industry, are warning it will be impossible to meet national targets for a viable, independent sector without access to US technology.

### **Chinese Economy**

- Monetary stimulus to continue: The State Council of China decided to further reduce the real financing interest rates for small and micro firms. The PBOC cut the overnight SHIBOR by 11.2bp to 1%, marking the lowest in a decade.
- Fiscal stimulus: Xinhua reported that local government bond issuance in June may reach a three-year high of nearly CNY900B (\$131B).
- The Beige book reported that the manufacturing and retail sectors outperformed, with policy support allowing manufacturers to borrow cheaply and the retail sector seeing strong sales volumes. However, the downside risks to the economy look more serious, referring to flat capital expenditure and more shadow finance.

### **Corporate**

- Huawei personnel worked with China's military without the company apparently knowing: Citing research databases, several Huawei employees have collaborated with members of China's military. This included a joint effort with the military's supreme body, to discover ways of collecting and analyzing satellite images and geographical coordinates. This situation could enrage members of the US national security team, and harm negotiations.

- Chinese Embassy in Canada said that the Canadian government should stop allowing meat shipments to China after bogus export certificates were discovered. An investigation into Canada's export certificates has revealed as many as 188 "counterfeit" veterinary health documents and the existence of "obvious safety loopholes." This action coincides with Canada's refusal to heed Beijing's request that Canada does not extradite Huawei's financial director to the US.  
Cordiales saludos