

Flash Note:
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US says Phase-One China deal would include tariff rollback. The implications & Outlook.

Trade

- White House economic adviser Larry Kudlow confirmed that “if there is a phase one trade deal, there will be tariff agreements and concessions”.
- **Why is this important?** The idea of a tariff rollback was not part of the original October "handshake" deal between China and US Presidents, that is why its incorporation into the negotiations represents a qualitative leap, which, if materialized, allows us to think of an evident progress in this chapter.
The roll back of existing tariffs as part of a "phase one" trade deal faced fierce internal opposition within the White House (as there was a divide over whether rolling back tariffs will give away US leverage in the negotiations).
- Kellyanne Conway, senior White House adviser, also said yesterday that President Donald Trump is "anxious" to sign the deal.
- **When?** A meeting between US President Trump and Chinese President Xi to sign the interim trade deal could be delayed until December as discussions continue over terms and venue. Nevertheless, the officials said that a deal is more likely than not. London has emerged as a potential venue for the meeting as President Trump is due to attend a NATO summit Dec 3-4.
- **Positive parallel steps:** Meanwhile, we are already seeing political gestures that can pave the way for the agreement. China sentenced three citizens to maximum penalties for smuggling fentanyl in the US. One of the most high-profile actions in the fight against the illicit flow of opioids, which President Trump has placed as a top priority in trade talks between Washington and Beijing. It's also worth mentioning that the sentences are the first ones that arise from China's joint investigation with American law enforcement into smuggling of the addictive product.

Undoubtedly, although I can be wrong, an expansion of the collaborations between the two authorities is a good sign that allows us to increase the likelihood of a more benign scenario in the trade front.