

## LOOKING FORWARD WITH A BACKWARD GLANCE

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### U.S. / China Trade Talks

*We usually digest an article and work to encapsulate the data into one or two sentences. As trade talks are paramount to where prices are and will trade well into 2019, we decided to reprint this entire news feed so you may get the entire jest of where these people see these trade talks going. We're on record as stating no agreement will be had until after the U.S. elections in November. Due to the complexity of issues this administration has with what China has been doing; we believe negotiations will drag on way past November. While we could easily be wrong, we believe China sees this administration's request as going against their long term, national interests/goal. For a trade agreement to be reached, we believe one side will have to back down. It's hard for us to either side doing that until they're forced to by outside/internal factors.*

### DJ U.S. Proposing New Round of Trade Talks With China—Update

By Lingling Wei in Beijing and Jacob M. Schlesinger in Washington

The Trump administration is giving Beijing another chance to try to stave off new tariffs on \$200 billion in Chinese exports, asking top officials for a fresh round of trade talks later this month, people briefed on the matter said.

The invitation from Treasury Secretary Steven Mnuchin comes as some Trump officials said they sense a new vulnerability — and possibly more flexibility — among Chinese officials pressured by U.S. tariffs imposed earlier this year and threats for more

It also follows a steady rise in political pressure on President Trump to ease up on trade fights — which have pinched consumers and prompted painful retaliation against U.S. exports — ahead of November elections in which his Republican Party risks losing congressional control.

Given the difficult nature of the trade talks between the two countries over the past year, there is no guarantee the invitation will yield a meeting.

Chinese officials said they've grown wary of the Trump administration's unpredictable decision-making process and may be hesitant to accept without a clear sign U.S. negotiators have authority to speak for the president.

The U.S. administration sent the invitation this week to a group of Chinese officials headed by Vice Premier Liu He. That follows an inconclusive session held in Washington last month among midlevel trade officials. The proposed higher-level talks might take place in Washington or Beijing, the people said.

“Most of us believe it’s better to talk than not to talk, and I think the Chinese government is willing to talk,” Lawrence Kudlow, head of the White House National Economic Council, said Wednesday. “You could say that communication has picked up a notch.”

Mr. Kudlow said he couldn’t provide further details, saying Mr. Mnuchin “is the leader on this.” A spokesman for Mr. Mnuchin declined to comment.

China has shown reluctance to address the issues raised by Washington, notably those concerning deeper structural changes to China’s economy such as removals of subsidies to state-owned firms to give U.S. companies a fair playing field in Chinese markets.

People who have followed the Trump administration’s China trade strategy closely cautioned against casting the invitation as a major breakthrough, saying the administration remained divided internally on its China strategy. They said talks would be unlikely to derail a planned round of tariffs on \$200 billion in Chinese goods. That followed U.S. tariffs imposed on \$50 billion earlier this year.

The new outreach to Beijing comes less than a week after Mr. Trump threatened not only to go forward with the planned tariffs but to add another \$267 billion, effectively putting duties on all of China’s shipments into the U.S.

Beijing has pledged to retaliate by subjecting as much as 85% of U.S. imports — totaling \$110 billion — to tariffs. But China’s leaders have begun to back off threats against U.S. businesses in China in a bid to get U.S. companies to lobby against the tariffs and keep foreign capital in China.

Mr. Trump has repeatedly mentioned in recent days the sharp drop in the Chinese stock market and new signs of fragility in the Chinese economy, contrasting them with more robust U.S. economic indicators.

Some of his aides believe that gives the U.S. more leverage to seek concessions from Beijing, especially as it rushes to strike new pacts with partners from the European Union to Canada and Mexico.

“Because the U.S. economy is so strong, because some of these other trade deals are in the bank or on the precipice, they feel they are going to be negotiating with China from a stronger position than if we’d done this three months ago,” said Steve Moore, a fellow at the Heritage Foundation, a conservative Washington think tank.

“It’s like dominoes,” said Mr. Moore, who worked on the Trump campaign and talks regularly with administration economic advisers. “It puts more pressure on the ones that don’t have a deal.”

At the same time, Mr. Trump — and Republican lawmakers seen as vulnerable in this fall’s elections — are facing growing pressure from business and agriculture groups opposed to the tariffs and urging a new truce with China.

On Wednesday, organizations representing thousands of companies in industries including retailing, toy manufacturing, farming and technology said they are cooperating on a lobbying campaign called Tariffs Hurt the Heartland to oppose Mr. Trump’s duties.

Retailers in particular have ramped up warnings that further tariffs, especially those aimed at consumer goods, are threatening to disrupt supplies for the year-end holiday shopping season. “The tariffs are coming so fast and furiously, they’re giving retailer’s large and small whiplash,” said Christin Fernandez, vice president for communications for the Retail Industry Leaders Association.

Despite the efforts by Mr. Mnuchin, the administration remains divided over its China strategy, raising questions over what a new round of talks could accomplish — or whether Chinese officials would consider the session worth their effort.

“We’re still in the same position of a lack of agreed-upon strategy within the U.S. government,” said Naomi Wilson, director for China and greater Asia at the Information Technology Industry Council. “USTR, Treasury and Commerce have different objectives and different tactics,” she added. “I’m not optimistic about the negotiations succeeding, but talking is better than not talking.”

The offers China made during previous rounds of talks were largely limited to increased purchases of U.S. products and a gradual opening of financial-services sectors.

But the discussions did little more than reveal chasms between the two sides. The Chinese negotiators focused on their efforts to live up to World Trade Organization obligations and offered “conceptual” ideas for a deal, said people briefed on the talks. U.S. officials sought more concrete offers.

Structural changes are the toughest for China to meet. Beijing has denied that it pressures U.S. companies to hand over technology to Chinese firms, as Washington alleges. Chinese officials cite political and national-security reasons for resisting other U.S. demands, such as allowing U.S. cloud-computing companies to operate more freely.

At least one-fifth of the more than 100 U.S. demands, laid out in a U.S. proposal to the Chinese side in May, aren't open to negotiation, Chinese officials have indicated.

Myron Brilliant, the top international official at the U.S. Chamber of Commerce, said his group was "encouraged that the administration wants to re-engage with the Chinese government." But, he added, "There's still a long road ahead. There's still a gap between what China is willing to give and what the administration wants from these talks."