

UPDATED: Looks like we're getting a deal after all, but trade war not over yet

China and the US have reportedly agreed on a 'phase one' deal. It seems President Trump could be viewed as a dealmaker as the 2020 presidential elections approach



President Donald Trump shakes hands with Chinese President Xi Jinping during a meeting on the sidelines of the G-20 summit in Osaka, Japan

Source: Shutterstock

The exact content of the deal will be announced later. A press conference by China and tweets by US President Trump confirmed that no additional tariffs will be imposed this Sunday. Additionally, the US will halve the tariffs on a products worth US\$110bn from 15% to 7.5%. According to China, the deal would encompass nine chapters with structural reforms including the protection of intellectual property and foreign exchange policy.

It was also being suggested by earlier reports that China would commit to importing an extra US\$50bn of US agricultural products. This number has not been confirmed yet by Chinese officials.

Although it seems agreement has been reached about the content of the deal, the legal text is still to be drafted, which could create problems. This phase one deal does not include the most sensitive topics, so considerable hurdles remain for a full deal that resolves the trade war. Sensitive issues such as indirect Chinese state subsidies and the US' wish that China lets go of its ambition to dominate tech markets have been left for a phase two deal.

Negotiating a phase two deal that is acceptable for both sides on these issues is very difficult because both parties are poles apart on these issues. Moreover, Chinese officials emphasised that US actions have “severely damaged the hard-earned basis for mutual trust”.

As he is aware of these problems, we expected that President Trump would have been somewhat reluctant to create expectations that a phase two deal would have been closed before the US-elections. In that way, he could avoid the risk of today’s deal being overshadowed by difficulties in achieving a phase two deal. However, President Trump eagerly announced immediate phase two negotiations by tweet.

The current deal would come a bit earlier than some expected but is not surprising as the announced Christmas tariff pack is unpopular and President Trump could be viewed as a dealmaker as the 2020 elections approach.