

Trade war averted as China and US agree 100-day plan

Washington hopes to increase exports but friction points lie ahead

Tom Mitchell in Beijing and Shawn Donnan in Washington

As Donald Trump's first 100-day clock runs out on a tumultuous start to his presidency, he and Xi Jinping have set a second one in an effort to avert an all-out trade war between the world's two largest economies. A 100-day plan to address trade imbalances between China and the US was the most important outcome of the two presidents' meeting last week in Mar-a-Lago, Florida.

The details of the plan are still being worked out but are likely to include Chinese concessions on everything from agricultural imports to foreign investment in its financial sector, according to Chinese and US officials involved in the negotiations.

Speaking to reporters at the conclusion of Mr Trump and Mr Xi's first face-to-face meeting on Friday, US cabinet officials said the goal was to agree on a way to increase US exports to China and to reduce the \$347bn trade deficit in goods between the two countries. According to Andrew Nathan, a Sinologist at Columbia University, plenty of low-hanging fruit is on offer. "US negotiators are pushing on a door that is relatively easy to open when they place a priority on improving the trade balance not by limiting Chinese exports to the US, but by increasing US exports to China," he said. "First, the trade war is off, so that's a relief for Beijing and everybody else. Second, it is an easy process for the dirigiste Chinese state to manage. They can pick and choose what to import." **Trade is the most worrying issue for the US and China.** But it looks like a trade war can be averted for at least the next 100 days while the two sides negotiate. Chu Shulong, professor of international relations at Tsinghua University in Beijing, Steven Mnuchin, Treasury secretary, and Wilbur Ross, commerce secretary, said on Friday that Chinese officials had agreed on the need for a more balanced trade relationship, in part because of their concern about dangerous financial imbalances in the world's second-largest economy.

China is awash with savings that are fuelling wasteful investment and periodic bubble manias affecting everything from garlic to "special economic zones". "They expressed an

interest in reducing their net trade balance because of the impact it's having on money supply and inflation," Mr Ross said. "That's the first time I've heard them say that in a bilateral context." Still, as far as summit results go, agreeing to draft a plan is a relatively modest achievement. "My gut feeling is this is just the Chinese way of saying 'Let's have [a] conversation'," said one former US official. But for the many people who had been worried earlier this year that America's famously impetuous president might set off a trade war with China, the result was encouraging.

"The atmosphere at the talks was good," said Chu Shulong, professor of international relations at Tsinghua university in Beijing. "Trade is the most worrying issue for the US and China. **But it looks like a trade war can be averted for at least the next 100 days while the two sides negotiate.**" Plenty of friction points lie ahead. The US Treasury is just days away from releasing its latest biennial currency report in which it could take steps towards labeling Beijing a currency manipulator, although this is unlikely in the wake of last week's agreement. There are also growing concerns in Washington about Chinese investment in US semiconductor and other technology companies that could prove a long-term competitive threat to the US economy. Mr Ross, who is leading the Trump trade team, went in to the meetings with priority areas that he wanted to discuss. The Chinese surprisingly responded with the idea of the 100-day plan, embracing a staple of American politics since Franklin Roosevelt promised a rapid response to the Great Depression in 1933. China trade

concessions to avert trade war with US

China offers

prospect of quick wins on market access in finance and beef

Xi affords Trump

The format clearly appealed to the Trump administration, which has repeatedly promised quick wins on trade. “Normally, trade discussions, especially between China and ourselves, are denominated in multiple years,” Mr Ross said. “Given the range of issues and [their] magnitude, that may be ambitious. But it’s a very big sea change in the pace of discussions.” Some doubt what can realistically be achieved. “Will Trump even have a full team in place to conduct the negotiations effectively within 100 days, since he does not have either a China strategy or a China-Asia team in place?” asks Steve Tsang, director of the SOAS China Institute in London. “This is at best aspirational.” Chinese officials have told visitors to Beijing that they think they can navigate what they expect to be Mr Trump’s transactional approach to the relationship. “They are taking the sort of approach that they take to developing countries: How much will it take to buy you off?” said one person who recently met with policy makers in the Chinese capital. “It sets up a negotiation process tailor-made for Trump-type announcements about concrete deals for the export of this or the export of that, which make a splash but are too discrete to have a structural effect on the overall US trade deficit,” Prof Nathan said.