

(BN) Trump Aide Says U.S. to Stand Firm as China Talks Set to Resume

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By Bloomberg News

(Bloomberg) -- Donald Trump's top economic adviser welcomed China saying it will send Vice Commerce Minister Wang Shouwen to the U.S. for low-level talks in late August, while also adding that the president's determination on trade shouldn't be underestimated.

"It's a good thing that they're sending a delegation here - we haven't had that in quite some time," National Economic Council Director Larry Kudlow told CNBC Thursday. "The Chinese government in its totality must not underestimate President Trump's toughness and willingness to continue this battle to eliminate tariffs and non-tariff barriers and quotas to stop the theft of intellectual property and to stop the forced transfer of technology."

He said the Chinese economy and currency "are slipping, as you all know, but let's just see what happens." Talks can produce better outcomes than expected, and talking is better than not talking, he added.

The Chinese delegation led by Wang will meet with an American group led by David Malpass, under secretary for international affairs at the Treasury Department, at the invitation of the U.S., China's Ministry of Commerce said in a statement on its website on Thursday.

"This will be 'talks about trade talks,'" said Gai Xinzhe, an analyst at the Bank of China's Institute of International Finance in Beijing. "Lower-level officials will meet and haggle and see if there is a possibility for higher-level talks."

Before an earlier deal collapsed in May, China agreed to "significantly" increase purchases of U.S. goods and services, and that may provide a guide for the next round of discussions.

Necessary Concessions

To restart trade negotiations with the U.S., China must offer a package of measures, according to Jacob Parker, the vice president for China operations for the U.S.-China Business Council in Beijing. China needs to make an offer that slashes the bilateral trade surplus, lowers import tariffs, provides better protection for intellectual property and stops forced technology transfers, Parker said earlier this month.

Caution is warranted, according to Gai. "Even if the senior officials reach a deal, things could still change, as President Trump can easily flip-flop. We have been there."

China's equity market has suffered declines and the yuan has been on a losing streak for more than a month. Chinese authorities, bracing for economic fallout, have introduced measures to support growth ranging from shifting toward a more accommodative monetary policy to boosting fiscal spending.

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The two nations had appeared to have reached a deal in May after Chinese Vice Premier Liu He -- President Xi Jinping's top economic adviser -- led a group of officials to Washington. But Trump backed away from the agreement soon afterward, and ever since the two sides have been locked in a trade standoff as they slapped tariffs on billions of dollars of each other's goods.

The commerce ministry reiterated in the statement that China is against trade protectionism and won't accept any unilateral trade restrictions. "China welcomes communications and dialogue on the basis of reciprocity, equality and integrity," it said.

The Trump administration imposed duties on \$34 billion of Chinese goods last month, a move that also prompted immediate retaliation from Beijing. Another \$16 billion in levies will be effective Aug. 23. Earlier this month, China announced a list of \$60 billion worth of U.S. imports it plans to apply tariffs on, after Trump ordered officials to consider imposing a 25 percent tax on \$200 billion worth of Chinese goods, up from an initial 10 percent rate.

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Wang, who is the key official leading China's trade talks worldwide, led an advance team to Washington in May. In a July interview, he told Bloomberg that he didn't understand why the U.S. quickly reversed its course.

"Good faith negotiation is required," Wang said then. "For any talk to be successful, no party should point a gun at the other party."

--With assistance from Kevin Hamlin, Rich Miller and Andrew Mayeda.

To contact Bloomberg News staff for this story:

Miao Han in Beijing at mhan22@bloomberg.net; Reade Pickert in Washington at epickert@bloomberg.net To contact the editors responsible for this story:

Jeffrey Black at jblack25@bloomberg.net

John Liu, Shiyin Chen