

Trade wars

The USA has temporarily suspended the tariffs it threatened to deploy against China. Apparently the trade talks are making progress. China accepts that the balance of payments surplus it enjoys with the USA is excessive, and wishes to help the USA find more ways to sell to China. Some of this requires market opening by China of a general kind, and some requires more successful US exporting relative to say Germany of products China already imports.

China is a heavy importer of transport goods, engineered products and technology. The USA is wishing to be more cautious about how much technology she sells, given worries about the way China has handled Intellectual Property in the past. Boeing will be hoping a new trade deal strengthens their hand against Airbus, and the US car makers will be wishing to do better against Mercedes and BMW.

The UK should win from some of the changes envisaged. China accepts she needs to liberalise her banking and financial services markets more, which could assist the UK as well as the US. We too have a substantial trade deficit with China.

I assume Mr Trump would prefer to find some common ground and show he has a "win". So far China seems to understand and accept this, and is busy trying to find ways in which the US can do a bit better. China can argue that her policy is to liberalise progressively anyway, as she has been doing at a slow pace since joining the WTO. Accepting the idea that the trade gap must narrow a lot is one thing, but bringing about the day to day reality of more US exports or fewer US imports is still going to take time and will be difficult to deliver.