US-China - Truce in Trade Dispute

Why in news?

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The U.S. and Chinese Presidents, Donald Trump and Xi Jinping, agreed to a 90-day truce in a trade dispute, at the G20 summit in Buenos Aires.

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What was the dispute?

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- The U.S. and China are locked in a dispute over their trade imbalance and China's tech policies.
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- U.S. accused China of deploying predatory tactics in its tech drive.
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- These include stealing trade secrets and forcing American firms to hand over technology in exchange for access to the Chinese market.
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- Trump has imposed import taxes on $250 billion in Chinese products - 25% on $50 billion worth and 10% on the other $200 billion.
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- Trump had planned to raise the tariffs on the $200 billion to 25% if he could not get a deal with Xi Jinping.
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- China has already slapped tariffs on $110 billion in U.S. goods.
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- But there were signs of a significant slowdown in the Chinese economy.
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- Also, there were concerns in the U.S. over the negative impact of the trade war on American financial markets.
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- So the countries have moved forward to come to an agreement.
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What are the highlights of the deal?

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- The U.S. agreed to hold off on plans to raise tariffs on January 1, 2019 on $200 billion in Chinese goods.
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- The two countries have 90 days to resolve their differences over China's tech policies.
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- But if they cannot resolve it within this, increased tariff rates are scheduled to come into force immediately.
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- The Chinese agreed to buy a substantial amount of agricultural, energy, industrial and other products from the U.S.
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- The objective is to reduce America's huge trade deficit with China.
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- The two countries will try to find an amicable solution to the various problems plaguing bilateral trade relations.
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- These include disputes over intellectual property rights and Chinese state support for domestic industries.
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- The U.S. was successful in securing a commitment from China to engage in talks on key U.S. economic priorities.
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- However, the U.S. appears to be reversing course on its previous threats to tie trade discussions to security concerns.
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- E.g. China's attempted territorial expansion in the South China Sea
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- **Fentanyl** - Fentanyl is the deadly synthetic opioid responsible for tens of thousands of American drug deaths annually.
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- U.S. officials have for long been pressing the Chinese government to take a tougher stance against fentanyl, as most U.S. supply is manufactured in China.
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- At the meet, China agreed to label fentanyl as a controlled substance.
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- So people selling Fentanyl to the U.S. will be subject to China's maximum

penalty under the law.
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How does the future look?

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- The trade war had notably disturbed the financial markets and threatened world economic growth.
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- It is to be seen if any compromise will include a complete rollback of the tariffs imposed on each other over the year.
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- During the upcoming negotiations, the U.S. is likely to press hard on China’s protectionist policies.
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- But it is unlikely that China will yield to such pressure as that would require a seismic shift in the country’s growth policy.
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- This is because till now, China has emphasised the state’s role in the economy.
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- Further, China itself is bound to draw attention to the U.S.’s own protectionist policies.
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- But the truce signifies a major change of heart to move away from confrontation toward engagement.
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- This would change the tone and direction of the upcoming bilateral conversation.
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- In all, the global trade war that began earlier this year is likely cooling down.
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Source: Economic Times, The Hindu

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