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Photo: Reuters/Jason Lee

TRADE

US-CHINA RELATIONS // Q&A

# After US-China talks: No trade war but Xi-Trump bromance cools

Robert Lawrence Kuhn, a longtime adviser to the Chinese leadership, says China will boost market access, asserts country's broader economy not threatened by debts of family conglomerates

By [DOUG TSURUOKA](#) | JULY 21, 2017 1:04 PM (UTC+8)



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If you haven't heard already, the first US-China Comprehensive Economic Dialogue in Washington this week was a dud.

Neither China nor the US budged on any tough trade issues. Both sides nixed their press conferences and a joint statement at the end of the one-day session on July 19 and announced no new agreements on trade. The annual dialogue also closed with the threat of US tariffs on Chinese steel and aluminum imports in the air.

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**Xinhua News Agency** has released a revised list of banned terminology for its editorial departments and domestic and international bureaus, adding 57 prohibited terms to the original 45 directives. (Liu Hsiu Wen)

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**Ram Nath Kovind’s** landslide victory in India’s presidential poll comes at a time when attacks on "dalits" are on the rise. The office of president is largely ceremonial but there are hopes he can spur social reforms. (E Jaya Kumar)

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**North Korea’s economy** grew at its fastest pace in 17 years in 2016, South Korea’s central bank said on Friday, despite the isolated country facing international sanctions aimed at curbing its pursuit of nuclear weapons. (Christine Kim)

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Is the Xi-Trump bromance over? [Robert Lawrence Kuhn](#), a long-time adviser to China’s leaders and multinational corporations, says the lack of progress in the bilateral trade talks was no surprise. They occurred, he adds, at a time when neither President Donald Trump nor President Xi Jinping can afford to show weakness.

But a trade war definitely isn’t in the offing and Kuhn says Beijing will offer a way out. He’s also convinced that China will open its markets more.

On the downside, the host of “[Closer To China with R.L. Kuhn](#)” on the China Global Television Network (CGTN), says the latest North Korean missile test flies in the face of the cooperation and rapport that Trump claims he developed with Xi at the Mar-a-Lago summit in early April.

Kuhn, in a Q&A with Asia Times, also notes that the threat posed to China’s broader economy by the indebtedness of family conglomerates such as Dalian Wanda is still small, despite what has been [reported in the US press](#). But Kuhn says the government is cracking down, lest other Chinese firms follow Dalian’s “freewheeling” ways.

**Is the US and China’s failure to reach an agreement on trade at the economic dialogue talks a serious development?**

It’s an expected development, Neither side can afford to look weak. President Xi and China’s leaders are preparing for the upcoming 19th CPC National Congress this autumn. President Trump made confronting China a major campaign promise and protecting US jobs a foundation of his political base.

That said, a trade war benefits neither side, and so, after a little brinkmanship, I expect some kind of temporizing, if not resolution, signals.

**Is the Xi-Trump bromance over? Has the upbeat tone and good will of the Mar-a-Lago summit dissipated?**

North Korea’s missile tests create a stark, blazing fact that cannot be obfuscated away, sharply reducing Trump’s flexibility to claim success while announcing some compromises on trade. I think Trump respects Xi, whereas China’s leaders do not like Trump’s unpredictability.

**Other observers have noted that no Chinese leader would give the impression of capitulating to US pressure ahead of this fall’s 19th Party Congress. What is the likelihood that China will make concessions to the US on trade after the party congress is over?**

President Xi’s position is already sufficiently strong so that he could make wise decisions for China even if they aren’t popular domestically. But the 19th CPC National Congress is axial in establishing leadership for the next five, ten or more years — such that all decisions made



extend martial law until the end of 2017, a move that will give priority to security over rights and further consolidate his strongman rule. [\(George Amurao\)](#)

21-07-2017 15:06

**In less than** two months, the Russian Far East will host one of the largest investor events in the area, the Eastern Economic Forum. Alexander Galushka, the minister for development of the region, sat down with Asia Times to explain what to expect. [\(Alexander Ohkrimenko\)](#)

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**Chinese courier ZTO** Express and the underwriters of its New York stock market listing are being sued by a US pension fund that alleges the firm exaggerated its profit margins to lure investors into its US\$1.4 billion initial public offering. [\(Reuters\)](#)

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**Vietnam faces a** funding crisis for desperately needed infrastructure, a shortfall that threatens to crimp near-term economic growth and undermine social stability. [\(David Hutt\)](#)

21-07-2017 13:04

**Robert Lawrence Kuhn**, a long-time adviser to China’s leaders and multinational corporations, says a lack of progress in US-China trade talks comes as no surprise. A trade war isn’t in the offing, however – and he’s also convinced Beijing will open its markets more. [\(Doug Tsuruoka\)](#)

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**Opinion // Ambivalence on progress** 20 years after financial crisis [\(Gary Kleiman\)](#)

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**If – as** is widely anticipated – Pakistan’s Supreme Court returns an adverse verdict on the financial dealings of Prime Minister Nawaz Sharif and his family, the indications are that there will not be a smooth democratic transition. [\(F.M. Shakil\)](#)

21-07-2017 10:35

**India’s sudden move** in November to yank 86% of the currency out of circulation led to the deaths of a few dozen people. But there’s another casualty worth considering: its failure to fight “black money” and increase government tax

prior will have a “short-term stability and strength” test.

I am convinced that China will open its markets more. This will be targeted in markets where China needs help, such as in healthcare and probably financial services. Xi literally said so in the past few days because this is good for China in terms of increasing competition and boosting productivity. But this will not happen because of foreign pressure.

China will not present agreements as “concessions,” but as “win-win” cooperation. This is a cornerstone principle of Xi’s foreign policy.

**If China widens market access what form will it take?**

Opening more markets for foreign investment and using “negative lists,” while cutting bureaucracy. The markets targeted for opening will be those crucial to China. These will include environmental, water, biomedical and healthcare facilities technologies.

**What about the issue of Chinese steel exports?**

The problem of steel is now too big to sweep away. Trump needs a “win” and China will seek minimum concessions with quiet side benefits — such as a US commitment to limit tariffs and quotas in other areas. China wants the substance, not the flash.

**What will China do if the US imposes tariffs on Chinese steel and aluminum imports?**

China seeks stability, especially as its economy is developing steadily and surely prior to the 19th CPC National Congress. If the US imposes tariffs and or quotas, China must retaliate, but it will do so in a manner that signals a desire to ratchet down the tensions, limit the “war” — which means a response that is slightly *less* than proportional.

**The official watchword in China in the last year has been on preserving economic and political “stability.” What are the biggest threats to this stability from the Chinese view?**

Political stability looks solid, with President Xi designated as ‘core’ of the Party and placing his people in key positions. Economic risk is clearly the financial system, especially corporate debt.

Xi has made strong public statements about debt. His heralded, overarching strategy is called “supply side structural reform”, which advocates strong party-state intervention to consolidate and deleverage state-owned enterprises, reducing profit-destroying industrial overcapacity in basic industries like coal, steel, cement, non-ferrous metals, basic chemicals, sheet glass and the like – very different from the Ronald Reagan, deregulation-based, supply-side economics of the 1980s (as Xi himself makes clear).

In addition, concern about financial risk is why, for example, there has been a sequence of policies and investigations, such as instructions to banks to review/reduce credit for foreign acquisitions in real estate, entertainment, etc. and targeting five or so aggressive Chinese firms doing overseas acquisitions.

revenues. [\(William Pesek\)](#)

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20-07-2017 19:16

**What happened last** month in the deep recesses of the House of Saud with the ascension of Mohammad bin Salman as Crown Prince was a de facto coup d'état – and the CIA isn't happy. [\(Pepe Escobar\)](#)

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20-07-2017 18:57

**With attention on** European clubs hawking their multi-million star players in Asia, less has been said after a burst of furious speculation on whether Chinese clubs were tied to stars like Diego Costa. [\(Asia Times Staff\)](#)

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20-07-2017 16:17

**US President Donald** Trump has engaged Southeast Asia on new terms, a gambit that appears to mirror China's 'no strings' approach to assistance and diplomacy. [\(David Hutt\)](#)

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**Speculation is rising** after a high-level diplomatic visit that America may reimpose certain economic sanctions on Myanmar for failing to fully sever military contacts with North Korea. [\(Bertil Lintner\)](#)

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20-07-2017 13:27

**India is studiously** playing down border tensions with China, and New Delhi has taken exception to media hyping the standoff between the two Asian giants. [\(M.K. Bhadrakumar\)](#)

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20-07-2017 13:12

**‘Smart’ investing is** finally starting to catch on in Asia as institutional investors say they hope to optimize returns by screening for factors like price momentum, volatility and dividend payouts. [\(Nick Westra\)](#)

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Another new policy is that local officials will be now held accountable for debts originated on their watch even after they move on or even retire – this, in the Chinese system, is especially meaningful and novel, since local officials commonly put on debt because the benefits of investment show quickly in boosting GDP while the payback dangers come years later (after the local officials have been promoted or retired). Now, local officials will think twice!

### Are Chinese officials seriously concerned about the risks to the broader economy posed by the indebtedness of large family conglomerates like Dalian Wanda and Anbang Insurance Group?

They are concerned, but there are multiple reasons for this targeting as the amounts, even in aggregate, are too small to really affect the economy. One reason is that these firms are very high profile, so that if they are allowed to continue in their freewheeling ways, it would give many other companies the excuse to not comply.

Another reason for the government crackdown is that people think these companies have been given “special favors.” The perception persists — irrespective of the reality. This undermines public support for Xi’s campaign of rectitude and anti-corruption.

*Doug Tsuruoka is Editor-at-Large of Asia Times*



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