

Dear Policy+ Members,

Greetings again! Though the dust is still settling on some of the mid-term election results, we wanted to share with you all insights that we have gathered from some of our recent meetings.

US midterm elections:

2018 has been a **historical year** for US politics as observed in the midterm elections, with an unprecedentedly high voting rate (especially among young voters) and a record number of minorities elected.

The combination of "Democratic House and Republican Senate" is not necessarily a win for Democrats. However, more is remained to be seen as a blue wave has rolled through suburbs (i.e., Dallas) and penetrated some traditionally red states (i.e., Arizona).

The impact of US-China bilateral tariffs on midterms is **debatable**. Exit polls [suggest](#) that trade was not one of the central issues voters focused on, compared to immigration and healthcare. Meanwhile, Republican House members in districts with substantial China exports were seen to, on average, carry 10% less votes.

Minimal impact on US-China trade relations

As we previously suggested, the midterm elections are not expected to impact the ongoing trade tensions.

China is one area in which Democrats and Republicans are generally aligned.

G20 Summit in Buenos Aires:

The upcoming Xi-Trump meeting will likely be **symbolic** more than anything. Significant progress on trade negotiations at the G20 is highly unlikely.

That said, both Xi and Trump are likely to announce that good progress has been made to please their respective domestic audiences.

Post-G20 Summit: to win or to perish (不成功便成仁)

Although a complete withdrawal of tariffs is not possible, a **suspension of additional tariffs** with productive trade talks in between is likely the most positive, potential outcome.

Summer 2019 is a critical time to watch because if no deal is achieved by then, the trade issues will be carried into the 2020 US presidential election cycle and further diminish the chances of a near-term resolution.

A long journey ahead: both sides to alter their thinking

This is a contest between two strongmen leading two of the most powerful countries in the world. Xi has allegedly asserted himself in handling Sino-US trade relations directly while leaving Liu He sidelined for now. And no one holds ultimate sway over Trump.

China should have a "just do it" attitude towards reforms and act on previous commitments.

The US should understand that structural reforms in China will require time and that increasing pressure makes it more difficult for China to take the next step.

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For P+ members:

If you have concerns about how the trade tensions are impacting your business operations, now is the time to speak out and engage!

Do you know that AmCham China maintains a close relationship with both key Democrats and Republicans? For example, Representative Jim Himes of Connecticut whom we met earlier this year chairs the New Democrat Coalition which may be a moderating influence on the Democratic Party's posture on trade issues.

AmCham China's annual Business Climate Survey was launched this morning. Invites have been sent to your company's primary contact. We greatly appreciate your valuable input. Every entry counts!

As always, send us a quick message if you have any questions or comments.

All the best,

AmCham China Policy Team

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