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Dear Policy+ Subscribers,

Thank you for joining us at the Capital Club on such a nice Wednesday morning! We were pleased to host Nelson Cunningham and John Holden of McLarty Associates, who shined light on US-China relations, particularly from the perspective of US domestic politics.

Here are some highlights from the meeting:

#### Desperate Trump yearns for a victory

- The fruitless Hanoi Summit with Kim Jong-un and the damning [testimony](#) by Michael Cohen, Trump's former "fixer" and attorney, made Trump eager to divert the world's attention. This offers one possible explanation for why he [announced](#) on March 1 on Twitter that trade negotiations were going well, and [proposed](#) a \$4.7 trillion budget request for 2020 that would significantly boost his chance to build extended walls along the border with Mexico and fulfill his campaign promise.
- If a China deal were to be made, the speakers warned that some leading Democrats might staunchly oppose the deal even if some of their constituents would benefit economically from it. Under mounting pressure, Trump made a striking acknowledgement that he would be willing to [include](#) Nancy Pelosi and Chuck Schumer in the US-China negotiations.
- On the other hand, the speakers suggested that when Trump attempted to replace NAFTA, he appeased the American business community with generous tax cuts and deregulation. His



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approach with NAFTA could be a precursor to how a China trade agreement play out -- that is, if the deal doesn't go far enough to satisfy the business community on structural issues, further tax cuts and deregulation could be offered. Yet, the Democrats will be unlikely to give in without a bruising fight.

#### **When 求同存异 no longer works**

- According to the speakers, the lack of stability in the ballast (i.e., economics and trade) of US-China relations, puts the bilateral relationship at risk.
- On the bright side, political elites from both countries have recognized the importance of maintaining a healthy bilateral relationship. It was said that an agreement might be reached next month, though whether structural issues will be part of the package remains as a question mark.
- However, it appears that Trump is the decision maker in the administration as all of the people who challenged his instincts have either departed the White House or been marginalized. If this is the case, Trump's unpredictability will cast one more shadow over the bilateral relationship.

#### **Meng of Huawei = Iran, ≠ China**

- In the eyes of the American law enforcement and general DC community, the arrest of Meng was never about China, but fully about Iran, with evidence **suggesting** that Meng committed fraud in breach of the US sanctions on Iran. Furthermore, the US Attorney Office of Eastern District of New York who issued Meng's arrest is known for its political impartiality and expertise in trade matters.
- However, it is hard not to associate Meng's case with greater implications against the backdrop of the ongoing bilateral trade negotiations. The speakers suggested that Trump does hold sway over whether Meng could be traded for political benefits.

#### **Who can beat Trump in 2020?**

- Short answer: Joe Biden.



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- Long answer: a centrist Democrat with rich experience in foreign policy.
- Although Biden has yet to declare his candidacy in public, the speakers believe there are two signs that suggest he will run: first, according to insiders, Biden is waiting for the right timing (possibly in April) to make a formal announcement; second, both Senator Sherrod Brown (who would appeal to blue-collar voters) and Michael Bloomberg (who would appeal to white-collar voters) opted out of the presidential run last week, with the speakers implying that these moves were due at least in part to the calculation that they would be unable to beat Joe Biden.
- In terms of the seemingly far-left positions of those currently crowding the democratic candidate race, the speakers commented that not everyone who will run has already put their hat in the ring--noting that the majority of the currently announced candidates are all vying for the support of the same portion of the democratic voter population, and thus have a greater incentive to get their name out early. We should see more centrist democratic candidates joining the race soon.

That's all for today. Please feel free to send comments and questions our way. Meanwhile, please stay tuned for more P+ events--we strive to keep you productively busy!

Best,

AmCham China Government Affairs and Policy Team



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