David Dollar

Senior Fellow, John L. Thornton China Center, Brookings Institution
Follow me on twitter @davidrdollar
See my blog and papers at
https://www.brookings.edu/experts/david-dollar/

Speech Preview

After a campaign filled with harsh rhetoric about China trade, relations between the Trump administration and China have started off on a positive note. The Trump-Xi summit at Mar-a-Lago produced general agreement to work together on constraining DPRK's nuclear ambitions and on a "100-day trade plan" to increase bilateral flows and reduce the large trade imbalance.

At the same time, China's first quarter GDP growth came in surprisingly strong, at 6.9% year-on-year increase. While the year has started well, economic and political risks remain. China needed a lot of credit, especially from the shadow banking sector, to generate first-quarter growth. With the 6.5% growth target for the year now more or less assured, the authorities have turned their attention to reining in shadow banking and to reducing financial risks. Growth by design will slow over the remainder of the year and the issue is whether the slowdown will go too far.

In terms of U.S. relations, the two sides announced an initial harvest of measures. These were largely openings that China has promised in the past such as beef imports and foreign investment in electronic payments and investment banking. Negotiating further opening probably will be difficult. With the 19th party congress looming it is not a year for bold economic reform. Furthermore, the macroeconomic developments on each side may well lead to a widening, not a narrowing, of the trade imbalance. There is some risk that the U.S. side will be disappointed in China's trade policies and outcomes and that protectionist measures will come back onto the political agenda in the U.S.