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## U.S.' Mnuchin expects progress in 'complicated' China trade talks

David Lawder



WASHINGTON (Reuters) - U.S. Treasury Secretary Steven Mnuchin said on Monday the United States expects significant progress this week in trade talks with Chinese Vice Premier Liu He, but the two sides will be tackling “complicated issues”, including how to enforce any deal.

FILE PHOTO: U.S. Treasury Secretary Steven Mnuchin delivers remarks at the United States Conference of Mayors winter meeting in Washington, U.S., January 24, 2019. REUTERS/Yuri Gripas

The talks, scheduled for Wednesday and Thursday in Washington, will include a meeting between Liu and U.S. President Donald Trump and take place amid worsening tensions between the world's two largest economies.

The U.S. Justice Department on Monday unsealed indictments against China's top telecommunications equipment maker, Huawei Technologies Co, accusing it of bank and wire fraud to evade Iran sanctions and conspiring to steal trade secrets from T-Mobile US Inc.

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China, meanwhile, formally challenged U.S. tariffs on Chinese goods in the World Trade Organization's dispute settlement system, calling the duties a "blatant breach" of Washington's WTO obligations.

U.S. Commerce Secretary Wilbur Ross insisted at a news conference that the Huawei indictments are "law enforcement actions and are wholly separate from our trade negotiations with China."

The Huawei indictment came as a Chinese delegation including Liu and Vice Commerce Minister Wang Shouwen was already in Washington preparing for the talks, a person familiar with the discussions said.

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Mnuchin, speaking at a White House news conference, said the two sides were trying to tackle “complicated issues,” including a way to verify enforcement of China’s reform progress in any deal with Beijing.

The Treasury chief, who will be among the top U.S. officials at the negotiating table, said Chinese officials had acknowledged the need for such a verification mechanism.

“We want to make sure that when we get a deal, that deal will be enforced,” Mnuchin said. “The details of how we do that are very complicated. That needs to be negotiated. But IP (intellectual property) protection, no more forced joint ventures, and enforcement are three of the most important issues on the agenda.”

Reuters reported earlier this month that U.S. officials were demanding regular reviews of China’s progress on pledged trade reforms, which would maintain the threat of tariffs long term.



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Mnuchin added that there had been “significant movement” in the talks so far, and there will be around 30 days for further negotiations after the meetings in Washington on Wednesday and Thursday to reach an agreement before a March 2 deadline for increasing U.S. tariffs on Chinese goods.

Mounting concerns for both countries, including China’s slowing economy and Trump’s need for a political win, could prod both sides toward a “partial, interim deal,” said Eswar Prasad, a Cornell University trade professor and former head of the International Monetary Fund’s China department.

“There remains a vast distance separating the negotiating positions of the two sides, making a comprehensive and durable deal unlikely,” Prasad said.

China is unlikely to give much ground on industrial policy and state support for industries, but it could promise to improve intellectual property protections and enforcement. However, persuading U.S. negotiators that these can be verified will be a “hard sell,” Prasad added.

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The White House said that U.S. Trade Representative Robert Lighthizer would lead the talks for the American side, with participation from Mnuchin, Commerce Secretary Wilbur Ross, White House economic adviser Larry Kudlow and White House trade and manufacturing adviser Peter Navarro.

It said the meetings will take place in the Eisenhower Executive Office Building, part of the White House complex.

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