US-China trade dispute

US and China wrap up lightning round of trade talks in Beijing

JPMorgan and Nomura win Chinese regulatory approval for majority-controlled brokerages

From left, US trade representative Robert Lighthizer, China's vice-premier Liu He and US Treasury secretary Steven Mnuchin in Beijing © AP

Tom Mitchell in Beijing and James Politi in Washington MARCH 29, 2019

Chinese regulators approved applications by JPMorgan and Nomura to establish majority-controlled brokerages on Friday, as senior US officials wrapped up a lightning round of trade talks in Beijing.

Chinese officials had promised a raft of financial industry liberalisations in late 2017, months before US president Donald Trump first threatened to impose punitive tariffs on Chinese exports for what his administration alleges are Beijing's unfair trade policies. But as the trade war intensified, regulatory approvals for JPMorgan, Visa, Mastercard and other US companies were delayed, adding to the frictions between the two countries.

In private meetings last year, Chinese officials told US executives that the escalating trade war made it politically difficult for them to grant such approvals. While officials from both sides have said a final trade agreement could still "take months" to conclude, they are now racing to do so as soon as possible.

In a statement, China's securities regulator said the approvals for JPMorgan and Nomura were in line with its "overall plan" for the sector and did not connect it to the trade talks.

Both companies confirmed that they had been notified of the regulator's decision. JPMorgan welcomed the development as a "major milestone", while Nomura said its new China operation would focus on wealth management services for high net worth individuals.

They join UBS, which last year received approval to take majority control of its China joint venture brokerage.

The decision was announced as Robert Lighthizer, the US trade representative, ended a 24-hour visit to Beijing for meetings with Liu He, Beijing's top trade negotiator. In a tweet on Friday afternoon, Steven Mnuchin, the US Treasury secretary, said the two sides had "constructive talks" that would resume next week in Washington.

The White House said in a statement on Friday: "The two parties continued to make progress during candid and constructive discussions on the negotiations and important next steps."

The timetable for concluding the trade war has slipped over recent months. Mr Trump suspended tariff increases on Chinese imports that had been scheduled to take effect on March 1, in the hopes that he and his Chinese counterpart, Xi Jinping, could conclude a final agreement by the end of the month.

Mr Liu, however, will travel to Washington for more trade talks next week, with no firm date yet set for a presidential summit between the leaders of the world's two largest economies.

"If it takes a few more weeks, or if it takes months, so be it," Larry Kudlow, Mr Trump's top economic adviser, told reporters in Washington. "We have to get a great deal . . . that works for the United States. That's our principal interest."

In private discussions this week, Chinese officials have said they are still hoping for an agreement by the end of April, but are prepared for negotiations to continue into May or June.

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Mr Liu's negotiating team has been determined to avoid a deal that appears too generous to China's chief geopolitical rival. Although happy to increase imports of US commodities and manufactured goods while continuing to maintain a "stable" renminbi-dollar exchange rate, the vice-premier has staunchly resisted "structural" economic reforms demanded by the US and "one-way" enforcement mechanisms that will allow Washington to reimpose tariffs if it believes Beijing has violated the agreement's terms.

"I don't think China needs to be in a rush to reach an agreement," said Yu Yongding, a prominent Beijing economist and former adviser to China's central bank. "We should negotiate each item on the basis of whether it is good for China not only in the short term, but also in the long term."

Prof Yu also warned against committing to fixed trade-balance and currency targets that might undermine China's stated goal of giving market forces a "decisive role" in the economy. "We should make our trade with the US more balanced but we shouldn't agree to some of the fixed targets," he said. "Many of the US requests are unreasonable."

Eswar Prasad, a professor at Cornell University and former head of the IMF's China division, said Mr Xi and Mr Liu could face a political backlash at home if the deal was seen as too weak.

"Chinese internal politics will not condone a deal that reeks of US intrusion into the Chinese government's management of its economy and regulations," said Prof Prasad. "It would be untenable for China to accept that the US would regularly review the Chinese government's performance, have the ability to impose further trade sanctions, and that China would then be expected not to retaliate."

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