

There is a growing awareness that as tensions rise in the relations between the U.S. and China, it will have a long-term impact that goes beyond trade policy. The latest flare up has consisted of the U.S. requiring the closure of the Chinese consulate in Houston, accusing the Chinese of harboring spies at the location. China responded by forcing the closure of the U.S. consulate in Chengdu. This escalation comes immediately after dramatic changes in the relationship with Hong Kong have occurred. The Chinese have taken steps to end the “One Country, Two Systems” approach to Hong Kong, and the U.S. has responded by stripping Hong Kong of favored trade and diplomatic status. Looking forward, expect the rhetoric and actions taken by each country to reflect the heating of a cold war.

- Four Chinese researchers living in the U.S. were recently arrested in the U.S., including a woman who worked at UC Davis and sought refuge at the Chinese consulate. Each were charged with Visa fraud for lying on their applications.
- Tariffs of 25% were initiated on \$34B of Chinese goods as of July 6th and the U.S. published a new list of \$16B of Chinese goods targeted for a 25% tariff that will become effective as of August 23, complicating trade between the nations.
- Sec of State Pompeo has been the most vocal critic of China and publicly stated that 50 years of policy towards China has failed. The current Administration is taking a more confrontational approach to Chinese relations.

