

Economics

# Fear of Trump Walking on Xi Haunts China as Trade Talks Near End

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- ▶ Beijing plays coy on summit, uncertain it can trust Trump
- ▶ Trump battling his own reputation for last-minute surprises



The Rise of Asia Is Being Challenged by the U.S., Says Hao Capital's Liu

Donald Trump regularly touts the strength of his personal relationship with Xi Jinping, talking about the Chinese leader in the sort of warm terms U.S. presidents normally reserve for longstanding allies.

Yet as the world's two largest economies inch towards a trade agreement designed to define and reorder their economic relationship for years to come, one question looms large: Does Xi trust Trump enough to get on a plane and seal the deal?

Trump and his aides have for weeks been pushing for Xi to agree to a meeting at Mar-a-Lago, the president's club and resort in Palm Beach, Florida, to finalize a deal as soon as this month to end

a dispute that has cast a shadow over the global economy. Trump himself has said that it's only when the two leaders meet that the final details can be ironed out.

Chinese officials, however, have long been wary of putting Xi in a position where he might be embarrassed by an unpredictable Trump or forced into last-minute concessions.

“That is the real conundrum for Xi,” said Eswar Prasad, an expert on the Chinese economy at Cornell University who regularly meets with senior officials in Beijing. “The concern about being snookered by Trump at the negotiating table is a real risk for Xi.”

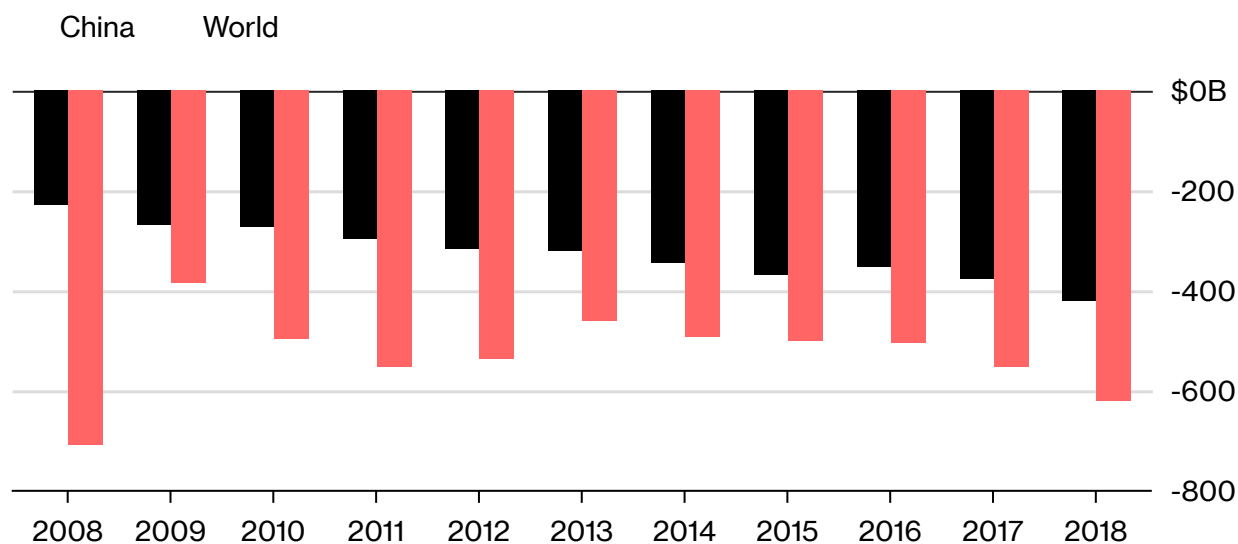
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China's worries are flipping the U.S. script on its head. As Trump claims to be the first American president to stand up to Beijing, his aides have built a possible deal on a foundation of distrust. In their view, a China that has for decades lied and cheated its way to economic success cannot be trusted to live up to any commitments unless a deal has teeth.

“That's the fundamental question,” Robert Lighthizer, the U.S. trade representative, told Congress on Feb. 27. “What the president wants is an agreement that number one is enforceable.”

### Soaring Trade Deficits

The U.S. goods' deficit hit a 10-year high in 2018, with China's piece growing



Source: Census and Bureau of Economic Analysis

Officials in Beijing insist they've played by international rules and just want to be sure Trump won't again kill an agreement at the last minute. Trump has rejected at least two deals brought to

him since he first hosted Xi at Mar-a-Lago in April 2017: One struck by Commerce Secretary Wilbur Ross for China to cut steel overcapacity, and another negotiated by Treasury Secretary Steven Mnuchin last year. Both would've averted a trade war.

The latter one was particularly jarring for Xi, who faces pressure in China to avoid giving up too much in a deal with Trump. Vice Premier Liu He came to Washington as Xi's special representative, and declared to China's state-run media that a trade war had been averted. After Trump backtracked, talks stalled for months until the two leaders met in December at the Group of 20 summit in Argentina.

### Read More: Burned Once by Trump, China's Xi Wary About Fresh Trade Talks

Last month, Trump's decision to walk away from his Hanoi summit with North Korea's Kim Jong Un without a deal only reinforced China's concerns about the president's unpredictability.



Donald Trump with Kim Jong Un in Hanoi on Feb. 27. *Photographer: Saul Loeb/AFP via Getty Images*

Former Commerce Vice Minister Wei Jianguo argues that because the U.S. and China are great powers Trump would never walk away from Xi as he did Kim. The consequences would be too great. "It is important to boost confidence in a slowing global economy," Wei said.

There are parallels for the Chinese.

In 1999, Chinese Premier Zhu Rongji faced a nationalist backlash after a last-minute change of course by the Clinton administration threw a deal for China's accession to the World Trade Organization into doubt.

Erin Ennis, who tracks the negotiations for the U.S.-China Business Council, said a Trump snub of Xi this time around would be an order of magnitude greater than any previously. Then again, she said, "I don't think the Chinese are the only government in the world that is not entirely sure what they are getting when they send their head of state into a meeting with the president of the United States."

## Daily Talks

Trump has for months pushed to sign a deal, and that has fundamentally changed the dynamics of negotiations. In recent days both sides have held daily conference calls. China's state-run Xinhua News Agency reported Tuesday that Liu, Lighthizer and Mnuchin decided on arrangements for the next stage of trade talks, without providing more details.

China last week revised an offer on intellectual-property protection, one focal point of the negotiations, according to people briefed on the offer. It has also pledged to increase purchases of American goods by \$1.2 trillion over six years and to open its market in some key sectors, raising hopes that it might finally allow U.S. firms to compete in forbidden areas such as cloud computing.

As a deal gets closer, Chinese officials also want the U.S. to agree that any commitments go both ways, particularly on enforcement.

The U.S. wants China to agree not to retaliate against any punitive measures Washington might apply if Beijing doesn't meet its commitments. But Vice Commerce Minister Wang Shouwen over the weekend countered any enforcement mechanism would have to be "two-way, fair and equal."





Wang Shouwen *Photographer: Fred Dufour/AFP via Getty Images*

## ‘Judge, Jury’

“I’m not sure if China would ever allow the United States to be the judge, jury and sheriff on these issues and that seems to be the core of what the U.S. is asking for,” said Wendy Cutler, a former senior U.S. trade negotiator who heads the Asia Society Policy Institute.

Trump could see political benefits from walking away from a deal. He’s already facing questions about the quality of the agreement and whether the trade war he started -- and the economic damage it has brought in farm states in particular -- will prove to have been worth it. Some hawks inside his administration also fear Trump is being led into a bad deal with a China that will remain a growing strategic threat.

Still, both presidents have their reasons to settle their differences.

Trump is under pressure to prove his “America First” trade policies can deliver, the evidence for which is mixed so far. Since 2016 the U.S. trade deficit -- Trump’s own favorite metric -- has blown out by almost \$120 billion, or more than 20 percent.

Meanwhile, a successful summit in Mar-a-Lago would enable Xi to silence his own domestic critics, said Steve Tsang, director of the SOAS China Institute at the University of London. “If he cannot get some kind of a ‘decent’ deal with Trump and the economy continues to slide, the pressure on Xi will build up,” he said.

– *With assistance by Jenny Leonard, and Miao Han*

*(Updates with Xinhua report on trade talks under "Daily Talks" subhead.)*

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