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POLITICS

Trump Says U.S.-China Trade Deal Close, but No Summit Plans Yet

President says ‘this is an epic deal, historic—if it happens,’ but Trade Representative Lighthizer says major issues remain



Chinese President Xi Jinping and President Trump in Beijing in 2017. PHOTO: FRED DUFOUR/AGENCE FRANCE-PRESSE/GETTY IMAGES

By Bob Davis, Alex Leary and Vivian Salama

Updated April 4, 2019 9:36 p.m. ET

WASHINGTON—The U.S. and China are aiming to reach a trade deal in the next four weeks, President Trump said, though he failed to announce a much-anticipated summit with Chinese leader Xi Jinping.

Mr. Trump struck an upbeat tone on Thursday, but his remarks suggest the two nations will struggle to meet their informal goal of a deal by the end of April. U.S. negotiators have told industry officials that even after reaching a preliminary deal, they will need an additional two weeks beyond that to review the fine print.

“This is an epic deal, historic—if it happens,” Mr. Trump said. “We’ll see what happens.”

Mr. Trump and his trade team say negotiations are in their final stages, but caution that daunting issues remain—including when to lift punitive tariffs against Chinese imports,

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protection of U.S. intellectual property and enforcement of the pact's provisions.

There are "major, major issues left," U.S. Trade Representative Robert Lighthizer said. "We're certainly making more progress than we would have thought when we started."

Mr. Trump's comments were more cautious than when the U.S. and Chinese trade delegations met in the Oval Office on Feb. 22. At the time, the president said he was hoping to meet with Mr. Xi in March to conclude a deal with a summit at his Mar-a-Lago resort in Florida.

Expectations for a summit were raised again late Wednesday, when an administration official told The Wall Street Journal that Mr. Trump was ready to announce the date and place for a summit. The official cautioned, however, that Mr. Trump could still change his mind.

News of the possible summit announcement upset some of his senior advisers, including Mr. Lighthizer, industry officials tracking the talks said. National Economic Council Director Lawrence Kudlow has also generally opposed setting a deadline.

The White House didn't expect to announce a date for a meeting, said an administration official Thursday. Setting a date could telegraph Mr. Trump's eagerness to strike a deal and reduce the U.S.'s bargaining leverage on the final points, said trade experts.

Mr. Trump on Thursday said he would know within four weeks whether there will be a summit, which he said would be in the U.S.

From the Chinese side, negotiators were willing to go along with a summit, said Cornell University China Scholar Eswar Prasad, who speaks with Chinese officials regularly. They believed setting a date would push the U.S. to complete details of a deal by a certain deadline.

While the Chinese have been concerned that having Mr. Xi meet Mr. Trump in the U.S. could make Mr. Xi vulnerable to a last-minute take-it-or-leave-it demand, they were willing to accept the risk.

Should the two sides fail to make the progress Beijing wanted, Mr. Prasad said, Mr. Xi could then decline to attend. That would make Mr. Xi look strong, they believed, and Mr. Trump look weak.

“The Chinese have indicated that Xi is not coming unless details [are] worked out in advance,” Mr. Prasad said.

Mr. Xi sent Mr. Trump a message saying substantial progress has been made in the text of the trade deal, according to China’s Xinhua news agency.

The talks were expected to continue on Friday.

Andy Rothman, an analyst at investment company Matthews Asia, said he didn’t think failure to announce a summit was a significant obstacle to a deal.

“These negotiations are very much in the hands of the president,” he said. “As long as he is saying there could be a monumental deal before very long, then his negotiators have his guidance to get it done.”

Settling the U.S.-China trade fight would eliminate a major uncertainty in the global economy and tend to boost markets globally. It would also hasten the removal of Chinese tariffs on U.S. goods, which hit Trump strongholds in rural areas particularly hard because U.S. agricultural exports are suffering.

U.S. soybean exports to China, for instance, fell by nearly three-quarters compared with the year earlier. Pork exports declined by about a third.

But the longer the talks go on, the more electoral politics will intrude in decision making, said Hudson Institute China scholar Michael Pillsbury, who consults with the White House. While some political advisers argue that a deal is critical for Mr. Trump’s re-election, as a way to buck up markets and the economy, others say he should hold out to get a better deal, given the 2016 campaign emphasis he put on confronting China.

“There’s a case for the president to return to being tariff man,” and once again threaten to raise tariffs on \$200 billion to 25% from 10%, Mr. Pillsbury said. After Messrs. Xi and Trump had agreed at a Dec. 1 meeting to negotiate an end to the trade fight, the U.S. first postponed and then later dropped its threat to raise tariffs.

The two sides continue to squabble over the pace at which the U.S. will remove tariffs once a deal is struck. Beijing wants tariffs on all \$250 billion of Chinese goods removed immediately. But U.S. trade negotiators look at tariffs as a way to make sure China lives up to its commitments in a trade deal. They want to roll levies back slowly.

The U.S. is also pressing China to agree to a no-retaliation clause in a trade deal, meaning the U.S. could impose tariffs on China in the case of an unresolved dispute under the deal and China would forgo the right to retaliate. China has rebuffed that so far.

At the minimum, Beijing is asking that the U.S. agree to the same no-retaliation provision if the U.S. fails to live up to its side of the bargain and China resorts to tariffs as punishment, Mr. Prasad said.

Other issues include purchases of U.S. goods and services, removal of other barriers to U.S. exports, better protection of U.S. intellectual property and an end to the forced transfer of technology from U.S. companies to their Chinese counterparts.

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Appeared in the April 5, 2019, print edition as 'U.S. Sees Trade Deal With China In Weeks.'

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