CHINA

U.S. Presses China on Trade Proposals

Washington negotiators want details of initiatives Beijing has pledged to resolve dispute

President Trump and Chinese President Xi Jinping in Beijing in November 2017. PHOTO: ANDY WONG/ASSOCIATED PRESS

By Bob Davis

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WASHINGTON—The U.S. is urging Beijing to fill in the details of a slew of trade and investment proposals Chinese officials have made recently, as the two sides try to resolve a trade battle that has rocked global markets.

Since President Trump and Chinese President Xi Jinping met in Buenos Aires on Dec. 1, Beijing has pledged to cut tariffs, buy more U.S. goods and services, ease restrictions on foreign companies operating in China and further open sectors for foreign investment.

But details have been scant. That has led to skepticism in the administration that the initiatives will lead to meaningful progress unless Beijing specifies the types of changes it will adopt, the schedule for implementing them and ways to enforce the pledges, said people tracking the talks.

The 90-day talks are due to wrap up on March 1. If no agreement is reached, the U.S. said it will boost tariffs on $200 billion of Chinese goods to 25% from the current 10%, potentially having a big impact on electronics, furniture, machinery and other U.S. industries that rely on Chinese imports. It could also deepen a slowdown in China's economy, which would have broad consequences for global growth.

On Saturday, President Trump tweeted that he and Mr. Xi had just talked by phone and made "big progress" in the talks. "Deal is moving along very well," Mr. Trump tweeted. "If made, it will be very comprehensive, covering all subjects, areas and points of dispute."

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The people familiar with the state of negotiations said the president may be overstating how close the two sides are to an agreement. They note Mr. Trump has looked to calm markets, which have gyrated in recent days, in part, because of concern that the trade fight between the U.S. and China could spin out of control.

Chinese state media reported that Mr. Trump initiated the call. In their conversation, Mr. Xi expressed hope that "both teams can meet each other halfway and reach an agreement beneficial to both countries and the world as early as possible," according to the official Xinhua News Agency.

"China attaches great importance to the development of bilateral relations and appreciates the willingness of the U.S. side to develop cooperative and constructive bilateral relations," Mr. Xi said, according to Xinhua.

Eswar Prasad, a Cornell University China scholar who recently returned from Beijing, said government officials and academics told him that pressure from the U.S. was helping them in their arguments to liberalize foreign access to the financial sector. But they doubted Beijing would agree to the kinds of sweeping changes in industrial policy that the Trump administration has been demanding.

"We might have an interim deal that prevents a further escalation of hostilities," Mr. Prasad said.

A team of U.S. trade officials, including Deputy Trade Representative Jeffrey Gerrish and Treasury Undersecretary David Malpass, is expected in Beijing the week of Jan. 7 for several days of talks. If those negotiations make progress, Chinese trade officials, led by Vice Premier Liu He, will follow up with talks in Washington the following week, or soon after, with U.S. Trade Representative Robert Lighthizer and U.S. Treasury Secretary Steven Mnuchin.

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The trade representative's office is now leading trade talks, though Treasury is also playing a significant role. For instance, Mr. Mnuchin lobbied successfully before Christmas to keep Chinese firms from being hit with sanctions for cyber espionage on the day that the Justice Department announced indictments of two Chinese citizens allegedly tied to a state-sponsored campaign to steal sensitive information from U.S. businesses.

Treasury has wanted to keep the espionage issue separate from trade talks, as a way to keep the trade negotiations advancing. But others in the government continue to press for Treasury sanctions, both to punish Beijing and to make clear that the U.S. will enforce agreements.

Since the Dec. 1 dinner meeting in Buenos Aires, Beijing has rolled out a number of trade initiatives. They include a temporary suspension in tariffs on U.S.-made autos, purchases of U.S. soybeans despite Chinese tariffs on U.S. agriculture, and pledges to revamp industrial policies in China that disadvantage foreign firms.

The latter proposals include cracking down on Chinese officials who pressure U.S. firms to transfer technology to Chinese partners—the heart of the Trump administration complaints against China. Beijing is also expected to propose giving foreign firms greater access to financial services and other sought-after sectors.

But China has made pledges of this sort in the past, and Mr. Trump's negotiators say they don't want to get ensnared in multiple rounds of negotiations that lead to little change. U.S. negotiators now are pressing their Chinese counterparts to spell out, in great detail, the kinds of changes they would make—and to assure that Beijing doesn't use other means to restrict foreign firms. Over the past year, China has resisted giving such detailed information.

For instance, if Chinese regulations are revised to boost foreign participation in financial markets, the U.S. wants to be assured that Beijing won't use government authority over licensing, environment, land use and other areas to hinder U.S. firms anyway. Washington also wants to make sure U.S. firms benefit quickly and that approvals don't stretch out for years.

The U.S. is also focusing on how such a deal would be enforced. One way is to keep current tariffs on China and only remove them after Beijing has carried out its pledges.

On exports, Mr. Mnuchin has said that China is committing to buy an additional $1.2 trillion in U.S. goods and services, though he didn't specify the time frame. Last year, the U.S. shipped $188 billion of goods and services to Beijing and ran a $336 billion deficit in total trade.

The additional exports would come in large part from what China forecasts as an enormous boost in Chinese imports of services globally—$2.5 trillion over five years, China's Commerce Ministry estimates. U.S. negotiators are also pressing China to ease restrictions on agricultural imports, which could pave the way for U.S. farmers to quickly expand exports.

In particular, the two sides are discussing opening China's vast rice market to U.S. imports. The U.S. sold less than $2 million in rice to China last year.

—Lingling Wei contributed to this article.

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