

Trump Says He Will Sign Phase-One Trade Deal With China on Jan. 15

President adds he will travel to Beijing for talks on a broader pact ‘at a later date’

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Updated Dec. 31, 2019 2:19 pm ET

Chinese President Xi Jinping, right, met with President Trump on the sidelines of the G-20 Summit in Osaka, Japan, in June. Photo: brendan smialowski/Agence France-Presse/Getty Images

WASHINGTON—President Trump said he would sign the recently negotiated phase-one trade deal with China in Washington on Jan. 15—marking a formal truce in [the U.S-China trade war](#)—and would later travel to Beijing to negotiate a broader pact.

The president said in a Tuesday morning tweet that he would be joined at the White House signing by “high level” Chinese officials, whom he didn’t identify. China has been represented by Vice Premier Liu He during the nearly two years of talks. Mr. Trump also pledged to travel to Beijing to begin negotiations on the second phase of the trade deal “at a later date.”

The two sides said Dec. 13 that they had [reached a first-stage deal](#) in which China would greatly increase its purchases of farm goods and other U.S. exports, and liberalize its economy somewhat.

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In exchange, the U.S. canceled new tariffs on roughly \$156 billion in Chinese imports that were set to take

effect Dec. 15. The Trump administration also agreed to slash the tariff rate in half on about \$120 billion of Chinese goods on which [it had imposed a 15% tariff](#) on Sept. 1.

The U.S. has sketched out a phase one deal that includes at least five main areas: purchases, intellectual property protection, financial sector liberalization, enforcement and foreign exchange policy.

“We’ve got a base obligation in forced technology transfer,” White House trade adviser Peter Navarro said on CNBC on Tuesday.

But the deal is as significant for what it doesn’t cover. Those areas include [Beijing’s subsidies](#) to Chinese [industry](#), in particular to state-owned enterprises, and many tactics the U.S. claims Beijing uses to wrangle technology from American companies or forces them to hand over to do business in China.

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China's Toy Factories Transformed by Tariffs—That Didn't Kick In

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An earlier draft agreement, which [fell apart in May](#), also required China to change many laws and regulations, as a way to make sure China didn't unfairly subsidize its companies or disadvantage American ones. Few of those proposed legal changes are expected to make it into the phase-one deal.

The specific language of the deal hasn't been disclosed, as is typical in negotiations. The text is expected to be released after the signing, although U.S. Trade Representative Robert Lighthizer has said some of the details on purchases will be classified.

These issues, which were at the heart of the U.S. complaints about China, are being left for future phases. That's one reason, trade experts say, that Mr. Trump emphasized that he would fly to China to get those talks rolling.

“Trump seems to think there is a lot more momentum in the negotiations

than the Chinese think,” said Eswar Prasad, a Cornell University China specialist who has close ties to Chinese government officials. “It will be a very hard slog to reach an agreement on the fundamental issues that separate the two sides.”

Chinese President Xi Jinping faces an increasingly tricky balancing act, say China experts. He wants to stabilize a wobbly bilateral relationship while not appearing to his domestic audience to give in to U.S. demands.

In late November, Mr. Xi told dozens of foreign attendees at the Bloomberg New Economy Forum in Beijing that China had resisted foreign powers in the past and now had “found a right path that suits China’s realities, conforms to the trend of the times and enjoys the support of the people,” according to China’s Ministry of Foreign Affairs.

That was an indirect way of saying that China would resist the kinds of changes sought by the U.S. in a phase two or phase three of negotiations because they would challenge China’s fundamental economic policies, say some attendees. He also said that China didn’t need to uphold what the U.S. considers international norms because Beijing had no role in establishing those rules, the attendees said.

“Why should we change policies that are working,” Xi said, according to attendees. “We will continue the model that has worked” and will continue to reform but in a “cautious, rigorous and prudent” fashion.

The most striking part of the phase one deal, say individuals involved in the negotiations, involves enforcement. The two sides would try to settle disputes during three rounds of talks. If that doesn’t work, the U.S. could then take what Mr. Lighthizer calls a “proportionate reaction”—meaning the U.S. could reimpose tariffs.

While that option is also available to China, it’s far more likely that Beijing will be a defendant, given that it is the party making nearly all the promises.

It remains unclear what Beijing would do in such a case. Several individuals following the talks said that Beijing has agreed not to retaliate. If so, that would be a big change from the past. China has responded with tariffs every time the U.S. hit it with levies.

The specific language in the 86-page agreement is now being pored over by translators and legal experts. Even if the language is airtight, say trade experts, Beijing could always retaliate by withdrawing from the pact or contending that the U.S. hasn't acted in good faith.

Also unclear is whether many U.S. companies would try to use the dispute resolution mechanism for fear of upsetting Beijing, which has many ways it can make life miserable for companies. Today, very few American companies take a public stand against Beijing policies that they view as unfair.

Mr. Trump has focused most of his attention on the Chinese farm purchases. According to U.S. negotiators, China has agreed to buy an average of at least \$40 billion annually in agricultural goods starting in 2020—nearly twice as much its peak purchases before the trade war began in 2018. To reach those numbers, China might need to reduce purchases from agricultural exporters like Brazil and Argentina.

In addition, the U.S. has claimed, China has agreed to increase overall imports of U.S. goods and services by \$200 billion over the next two years—a growth spurt that China hasn't come close to reaching in the years since it joined the World Trade Organization in 2001.

Chinese authorities haven't confirmed those purchase commitments. A spokesman for the Chinese Embassy in Washington didn't respond to a request for comment.

Both sides say that any purchases must conform to WTO rules—a requirement that could give China a way to argue that it can't meet purchase goals. For instance, soybean purchases diverted from Brazil to the U.S. could

violate WTO rules.

“The trick is for the agreement to be crafted in a manner that’s ambiguous enough so as not to raise WTO challenges, but is clear enough to satisfy the U.S. that the Chinese government will use the tools available to it to direct farm purchases to the U.S.,” said Mark Wu, a WTO expert at Harvard Law School.

The phase one deal also includes a commitment by China not to devalue its currency to help its exporters—a policy that China says it currently follows. Beijing would also speed up the liberalization of its financial services market and commit not to force U.S. companies to transfer technology to their Chinese partners. Beijing has long denied U.S. allegations that it pressures American companies to do so.

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