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Business

Trump delays increase in tariffs on China, citing progress in trade talks

By David J. Lynch
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President Trump said Sunday that he will delay a scheduled increase in the tariffs on $200 billion in Chinese imports to allow negotiators more time to reach a comprehensive trade deal with Beijing,the most significant sign yet that Trump is eager to resolve a trade spat with China that has rattled markets and companies around the globe.

The president's decision to delay the increase in tariffs, which would have taken effect March 2, represents a gamble that his personal intervention can smooth the way to a final deal and quiet skeptics who fear he may be too quick to capitulate to the Chinese.

Writing on Twitter Sunday evening, Trump said the United States had "made substantial progress in our trade talks with China on important structural issues including intellectual property protection, technology transfer, agriculture, services, currency, and many other issues."

Trump, who did not set a new date for the tariff increase to take effect, also said he plans to host Chinese President Xi Jinping at Mar-a-Lago, his Florida estate, to finalize terms of the agreement, should the talks continue to make headway. That meeting, which the president had mulled publicly on Friday, is expected late next month.

The announcement capped a whirlwind week of talks between U.S. and Chinese officials that made sufficient progress for the Chinese delegation to extend its Washington visit, which was scheduled to end Friday, through the weekend.

The United States and China have been negotiating since the president last year imposed tariffs on more than $250 billion in Chinese goods and threatened to do so on everything China sells into the American market — a move that would have significantly disrupted commerce between the world's two largest economies.

The trade war has led to wild market gyrations over the past year, drawn rebukes from American industries worried about damage to their supply chains and contributed to what economists say is a marked slowing in global economic growth.

At the same time, Trump's hard-line stance has cheered trade skeptics and China hard-liners who see the confrontation — after years of fruitless diplomatic outreach — as the best and possibly final chance to prevent

China's trade cheating from equipping it to replace the United States as the world's most technologically advanced nation.

"As long as I'm president, they're not going to catch us," Trump told reporters at the White House on Sunday night.

The two sides have not released many details about what the emerging agreement might look like.At issue in the trade clash are long-standing American complaints about Chinese trade practices, including requiring U.S. companies to surrender their trade secrets to do business in China and Chinese hackers' widespread cybertheft of advanced technologies.

Trump also is demanding that China take immediate action to narrow the chronic imbalance in trade between the two countries. Last year, the United States ran a record deficit with China that will probably top $400 billion once the Commerce Department next month releases full-year figures for 2018.

Notably, the president on Friday raised the possibility of including in the trade bargaining the fate of two Chinese telecommunications companies, Huawei and ZTE, that U.S. officials regard as national security threats.

The president's comments suggested that the United States might bargain over criminal charges facing Huawei, which the Justice Department accuses of stealing American trade secrets, and its chief financial officer, Meng Wanzhou, whom the United States seeks to extradite from Canada to face accusations of violating U.S. sanctions on Iran.

Including the fate of Huawei and Meng in the talks would be extraordinary because it would commingle a law enforcement action with trade negotiations.

On Sunday, Trump's decision was welcomed by business leaders and those worried that his "America First" approach to trade could further hurt the economy.

"Encouraging news from @POTUS that progress is being made in a trade deal with China. Hopefully this leads to an agreement that stops China's theft of US intellectual property and avoids a full blown trade war," Sen. Patrick J. Toomey (R-Pa.) tweeted in response to Sunday's announcement.

But the decision is also likely to stoke trade hard-liners' concerns that the president is in too much of a rush to make a deal with Beijing. Fears about trade, among other issues, helped precipitate a major sell-off in the U.S. stock market late last year, though many of those losses have been reversed since.

In the view of so-called China hawks, the president's quickening desire to close a deal with his Chinese counterpart threatens to make this just one more example of American unwillingness to hang tough in the face of Chinese intransigence.

“We hear of major progress after every round of talks since the December summit yet always need more time,” Derek Scissors, a China expert at the American Enterprise Institute and occasional administration adviser, wrote in an email. “That’s because US-China talks are empty unless the U.S. has a credible enforcement mechanism. We still don’t. Without one, this is just a repeat of failed US-China talks under Obama and Bush, plus tweets.”

In recent days, the president has hailed China’s willingness to sharply increase its purchases of American agricultural products including corn and soybeans. But as critics warn that an open wallet represents Beijing’s standard strategy for soothing trade friction, the president has vowed to deliver a deal “better than any deal that anybody ever dreamed possible.”

As the time remaining before tariffs were set to rise to 25 percent from 10 percent at 12:01 a.m. on March 2 dwindled, it grew increasingly clear that Trump wanted a deal more than a showdown that could rock financial markets, hamstring an already slowing U.S. economy and complicate the politics of his 2020 reelection campaign.

“Committing to a summit only makes sense if the administration is confident that sufficient progress has already been made to assure a success,” economist Brad Setser of the Council on Foreign Relations said in an email. “And it isn’t entirely clear to those watching on the outside what China has agreed to beyond large purchases of energy and agricultural products.”

The president so far has mentioned only one tangible accord, China’s apparent agreement to refrain from cheapening its currency to gain a trade advantage. But no details have been released and questions remain about how any such deal would be enforced, a key concern for all trade bargains with China.

Economists such as Robin Brooks, chief economist of the Institute of International Finance, say the currency deal would not require China to do anything it wasn’t already planning to do.

Trump insists that he is intent on securing far-reaching structural reforms in China’s state-led economic system, something few analysts believe possible anytime soon. More than 17 years after China was admitted to the World Trade Organization, it continues to lavish subsidies on state-owned enterprises and discriminate against foreign businesses.

“There remains a yawning gap between the two sides on core structural issues. This means that any deal is likely to be a relatively narrow and temporary one that obviates a further escalation of trade tensions but leaves existing tariffs in place,” said Eswar Prasad, former head of the International Monetary Fund’s China unit.

Despite the president’s claims of great progress, Chinese officials betray little evidence of having given ground. A delegation of American business leaders who met with top Chinese government officials last week in Beijing were met with “condescending” lectures about the need for U.S. authorities to better understand China’s economic policy, according to one person familiar with the exchange, who described the private discussions on the condition of anonymity.

The current negotiations arose from Trump's Dec. 1 dinner meeting with Xi following the G-20 leaders summit in Buenos Aires. At that gathering, Trump agreed to delay a tariff increase to 25 percent from 10 percent on $200 billion in Chinese products that was slated to occur Jan. 1 and give negotiators until March 1.

Since then, as the stock market wobbled late last year and complaints from American victims of the tariff war accumulated, the president has sounded increasingly eager for a deal with the country he once accused of the "rape" of the U.S. economy.

These negotiations may yet take additional unexpected turns. Indeed, last week's meeting with the Chinese featured a remarkable public dispute between Trump and his own chief trade negotiator, Robert E. Lighthizer.

During an Oval Office meeting in front of reporters Friday, the president disagreed with Lighthizer over what type of agreement was being negotiated.

Lighthizer, a veteran trade lawyer with decades of experience, was rebuked by Trump for calling it a "memorandum of understanding."

Trump said the term, often used in trade negotiations, doesn't "mean very much."

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