

# The Washington Post

*Democracy Dies in Darkness*

## White House offers first details of partial trade deal with China

Markets, Democrats remain unimpressed

By **David J. Lynch** and **Anna Fifield**

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The White House on Friday unveiled a partial trade deal with China, acknowledging it fell short of President Trump's original goals while insisting it contained lucrative new orders for U.S. exports and new protections for American companies doing business in the Chinese market.

The deal resets the terms of a nearly \$700 billion trans-Pacific trade flow and represents the first tangible achievement in the president's "America First" confrontation with China. Even as officials in Washington and Beijing began disclosing the first details, however, critics complained that resolving the most damaging Chinese trade practices had been left to future talks.

Robert E. Lighthizer, the president's chief trade negotiator, told reporters the deal was only the first achievement in a long campaign to remedy an "unfair" commercial relationship between the United States and China.

"This is a very, very important step forward," he said during a briefing in the Eisenhower Executive Office Building. "Some people say, 'well, you didn't do some of the most difficult things,' and of course that's true. But you can look at it the other way just as easily and say the most difficult part is getting the first deal. That is the hardest part."

Trump initiated his trade war with China in March 2018 to close a yawning trade deficit and to counter what he described as a widespread Chinese campaign to acquire advanced American technology by theft or coercion. In the ensuing months, he slapped tariffs on more than two-thirds of all Chinese goods and threatened to hit the rest starting Sunday.

The deal averts those tariffs, which would have applied to \$160 billion in consumer goods such as laptops, clothing and toys, and includes the first formal Chinese promises to stop forcing U.S. companies to surrender their technology to enter the Chinese market.

“This is an amazing deal for all. Thank you!” the president said on Twitter, where he announced the agreement.

The immediate economic consequences of Trump’s multi-front trade war almost certainly have been to slow growth in the U.S. and other advanced nations, according to studies by the International Monetary Fund and others. The specific winners and losers as the president’s tariffs are raised and lowered will take time to sort out. But Lighthizer insists that whatever the short-term economic pain, the alternative — allowing China to somehow supplant the U.S. as the global technology leader — would produce far greater economic losses.

The 86-page accord caps a 21-month battle that saw the U.S. raise its tariffs to their highest levels in decades, reversing nearly three generations of progress toward freer global commerce. Manufacturing supply chains were disrupted as companies relocated factories outside of China to escape Trump's levies.

Those that couldn't shift quickly enough got stuck with a tariff bill that totaled \$65 billion in the most recent fiscal year. Taxpayers, meanwhile, forked over \$28 billion — twice the cost of the 2009 auto industry bailout — to compensate farmers for lost sales. To cope with the trade war's impact on business confidence and investment, the Federal Reserve executed an abrupt U-turn and began cutting interest rates.

“If it's what I think it is, it's not even close to worth it,” said Scott Kennedy, an expert on the Chinese economy at the Center for Strategic and International Studies. “If you turn this deal sideways, it's almost invisible.”

Asked if the “phase one” agreement was worth the cost, Gregory Daco, chief U.S. economist at Oxford Economics, said: “Not really, no.”

With tariffs remaining on \$360 billion of its shipments to the U.S., China will have an incentive to comply. And the deal established a dispute resolution process that could lead either nation to impose fresh import fees in the event of an unresolved complaint. But those tariffs also leave a cloud of uncertainty over the global economy that will keep the economic gain from the deal next year to a “negligible” 0.1 percentage point of growth, Daco said.

In the next two years, Beijing is committed to buying an extra \$200 billion in U.S. agricultural, energy and manufactured goods, Lighthizer said. The agreement contains specific figures for individual products such as poultry and animal feed, which are not being made public to avoid disrupting commodity markets, he added.

Some agriculture experts doubt whether U.S. farmers can quickly pivot to meet increased demand as quickly as envisioned. China's has promised to buy an extra \$16 billion in farm goods in the deal's first year, well short of the cumulative financial losses farmers have suffered since the trade war began.

“China's additional agricultural purchases and other modest concessions will hardly make up for the hit to various parts of the U.S. economy resulting from the tariffs and other economic disruptions caused by the trade tensions,” said economist Eswar Prasad of Cornell University, a former head of the International Monetary Fund's China unit.

Even if the Chinese purchases do materialize, Lighthizer acknowledged that the U.S. would continue to buy substantially more from China than it sold to Chinese customers — a trade deficit that the president often has vowed to close.

The agreement, which Lighthizer said would be made public in the next few weeks, includes “very specific” commitments for China to better police counterfeiting, patent and trademark violations. But he declined to make any of them public.

Lighthizer and Chinese Vice Premier Liu He, who led Beijing’s negotiating team, plan to sign the deal in Washington during the first week of January before commencing talks on a second agreement.

“The odds are slim that the next round of talks can produce a deal anytime soon,” said Wendy Cutler, a former U.S. trade negotiator now at the Asia Society. “The most difficult structural issues, including curtailing industrial subsidies and adding more detail to the forced technology provisions, have been left for the second phase.”

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Details of the accord remained in flux until about 10 a.m. Eastern time Friday, when the president gave his final okay, Lighthizer said.

The trade chief spoke after hours of confusion.

At a late-night news conference in Beijing, Chinese officials confirmed the deal. But with neither government releasing a text, Wall Street opened to uncertain trading.

“President Trump has sold out for a temporary and unreliable promise from China to purchase some soybeans,” Senate Minority Leader Charles E. Schumer (D-NY) tweeted Friday.

Trump approved the so-called “phase one” accord on Thursday, but there was no official word about it from the White House until a presidential tweet Friday morning that was long on salesmanship and short on details.

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“We have agreed to a very large Phase One Deal with China. They have agreed to many structural changes and massive purchases of Agricultural Product, Energy, and Manufactured Goods, plus much more. The 25% Tariffs will remain as is, with 7 1/2% put on much of the remainder ...,” the president wrote. “.....The Penalty Tariffs set for December 15 will not be charged because of the fact that we made the deal. We will begin negotiations on the Phase Two Deal immediately, rather than waiting until after the 2020 Election.

Trump canceled a scheduled tariff increase that would have hit about \$160 billion in Chinese goods on Sunday and agreed to halve the 15 percent tariff on about \$120 billion in Chinese products that took effect in September, according to USTR. A 25 percent tariff on an additional \$250 billion in imports will remain in place as negotiations begin on a second deal.

Financial markets were unimpressed. The Dow Jones industrial average rose about 130 points before quickly surrendering those gains, ending the day up a bit more than 3 points to close at 28,135.38.

The text includes nine chapters, including ones on intellectual property rights, technology transfer, food and farm products, financial services, exchange rates, and dispute resolution, Wang Shouwen said at the 11 p.m. news conference at the State Council Information Office in Beijing.

The Chinese and the American delegations will now carry out a legal review and check the translation, Wang told reporters. They will then make the arrangements for the formal signing of the agreement, he said.

Liao Min, vice finance minister, said that China will consider not imposing the tariffs it had threatened to slap on 3,300 American products Sunday, including auto parts and chemicals.

“China will take corresponding measures by not implementing the new tariffs planned for Dec 15,” Liao said. “This is the consensus reached by both sides in the phase one deal.”

The Chinese side did not make any mention of the dollar amount for the farm products that Beijing will buy from the United States in return.

Bai Ming, an expert linked to China’s commerce ministry, said the U.S. tariff rollback was “a goodwill gesture.”

The deal appeared to be “win-win,” said Su Qingyi, Deputy Director of Department of International Trade at the Chinese Academy of Social Sciences.

*Wang Yuan in Beijing contributed reporting.*

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