

US-China trade deal a mixed success for Trump



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President Donald Trump is set to sign a trade deal with China on Wednesday

that he will trumpet as a major victory, but it comes at a steep cost after a two-year standoff between the world's two top economic powers.

"The hard issues between the United States and China are still outstanding," said Edward Alden, trade policy expert at the Council on Foreign Relations.

But he acknowledged: "Politically, this does work pretty well for Trump," who is running for re-election in November this year.

The White House can boast it has been "tough on China," and that "technically he's got a deal," something he promised voters in 2016, Alden said.

At the very least, the truce has reassured markets, roiled by the constant upheaval of threats, counter-threats and waves of tariffs in 2018 and 2019.

The ceasefire also could help Trump on the campaign trail by giving the American economy a boost.

As uncertainty eases, consumers would have greater reason to spend with confidence, and businesses might also move forward with investments that were put on hold because of fears about the conflict.

Trump announced to great fanfare on New Year's eve that he would sign the "phase one" deal on January 15 in the White House.

- Mysterious details -

But it was not until Thursday that the Chinese Ministry of Commerce confirmed the visit of Vice Premier Liu He, who will be in Washington from Monday to Wednesday.

Details of the scope of the agreement have remained a mystery, however.

"The whole document will be released Wednesday," Larry Kudlow, director of the National Economic Council, told reporters on Friday.

Kudlow dismissed criticism that the deal fell short of expectations, saying US negotiators won numerous concessions.

On Sunday, Treasury Secretary Steven Mnuchin called the pact "historic."

"This is the first time we had a comprehensive agreement with China on technology issues, agricultural issues, financial services, purchases," Mnuchin told Fox News.

"It has a real enforcement mechanism. So this is a big win for the president."

The White House has said the agreement includes improvements on the technology transfer requirements that Beijing imposes on foreign companies, as well as better access to the Chinese market for financial services.

According to the US, it also stipulates that Beijing will buy an additional \$200 billion in American products over a two-year period compared to 2017, including \$50 billion in agricultural goods.

In return, the Trump administration has called off new tariffs on Chinese-made goods like electronics and cell phones that were to take effect last month.

It also cut in half those imposed on September 1 on \$120 billion worth of products.

But many tariffs remain in place, and the trade war has squeezed US businesses.

The deal is a "mixed success" and comes at a price, said Eswar Prasad, a professor of trade policy at Cornell University and an expert on China.

"Trump has extracted some concessions from China and other US trading partners but at a significant cost to the US economy and with an erosion of the US' international standing as a trustworthy and reliable trading partner."

The Chinese economy has slowed markedly, partly as a result of the trade war, but American manufacturing and farmers also have suffered.

To mitigate losses in the agricultural sector, the Trump administration had to provide a total of \$28 billion in aid to farmers in 2018 and 2019.

"There's been significant harm to American farmers and significant harm to the US manufacturing industry and the new purchase commitments by China are unlikely to undo that damage," Alden said.

US manufacturing entered a recession in August.

One of Trump's main goals for beginning the tariff war was to reduce the US trade deficit and put an end to unfair trade practices, but trade experts doubt Washington can achieve significant structural changes from Beijing.

Prasad said China is unlikely to yield on major demands from the Trump administration, such as substantially reducing state subsidies to companies.

Xu Bin, professor of economics and finance at the China Europe International Business School (CEIBS) in Shanghai, said the two sides can declare they have an agreement "that will be acceptable, (but) not a victory."

He thinks the US-China dispute will continue "over the next few years, next 10 years, next 20 years, even further," veering between conflicts and truce.