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## China, U.S. Seek Broad Outline of a Trade Pact This Week

Differences are still substantial between what Beijing is willing to offer and what U.S. will accept

By *Lingling Wei and Bob Davis* Updated Feb. 12, 2019 8:18 p.m. ET

U.S. stocks [rose Tuesday](#) as President Trump said he is willing to delay next month's deadline for resolving the U.S.'s trade conflict with China if negotiations with Beijing are progressing smoothly. Mr. Trump, asked whether the deadline for boosting U.S. tariffs to 25% on Chinese products would stay in place, said, "If we're close to a deal...I could see myself letting that slide for a little while."

"We want very much to make a deal," the president said at a cabinet session, though he tempered that wish by saying the two sides are negotiating this week in Beijing and "we'll see what happens."

The president said he believed China wants to reach an agreement. The deadline for a pact is March 1, and if a deal isn't reached the new tariffs are to be imposed the following day.

While markets globally would welcome a cessation of trade hostilities, a partial deal could open Mr. Trump to criticism from both his conservative supporters and U.S. business groups that he has settled for too little and failed to push for the fundamental reform in Chinese industrial and technology policies that his administration has said are at the heart of the dispute.

In the talks this week, Chinese and U.S. negotiators are focusing on producing a broad outline of a trade agreement for their presidents to clinch at a possible summit, according to people with knowledge of the matter.

Officials holding trade and economic portfolios are seeking to narrow the still-substantial gap between the concessions China is willing to offer and what Mr. Trump's administration will accept.

Discussions between midlevel officials began Monday at China's Commerce Ministry. On Thursday, a high-level U.S. delegation led by Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin is scheduled to hold two days of talks with Chinese Vice Premier Liu He and his entourage.

Both sides hope to hash out a framework of a deal, the people said, with the goal of getting it finalized in a meeting between Mr. Trump and President Xi Jinping of China. The date for such a session hasn't been set. Mr. Trump appeared last week to rule out a meeting by the March 1 deadline for a deal—after initially suggesting he planned to sit down with the Chinese leader.

[If the two sides don't agree by then or don't agree to extend the deadline](#), U.S. tariffs on \$200 billion worth of Chinese goods will jump to 25% from 10% at 12:01 a.m. March 2.

Some of Mr. Trump's more hawkish trade advisers have been warning him against a meeting, arguing that market expectations that a deal was in sight, as shown by Tuesday's stock surge, would reduce his leverage once a summit was scheduled.

After Vice Premier Liu went to Washington for a round of talks at the end of January, Mr. Lighthizer warned that if the two sides didn't make further headway this month he would advise Mr. Trump "that we can't finish" before March 1—suggesting tariffs would be boosted.

Since then, there have been signs that Mr. Trump is reconsidering again. "He wants to meet with President Xi very soon," White House senior counselor Kellyanne Conway told Fox News on Monday. "This president wants a deal."

Beijing so far has remained reluctant to give ground on issues it sees as crucial to maintaining the Communist Party's rule. Those include government subsidies to state-owned companies and other policies that underpin its state-led economic

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model. Washington sees such steps as essential to level the playing field for U.S. businesses operating in the world's second-largest economy.

When Mr. Liu was in Washington, Chinese officials talked of boosting Chinese purchases of U.S. farm and energy products and services, accelerating China's market-opening efforts in sectors such as financial services and manufacturing, and improving its protection of U.S. intellectual-property rights, according to people briefed on the discussions. China's leadership sees all those measures as aligned with the nation's own interests.

But sharp divisions have remained on items such as how Beijing can address U.S. complaints that Chinese authorities and companies pressure U.S. companies to share technology, and what Washington calls Beijing's protectionist industrial policies that favor state-controlled companies at the expense of U.S. competitors.

Beijing has denied that there is ever any official pressure on U.S. businesses to transfer technology. Instead, Chinese officials have said, foreign companies voluntarily share technology in exchange for access to China's markets.

The issue of coerced technology transfer is a key reason U.S. business support for Beijing has waned in recent years, with major companies complaining of threats and pressure to turn over proprietary information and technology to Chinese partners.

In a recommendation to Mr. Lighthizer's office last year, the U.S.-China Business Council, a group representing more than 200 U.S. businesses that do business with China, suggested a number of ways Beijing could address such concerns. One was installing independent, transparent regulatory panels that wouldn't expose trade secrets provided by foreign companies as they say sometimes happens with the expert boards that currently review new products ahead of commercial production.

If both sides reach a broad framework of a deal this week, it would likely include the offers China is making but leave the thornier issues, such as China's industrial policies, for the presidents to work out, according to the people.

Another challenge both sides face is ensuring that Beijing follows through on its promises. U.S. officials, who have for years complained about China's poor follow-up record, are pushing for provisions that would either permit Washington to reimpose tariffs on Chinese goods should Beijing fail to meet certain milestones—called “snapback” in trade lingo—or leave the levies in place and gradually remove them if Beijing meets agreed-upon yardsticks.

Chinese negotiators have pushed back at both ideas, saying such mechanisms would violate China's sovereign rights. Former U.S. negotiators said snapback enforcement might be more palatable to Beijing.

Wendy Cutler, a former Asia negotiator for the U.S. Trade Representative's office, said South Korea agreed to such a provision in the U.S.-Korea Free Trade Agreement concerning automobiles. A snapback deal would also be easier than leaving tariffs in place until Beijing hit certain benchmarks, she said, because questions of compliance usually aren't clear-cut and reimposing tariffs would be politically difficult for the U.S.

Both Washington and Beijing have economic incentives to prevent the tariff fight from intensifying. China's economy is slowing faster than officials expected, with more than half of the nation's 31 provinces failing to meet growth targets last year. That is in part due to the 10% tariffs the U.S. imposed in September on half China's U.S.-bound exports, on top of 25% tariffs imposed on \$50 billion in Chinese goods earlier in 2018. Farmers and other types of businesses in the U.S., on the other hand, are feeling the pinch from Beijing's retaliatory tariffs and China's economic slowdown.

“The trade truce won't last unless both sides realize no one wins in a trade war,” said Yu Yongding, a member of the Chinese Economists 50 Forum, a think tank that advises Chinese policy makers.

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