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CHINA

China's Annual Trade Surplus With U.S. Hits Record Despite Trump's Tariff Offensive

China posted a trade surplus of $323.32 billion with the U.S. in 2018

China's exports to the U.S. rose 11.3% in 2018, while imports from the U.S. inched up 0.7%, data from China's General Administration of Customs showed. **PHOTO:** STR/AGENCE FRANCE-PRESSE/GETTY IMAGES

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BEIJING—China's trade surplus with the U.S. hit a record last year, as robust American demand for Chinese goods undercut the Trump administration's tariff offensive aimed at narrowing the countries' lopsided trade gap.

China recorded $323.32 billion in surplus with the U.S. in 2018, representing a 17% jump from the figure in the previous year, according to Chinese government trade data released Monday.

Abetting the record imbalance were a healthy American economy and a weakening Chinese one, some economists and analysts said, which in turn fed U.S. demand for imports and damped demand in China. The Trump administration's phased deadlines for tariffs, along with threats of more for this year, also sent Chinese exporters racing to fill orders, and a weakening Chinese currency kept the prices of those goods competitive.

The latest data shows "how the tariffs affected the trading behavior of exporters who accelerated their shipments," said Liu Yaxin, an analyst at China Merchants Securities . Both exports and imports are likely to slow at least for the first half of the year, Ms. Liu said, as frontloading effects vanish and domestic economic growth slows.

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While Chinese figures show a record surplus with the U.S. for 2018, China's figures routinely show a smaller imbalance than U.S. ones. The countries' trade figures don't match due to different calculation methods. Indirect shipments via Hong Kong and other intermediaries are among the factors cited for the discrepancies. Neither the Chinese nor U.S. figures include trade in services, which when factored in, China's Commerce Ministry says, gives the U.S. more balanced trade with China.

In either case, China's widening trade surplus is likely to provide ready ammunition to those in the Trump administration who say that the tariff pressure campaign needs to be sustained to get Beijing to correct what the U.S. sees as unfair trade practices.

China's government has rejected the criticism, saying the trade gap in particular is more a reflection of differences in savings and investment and other economic factors. Beijing also points to changes in its own economy, which is beginning to generate greater demand for imports as levels of wealth rise.

China's trade gap with the world narrowed last year to $351.76 billion, smaller than 2017's surplus $422.51 billion, according to Monday's customs data. Chinese total exports rose 9.9% for 2018, while imports climbed 15.8%. That compared with growths of 7.9% and 15.9%, respectively, for 2017.

U.S. and Chinese negotiators are trying to hammer out an agreement by March 1 to help ease the trade conflict. During the latest round of talks, which took place in Beijing last week, midlevel negotiators on both sides narrowed their differences on purchases of U.S. goods and services and widening access to China's markets, according to people briefed on the talks. Such steps would attempt to address President Trump's concerns about the bilateral trade gap.

The two sides remain divided on a number of more challenging issues such as Beijing's subsidies to domestic firms and better protection of American intellectual property. Both sides are preparing for the next round of negotiations in Washington at the end of this month, between cabinet-level officials including Chinese Vice Premier Liu He and U.S. Trade Representative Robert Lighthizer.

The negotiations are part of a temporary tariff truce reached by President Trump and Chinese President Xi Jinping during their meeting in Argentina on Dec. 1. Under that agreement, the U.S. suspended planned tariff increases on $200 billion of Chinese goods until March 1.

If a full trade deal isn't reached by then, the Trump administration has said it would increase those tariffs to 25% from the current 10%. Such an increase is expected to hurt China's growth, Chinese officials say, which is already weakening from lackluster industrial output, consumer spending and government investment.

—Liyan Qi and Xiao Xiao