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POLITICS

Trump Gives Upbeat Assessment of Trade Talks With China

Trump and Xi to meet in late February, Beijing offers to boost soybean purchases



President Trump holds a meeting with Chinese Vice Premier Liu He, right, in the Oval Office. PHOTO: SUSAN WALSH/ASSOCIATED PRESS

By Lingling Wei, Bob Davis and Michael C. Bender

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WASHINGTON—The U.S. and China moved closer to settling their trade dispute, with President Trump saying he expects to meet again with Chinese President Xi Jinping to resolve the conflict that has rattled the global economy.

Mr. Trump's upbeat assessment came as he met Thursday with Vice Premier Liu He of China in the Oval Office following two days of high-level talks between the two sides.

During the talks, the Chinese delegation proposed to the U.S. that Mr. Trump meet with Mr. Xi in the Chinese resort island of Hainan after his planned summit with the North Korean leader, Kim Jong Un, in late February, people briefed on the talks said.

At the meeting, Mr. Liu said China would buy 5 million tons of U.S. soybeans daily, a number Mr. Trump repeated, adding it would “make our farmers very happy.” The administration later clarified that China has agreed to buy an additional 5 million metric tons of soybeans—but not daily, and no time frame was specified.

The development capped a day in which Mr. Trump sent what appeared to be mixed messages on prospects for a deal by the March 1 deadline.

At one point, the president said he might be willing to accept a limited agreement by the deadline and extend the talks to get a more comprehensive deal. “I think we can do it by March 1. Can you get it down on paper by March 1? I don’t know,” Mr. Trump said, adding he was aiming for a meaningful agreement.

“This isn’t going to be a small deal with China,” Mr. Trump said. “This is either going to be a big deal or it’s going to be a deal that we’ll just postpone for a while.”

But as Mr. Trump and Mr. Liu met with reporters Thursday afternoon, the president said he didn’t anticipate the need to extend the deadline. His top China trade negotiator, U.S. Trade Representative Robert Lighthizer, later said the March 1 deadline remains intact.

Mr. Trump opened the meeting by asking a member of the Chinese delegation to read aloud a letter from Mr. Xi, who said he appreciated the “good relationship” with Mr. Trump and enjoyed “our meetings and phone calls in which we could talk about anything.”

Sitting across Mr. Trump in the Oval Office, Mr. Liu said both sides focused the two-day talks on “three key themes,” which he said were “trade, structural issues and enforcement.”

Mr. Lighthizer described “two very intense and very long days of discussions.” He said the two countries are in “constant negotiations” that would take a short break for the Chinese New Year next week. Mr. Trump said Mr. Lighthizer and Treasury Secretary Steven Mnuchin would travel to China in February as negotiations continued.

“We made substantial progress,” Mr. Lighthizer said. He said the talks focused on structural issues and enforcement, adding that a final deal remained elusive. He said the two sides discussed enforcement of any deal, which he called a “foundational issue.”

“Having [China] back in the market would be pretty important to our business,” said Doug Martin, who farms about 3,500 acres of soybeans with his brother near Mt. Pulaski, Ill. Mr. Martin said government payments to trade-hit farmers have helped to make up for lower prices due to China’s absence from U.S. soybean purchasing. “But everybody’s operating on pretty thin margins right now,” he said.

Messrs. Trump and Xi agreed to a 90-day trade truce when they met in Buenos Aires on Dec. 1, to give negotiators time to hammer out an accord. Failing that, the Trump administration said tariffs would increase to 25% from 10% on \$200 billion worth of Chinese goods. That truce extended the deadline for the trade escalation from Jan. 1 to 12:01 a.m. March 2.

Mr. Liu delivered a package of modest concessions for the trade talks that started Wednesday at the Eisenhower Executive Office Building near the White House, people briefed on the talks said. It includes more Chinese purchases of U.S. farm and energy products and promises to invite more U.S. capital into the manufacturing and financial-services sectors.

But the offer falls short of what Washington has been seeking.

The U.S. has particularly sought deeper changes in what it calls Beijing's protectionist industrial policies that hamstring U.S. competitors, as well as the elimination of pressure on U.S. companies to transfer technology to their Chinese partners. Mr. Lighthizer said the two sides "made headway" on those issues but didn't provide any specifics.

The two sides are still far from a deal, and they didn't agree Thursday to a written framework with blanks left for areas where there is disagreement—the kind of document that is standard in trade negotiations.

Beijing, for instance, hadn't agreed to even list all the subsidies domestic firms receive from the central-government and local levels, said Myron Brilliant, executive vice president of the U.S. Chamber of Commerce, who has been briefed on the talks. "China hasn't offered up anything tangible to address ongoing concerns around forced transfer of technology," he said.

"We are in the fifth inning of a nine-inning game," Mr. Brilliant said. "The president sees this as an historic opportunity, but the question is whether the administration can deliver on a comprehensive deal with the Chinese." The U.S. Chamber, along with many business groups, have been pushing the White House not to settle too easily with the Chinese and to insist on significant changes in Chinese industrial and technology policies.

In a tweet, Mr. Trump wrote that "meetings are going well with good intent and spirit on both sides. China does not want an increase in Tariffs and feels they will do much better if they make a deal. They are correct."

Later, he said in another tweet that he was "looking for China to open their Markets not only to Financial Services, which they are now doing, but also to our Manufacturing, Farmers and other U.S. businesses and industries. Without this a deal would be unacceptable!"

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In comments a few hours later, he qualified his remarks again. "I think it [a deal] has a very good chance of happening."

By agreeing to a meeting, some of Mr. Trump's advisers believe the president is putting himself in a position where he will likely face enormous pressure

not to escalate tariffs on Chinese goods from 10% now to 25% on March 2, as he has threatened.

That is because the buildup for the meeting—and the expectations of a deal—will be so high that a negative outcome would tank markets globally and batter both economies.

That is especially the case if the two leaders were to meet in China, as Chinese officials want. A decision then to raise tariffs would be a slap in the face for the Chinese leader, whom Mr. Trump regularly refers to as a friend. Instead, the pressure would be on the U.S. to reduce tariffs.

Some of Mr. Trump's advisers are urging that he meet elsewhere with Mr. Xi, either in a third country or even at Mr. Trump's Mar-a-Lago estate in Florida. Mr. Brilliant said he doubts a decision about the location will be made until closer to the March deadline.

“The best hope for getting a deal is a face-to-face-meeting” between the two leaders, said Brookings Institution China scholar David Dollar. “The U.S. economy is decelerating and the pressure is on Trump is to make a deal.”

Mr. Dollar added that even keeping the current 10% tariffs in place “would be hard for Xi Jinping to accept.”

At the same time, Beijing is also unlikely to accept U.S. demands to remake its industrial policy and scale back the role of the state in the economy, said Cornell University China expert Eswar Prasad.

“The more likely scenario is a deal where Trump declares victory, which is relatively modest in scope, and the two sides de-escalate tension and continue discussions on complicated issues left unresolved,” said Mr. Prasad, who speaks regularly with Chinese officials.

When the two leaders met on Dec. 1 in Buenos Aires, expectations in the financial markets were so elevated for a deal that the president and his advisers felt he had little option but to agree to a truce.

Mr. Mnuchin said on Fox Business Network on Jan. 29 that cuts in tariffs are a possibility. “Everything is on the table,” he said. Messrs. Mnuchin and Lighthizer have jockeyed for power over China policy for the past year.

At the Buenos Aires meeting, Mr. Trump named Mr. Lighthizer the top negotiator. Mr. Lighthizer has long argued to keep tariffs in place—or even boost them—to keep pressure on China. With Mr. Trump agreeing to meet with Mr. Xi, the president has effectively become the chief negotiator, giving Mr. Mnuchin a bigger chance to influence policy.

Corrections & Amplifications

Trade talks between the U.S. and China resumed on Wednesday, Jan. 30. An earlier version of this article incorrectly referred to talks having occurred on Tuesday, the day before. Also, Hainan, the location proposed for a meeting between President Trump and Chinese president Xi Jinping, is a province in China. An earlier version of this article identified Hainan as a city. (January 31, 2019)

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