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WORLD

U.S. and China Make Progress on Trade, but Major Hurdles Remain

The sides remain divided on issues such as a reduction of Chinese subsidies to domestic firms and protection of intellectual property



Deputy U.S. Trade Representative Jeffrey Gerrish, seen above on Tuesday, led the U.S. delegation to trade talks in Beijing this week. PHOTO: GREG BAKER/AGENCE FRANCE-PRESSE/GETTY IMAGES

By Lingling Wei

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BEIJING—The U.S. and China wrapped up their first face-to-face trade negotiations since a temporary tariff truce was declared last month, making progress toward an agreement but leaving the thorniest issues to be resolved in higher-level talks, according to people with knowledge of the discussions.

During three days of talks between midlevel trade officials from Washington and Beijing in the Chinese capital that ended Wednesday, the two sides made progress on issues such as additional Chinese purchases of U.S. goods and services, as well as opening China's markets further to American capital, the people said. But they cautioned that the two teams hadn't yet made a breakthrough and more discussions are needed to resolve a trade fight that has unnerved global markets.

The two sides remain divided on knottier issues including a reduction of Chinese subsidies to domestic firms and protection of intellectual property, the people said, and that means a resolution still needs to be hammered out. The U.S. delegation, led by Deputy U.S. Trade Representative Jeffrey Gerrish, left Beijing late Wednesday afternoon.

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In a statement released after talks concluded, the trade representative's office said officials had discussed making any deal "subject to ongoing verification and effective enforcement." The statement

added that negotiators had "conveyed President Trump's commitment to addressing our persistent trade deficit and to resolving structural issues in order to improve trade between our countries."

In a brief statement issued Thursday morning, China's Commerce Ministry said the three-day negotiations "promoted mutual understanding and laid the foundation for solving problems of mutual interest." It also said both sides had agreed to keep close contact.

Still, the narrowing of the two sides' differences on trade, the people said, is paving the way for a next round of talks among cabinet-level officials, potentially involving U.S. Trade Representative Robert Lighthizer and Chinese Vice Premier Liu He, the top economic aide to President Xi Jinping.

The negotiations started on Monday at China's Commerce Ministry, and lasted a day longer than scheduled. Both sides spent the first day of talks trying to work out details on pledged Chinese purchases of U.S. goods and services, especially farm and energy products, according to the people familiar with the discussions.



People passed decorations marking the new year outside a shopping mall in Beijing last week. PHOTO: NG HAN GUAN/ASSOCIATED PRESS

The American negotiators, including officials from the Commerce, Energy and Agricultural departments, sought to get the Chinese side to go beyond projecting how much China would purchase and to commit to purchases within specific time frames, the people said.

In a sign of progress made on that front, Beijing announced on Tuesday—during the ongoing talks—that it had approved imports of five new varieties of genetically modified crops, a move sought for years by U.S. farmers and agribusinesses.

During the talks, the two sides went over a number of more challenging trade demands from the Trump administration, including those requiring Beijing to keep Chinese firms and officials from pressuring U.S. companies into transferring technology against their will, the people said. The U.S. side also asked China to reduce subsidies to Chinese companies in a bid to create a fairer competitive environment for foreign firms.

The two sides remained apart on many of those issues, the people said, especially on those involving subsidies to Chinese state-owned enterprises. The Chinese leadership sees giant state companies as the foundation of the Communist Party's rule and over the past few years has sought to make the vast state sector even bigger.

The talks this week followed a temporary trade truce reached by Messrs. Trump and Xi during their meeting in Argentina on Dec. 1. Under that agreement, the U.S. is suspending tariff increases on \$200 billion of Chinese imports until March 1.

If a full trade deal isn't concluded by then, the Trump administration has said it would increase those tariffs to 25% from the current 10%, a move that Chinese officials say could severely hurt China's already-weakening growth.

In Washington on Wednesday, Mr. Lighthizer advanced his parallel effort to raise global pressure on China, meeting with his counterparts from Japan and the European Union to hone their common agenda of trying to use the World Trade Organization to rein in Beijing.

The three have been gathering regularly over the past year to create new rules for the WTO to govern “non-market-oriented policies”—a phrase mainly used to apply to China's state-driven capitalism—focusing in particular on “industrial subsidies” and “forced technology transfers.” They said in a trilateral statement that they agreed to try and finalize at least some proposals to put forth in Geneva “by spring.”

—*Bob Davis and Jacob M. Schlesinger contributed to this article.*

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