

CHINA

U.S. and China Reach Phase One Trade Agreement

Trump has approved a pact that will scale back existing tariffs on Chinese imports and eliminate new levies scheduled to take effect on Sunday



The U.S. and China have reached a limited trade agreement in which Washington has agreed to remove tariffs in stages, a Chinese official said Friday. PHOTO: YU FANGPING/ZUMA PRESS

By Lingling Wei

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BREAKING

*U.S. and China Reach Phase One Trade Agreement, Commerce Vice Minister Wang Shouwen Says

*Phase One Agreement Covers Agriculture, Intellectual Property Protection, Tech Transfer, Financial Opening and Currency, Chinese Commerce Vice Minister

*U.S. Agrees to Remove Tariffs in stages, Chinese Commerce Vice Minister

*Phase One Agreement Needs to Go through Legal Procedures in Both Countries before Getting Signed, Chinese Commerce Vice Minister

*Chinese Officials Decline to Disclose Details on Tariff Reduction or Purchases

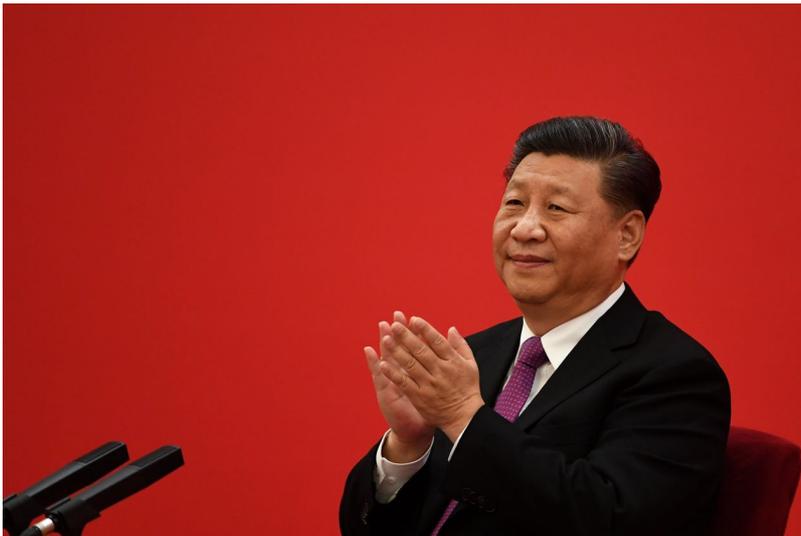
(To be updated)

BEIJING—China indicated that a near-term trade agreement with the U.S. has yet to be completed despite President Trump’s signoff, highlighting the unpredictability of a negotiation process that has rattled global markets and businesses.

Mr. Trump on Thursday approved a so-called phase-one trade pact that will scale back existing tariffs on Chinese imports and eliminate new levies scheduled to take effect on Sunday, in exchange for a written pledge from Beijing to buy tens of billions of dollars worth of U.S. farm products, among other concessions.

While Mr. Trump was “upbeat and enthusiastic about this breakthrough,” in the words of Michael Pillsbury, an adviser to the president during the trade talks, the mood in Beijing has been decidedly more sober.

None of China’s state-owned media outlets or economic agencies involved in the trade negotiations made any public statement during the day on Friday about the deal endorsed by Mr. Trump. After the markets closed in China, the State Council’s Information Office put out a notice about a press conference scheduled at 9:30 a.m. EST, in which senior Chinese officials are expected to discuss progress with the U.S.-China trade negotiations.



Chinese President Xi Jinping has staked his credibility and popularity in large part on his image as someone willing and able to stand up to foreign pressure. PHOTO: NEIL CELIS, PRESS POOL

At a regular news briefing, Foreign Ministry spokeswoman Hua Chunying referred only to how news of the agreement helped fuel a surge in U.S. and European stocks. It also lifted Chinese shares. Pointedly, Ms. Hua didn’t confirm the existence of a deal.

Instead, she hewed to the line that Beijing has maintained throughout the nearly two-year trade battle with the Trump administration: “Any agreement must be mutually beneficial.”

The muted reaction from Beijing underscores uncertainty over whether the two sides can get to the finish line and produce a deal capable of withstanding intense political blowback both in Washington and Beijing.

President Trump, for instance, is vulnerable to criticism from China hawks who have advocated a hardened stance toward Beijing. Chinese President Xi Jinping, meanwhile, faces an increasingly tricky balancing act of his own, as he seeks to stabilize a wobbly bilateral relationship without appearing to give in to U.S. pressure.

Ensuring what senior leaders have described as a “balanced” agreement has been a priority for Chinese negotiators throughout the process. Beijing walked away from a nearly completed deal in early May because the leadership felt that the text of the agreement was too lopsided in Washington’s favor. That led the Trump administration to ramp up its trade war with China, putting a drag on the world economy.

Though Beijing sees the benefit in wrapping up a deal as quickly as possible this time around, it still wants to ensure that China doesn’t appear to have been pressured into making all the concessions. The perception of a one-sided agreement could subject Mr. Xi to criticism from within the ruling Communist Party and other parts of the society, Chinese officials fear.

“The U.S. side talks too much, and that’s the American style,” said Mei Xinyu, a trade analyst at a think tank affiliated with China’s Commerce Ministry. “If there is an agreement, both sides will have to make an official announcement. Without that, anything is possible.”

SHARE YOUR THOUGHTS

Do you think this step from the U.S. signals the beginning of the end of the trade war with China? Why or why not? Join the conversation below.

Having taken control over all the levers of power in China, Mr. Xi has staked his credibility and popularity in large part on his image as someone willing and able to stand up to foreign pressure. During the protracted trade battle with Washington, Chinese officials say, he has consistently directed his lieutenants to strike back at tariff increases imposed by the Trump administration.

Following the collapse of trade talks earlier this year, Chinese state media was also instructed to speak out aggressively against what was described as American hegemony.

By the time U.S. and Chinese negotiators renewed discussions in October with the near-term goal of reaching a limited deal centered around agricultural trade, officials say, Mr. Xi was eager to strike a deal to help alleviate pressure on the Chinese economy, which faces a variety of challenges. Yet he hasn’t given up his desire to claim victory.

A U.S. proposal made in the past week, reported by The Wall Street Journal early Thursday, appeared to offer an opportunity for both leaders to walk away with a win. Under the proposal, Washington would slash existing tariffs by as much as half on roughly \$360 billion of China-

made goods, in addition to canceling fresh tariffs on \$156 billion in Chinese goods that Mr. Trump had scheduled to kick in on Sunday.

In return, China would guarantee purchases of large quantities of American merchandise, especially soybeans, poultry and other farm products. The U.S. side would also have the right to bump tariff rates back up to their original levels again should China fail to carry out its pledges as part of the deal.

It is unclear how the trade deal approved by President Trump might differ from that offer, since the White House hasn't disclosed details on the agreement. Mr. Pillsbury, the Trump adviser, said Thursday that the deal calls for China to buy \$50 billion of U.S. agricultural goods in 2020, along with energy and other products. In exchange, he said, the U.S. would reduce the tariff rates on many Chinese imports, which now range from 15% to 25%. He confirmed that the deal would include a "snapback" provision that would restore the original tariff rates if Beijing fails to make the agreed-upon purchases.

During recent discussions, however, Chinese negotiators have been reluctant to commit to the promised purchases of U.S. goods and have instead insisted on a clause that would allow China to reimpose tariffs on U.S. products should Washington fail to follow through on its tariff-reduction promises.

"The U.S. side often complains that China doesn't follow through on its promises," said one Beijing official involved in economic policy-making. "Well, we don't always trust them, either."

—*Bingyan Wang contributed to this article.*

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