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US, China envoys hold talks before Trump tariff decision

By JOE McDONALD and PAUL WISEMAN February 13, 2019

BEIJING (AP) — U.S. and Chinese trade negotiators are meeting this week for talks President Donald Trump says will help decide whether he escalates a technology dispute by going ahead with a March 2 tariff hike on \$200 billion of imports from China.

Two days of talks starting Thursday allow too little time to resolve the war over Beijing's technology ambitions that threatens to drag on weakening global economic growth, businesspeople and economists say. They believe China's goal is to make enough progress to persuade Trump to extend his deadline.

There are few signs of movement on the thorniest issue: Washington's demand that Beijing scale back its efforts to nurture world leaders in robotics and other technologies. China's trading partners say the state support for industries violates Beijing's market-opening obligations and some American officials worry they might erode U.S. industrial leadership.

This week, Beijing wants "to see the threat of additional tariff imposition being removed for as long as possible," with minimal conditions attached, said Louis Kuijs of Oxford Economics.

Trump's December agreement to postpone more tariff hikes while the two sides negotiate expires March 1. The following day, a 10 percent tariff imposed in July on \$200 billion of Chinese imports would rise to 25 percent.

On Tuesday, Trump said while he is not inclined to extend the March 2 deadline, he might let it "slide for a little while" if talks go well. Earlier, the White House called March 2 a "hard deadline."

Companies on both sides have been battered by Washington's tariffs and retaliatory duties imposed by the government of Chinese President Xi Jinping. The stakes are rising as global economic growth cools.

Trump hiked tariffs on Chinese goods over complaints Beijing steals or pressures companies to hand over technology. The dispute has spread to include Chinese industry development plans, cyberspying and the countries' lopsided trade balance.

Chinese leaders have offered to narrow their multibillion-dollar trade surplus with the United States. But they have balked at making major changes in development plans they see as a path to prosperity and more global influence.

"China will continue resisting U.S. demands in certain areas, such as changes to its industrial strategy and the role of the state in its economy," said Eswar Prasad, a Cornell University economist who was head of the China division at the International Monetary Fund.

Chinese officials reject complaints that foreign companies are required to hand over technology. But business groups and foreign governments point to rules they say compel companies to disclose trade secrets or share technology with state-owned local partners.

Chinese officials also are balking at U.S. pressure to accept an enforcement mechanism to monitor whether Beijing carries out its promises, said Kuijs.

"They feel that it is humiliating for China," he said.

The U.S. delegation is led by Trade Representative Robert Lighthizer, who has said his priority is Chinese industrial policy. He is accompanied by Treasury Secretary Steven Mnuchin.

The Chinese side is led by Vice Premier Liu He, Xi's top economic adviser. It will be his second meeting with Lighthizer following last month's talks in Washington.

Business groups and economists say the decision by the top trade envoys to participate suggests the talks might be making enough progress to require higher-level political decisions.

Their deputies have met since Monday to make preparations. On the American side, that includes Jeffrey Gerrish, a deputy trade representative, and David Malpass, a Treasury undersecretary who is Trump's nominee for World Bank president.

Even if negotiators produce an agreement, it run might into opposition from within the Trump administration, Prasad said.

"The hardliners seem loath to settle for a deal that represents anything less than total capitulation by China on all U.S. demands," he said.

Beijing has tried to deflect pressure by emphasizing China's growth as an export market. It has announced a series of changes over the past year to open finance and other fields, including allowing full foreign ownership in its auto industry for the first time.

Regulators have announced plans to improve protection of foreign patents and copyrights. But it is unclear whether that will satisfy Washington and other governments that complain the system is designed to extract technology from foreign companies and to use official industrial standards to shield Chinese enterprises from competition.

“There’s been notably less progress” around such issues, said Jeremie Waterman, president of the U.S. Chamber of Commerce’s China Center and a former U.S. trade official.

Negotiators have said any final agreement will have to be made by Trump and his Chinese counterpart, Xi Jinping. Trump said last week they plan to meet, but not before the March 1 deadline.

“When the time is right, the hope would be that the personal chemistry that exists (between Trump and Xi) will pay dividends,” said Erin Ennis, senior vice president at the U.S.-China Business Council.

The Hong Kong newspaper The South China Morning Post reported Monday the meeting could take place in late March on the southern Chinese island of Hainan.

Other possible sites include Beijing or Trump’s Mar-a-Lago estate in Florida, where the two met in April 2017, the U.S. news website Axios reported, citing Trump administration officials.

And what if Trump goes ahead with a March 2 tariff hike to step up pressure on Beijing?

“We certainly hope not,” said Waterman. “It would be a terrible cost for American consumers and a terrible hit to the global economy.”

Wiseman reported from Washington.

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