

Trump says U.S., China have reached a deal; new tariffs are canceled - Marketplace

President Donald Trump said Friday that the U.S. has canceled plans to impose new tariffs on \$160 billion worth of Chinese imports Sunday as part of a modest interim agreement that de-escalates a 17-month trade war between the world's two biggest economies.

The United States is also reducing existing import taxes on about \$112 billion in Chinese goods from 15% to 7.5%

In return, Trump said on Twitter, the Chinese have agreed to “massive” purchases of American farm and manufactured products as part of a so-called Phase 1 deal. The office of Trump's trade representative said China had consented to “structural reforms” that would improve intellectual property protection and curb the practice of forcing foreign companies to hand over technology as the price of admission to the Chinese market. But it offered no details, and business groups said more needed to be done to combat Beijing's aggressive trade practices.

“This deal should go a long way in reversing the downward spiral in bilateral trade relations and increasing certainty for U.S. businesses,” said Wendy Cutler, a former U.S. trade negotiator who is now vice president at the Asia Society Policy Institute. But, she said, “it's unclear on how far the Phase 1 agreement goes in addressing the key structural issues that brought the U.S. to the negotiating table 17 months ago.”

Trump's announcement came minutes after the House Judiciary Committee approved impeachment charges of abuse of power and obstruction of Congress, leading the White House to argue that the president “never stops working and continues to make successful deals that benefit this country.”

Chinese officials said at a briefing in Beijing Friday that if Washington reduces the tariffs, China will lower its trade penalties on American goods and also scrap plans for new tariffs set to take effect on Sunday.

Trump told reporters at the White House that Chinese farm purchases would hit \$50 billion. China's deputy finance minister Liao Min said "China is ready to work with the U.S. side to do more to promote growth in trade" but would not confirm the \$50 billion figure. U.S. farm exports to China have never topped \$26 billion a year.

The deal announced Friday leaves unresolved some of the thorniest issues. But Trump said work on a follow-up would begin "immediately, rather than waiting until after the 2020 Election. This is an amazing deal for all. Thank you!"

Friday's announcement was a long time coming. Trump first announced a Phase 1 deal on Oct. 11, but negotiations on a final version continued for two months.

Financial markets rallied in Asia on hopes for reduced trade tension. But stocks were down modestly in early trading on Wall Street.

The administration accuses China of cheating in its drive to develop advanced technologies as driverless cars and artificial intelligence. The administration alleges, and independent analysts generally agree, that China steals technology, forces foreign companies to hand over trade secrets, unfairly subsidizes its own firms and throws up bureaucratic hurdles for foreign rivals.

Beijing rejects the accusations and contends that Washington is simply trying to suppress a rising competitor in international trade.

Since July 2018, the Trump administration has imposed a bewildering series of trade sanctions on China, sometimes changing or delaying planned tariff

rates.

Friday's announcement means that the U.S. will continue to levy 25% import taxes on \$250 billion in Chinese goods and will halve the tariffs on another \$112 billion to 7.5%. It will drop plans to target an additional \$160 billion. That step would have extended the tariffs to just about everything China sells the United States and would have hit consumer items such as toys and smartphones that have so far largely been spared.

Beijing has retaliated by taxing \$120 billion in U.S. exports, including soybeans and other farm products that are vital to many of Trump's supporters in rural America.

Rob Atkinson, president of the Information Technology and Innovation Foundation, said "the agreement represents progress" but said "the United States must still comprehensively address China's rampant innovation mercantilist practices."

Mary Lovely, a trade economist at the Peterson Institute for International Economics, said it is unlikely that Friday's deal delivers enough benefits for the U.S. to outweigh the costs of the trade fight so far.

U.S. farmers lost billions of dollars in income, companies paid billions in tariffs and in many cases shifted their supply chains, and consumers saw some prices increase.

"Many of us are highly skeptical that the agreement will be enough to outweigh these other costs," Lovely said. "The U.S. didn't move the needle very much."

Still, the agreement should help smooth some of the uncertainty surrounding global trade, Lovely said. "We have a cease-fire, we have some roll back, that is very significant," she said. "We were kind of on a brink here, and we saw the negotiators pull us back."

Repeated rounds of negotiations had failed to achieve a substantive deal. The prolonged uncertainty over Trump's trade policies has curtailed U.S. business investment and likely held back economic growth. Many corporations have slowed or suspended investment plans until they know when, how or even whether the trade standoff will end.

A far-reaching agreement on China's technology policies will likely prove difficult. It would require Beijing to scale back its drive to become a global powerhouse in industrial high technology, something it sees as a path to prosperity and international influence.

“This deal would amount to a modest de-escalation of trade hostilities but hardly resolves the fundamental trade and economic tensions that are dampening business sentiment and investment in both countries,” said Eswar Prasad, an economist at Cornell University and former head of the International Monetary Fund's China division. “It is a promising sign that the two sides are talking and making progress on resolving their differences. But the elements left for Phase 2 of the trade talks are far thornier.”

Efforts to acquire foreign technology are a theme that runs through Chinese law and government. Security researchers have asserted that Beijing operates a network of research institutes and business parks to turn stolen foreign technology into commercial products.

The Trump administration has been seeking a way to enforce any significant trade agreement with China, reflecting its contention that Beijing has violated past promises. One way to do it is to retain some tariffs as leverage.

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