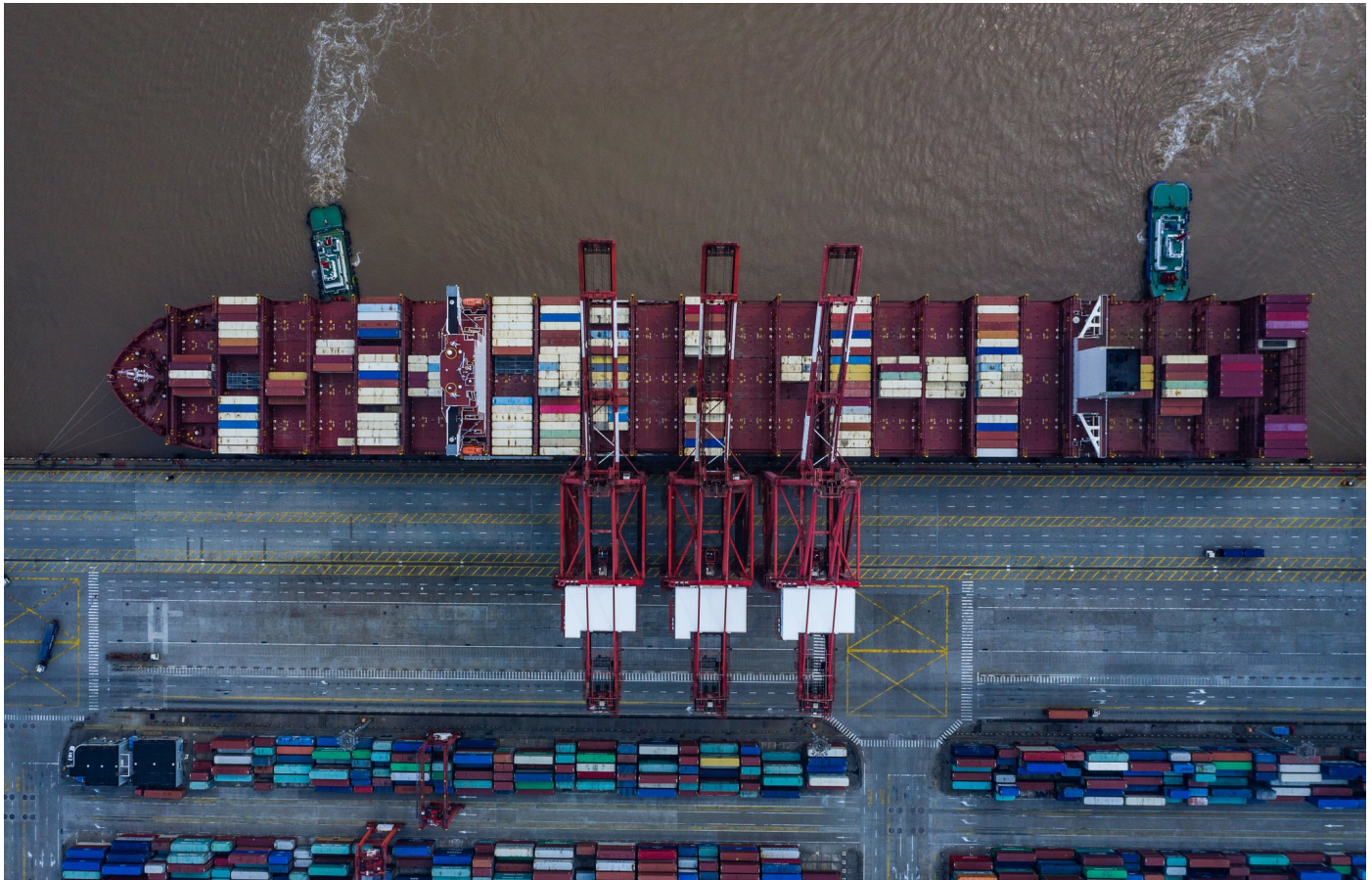


For Both Trump and Xi, Trade Deal Comes Amid Growing Pressures at Home

By [Keith Bradsher](#) and [Ana Swanson](#) Updated Oct. 14, 2019



Shipping containers in Shanghai earlier this year. President Trump said on Friday that China has agreed to buy \$40 billion to \$50 billion worth of American farm goods. Lam Yik Fei for The New York Times

BEIJING — The interim trade pact announced Friday between the United States and China came together as both countries' leaders faced mounting political pressures and rising economic worries at home.

For months, President Trump has increased pressure on Beijing with higher tariffs on Chinese goods, insisting on a comprehensive trade deal that addressed a long list of concerns about how China manages its economy. And for months, senior Chinese officials met Mr. Trump's escalating tariffs with

their own as they remained equally emphatic that any deal must completely erase Mr. Trump's tariffs.

On Friday, both sides decided that half a deal was better than none, consenting to a preliminary agreement that would involve China buying [more American farm products](#) and taking several other limited steps to open its economy in exchange for the United States forgoing its planned tariff increase next week.

The truce will help calm a trade fight that has taken a significant toll on the world's two largest economies and threatened to further slow global growth at a precarious moment. Perhaps more important, it will help both Mr. Trump and his Chinese counterpart, Xi Jinping, secure a win in the midst of domestic tumult.

Mr. Xi faces violent street protests in Hong Kong, as well as sharply rising grocery prices that could be brought down with imports of American food. Mr. Trump is eager to change the conversation away from an impeachment inquiry and a rapidly widening series of questions about his team's involvement in Ukraine. And both leaders are confronting a steady drip of negative economic news, as the trade war weighs on manufacturing and business investment.

"It's pretty clear that the U.S. and China have fought this trade war to a stalemate," said Edward Alden, a senior fellow at the Council on Foreign Relations. "At the moment, neither side sees any real advantage in escalation. The president wants an off-ramp for electoral reasons, and I think the Chinese want an off-ramp primarily for economic reasons."

Mr. Trump and his advisers have denied that the trade war has caused any economic damage in the United States, instead blaming a strong dollar as well as the Federal Reserve, which has already begun cutting interest rates. But the evidence is becoming harder to ignore. On Tuesday, [the International Monetary Fund warned](#) that the trade war with China could cost the global

economy around \$700 billion by 2020 — a loss equivalent to the size of Switzerland's entire economy.

Top Fed officials have also warned of economic risks from Mr. Trump's trade war and cautioned that while the Fed will do what it can to keep the expansion going, its powers are limited. And stock markets, whose performance Mr. Trump has pointed to in the past as a barometer of his success as president, have been whipsawed by every escalation.

“Every time there's a little bad news, the market would go down incredibly,” Mr. Trump said on Friday as he announced the deal. “Every time there was a little bit of good news, the market would go up incredibly.”

With Mr. Trump's re-election campaign approaching, he and his advisers are increasingly conscious of the need to limit any economic damage, particularly among key political constituencies like farmers, who have suffered the most.

The American farm economy has stumbled into recession, hurt by a sharp drop-off in sales to China, among the largest export markets for agricultural goods like soybeans, pork and corn. While the administration has tried to blunt the pain with two rounds of financial assistance, farmers have increasingly pleaded with the White House to end the trade war, saying the handouts are not enough to make up for the lost sales.

That pain was set to get worse next week. Until Friday's truce, Mr. Trump had planned to increase tariffs on \$250 billion worth of goods to 30 percent from 25 percent, a hike that would likely have been met with further retaliation by China and been particularly burdensome for consumers and businesses going into the holiday season.

Mr. Trump said on Friday that China has agreed to buy \$40 billion to \$50 billion worth of American farm goods annually, after scaling up over a period of two years. He compared the figures to annual Chinese purchases before the trade war, which were about \$24 billion.

“The deal I just made with China is, by far, the greatest and biggest deal ever made for our Great Patriot Farmers in the history of our Country,” Mr. Trump tweeted on Saturday morning. “In fact, there is a question as to whether or not this much product can be produced? Our farmers will figure it out. Thank you China!”

The compromise is even more timely for Mr. Xi. Sharply rising food prices have become a national issue in China. A [lethal epidemic among the country's pigs](#), with mortality as high as what people in Europe faced during the Black Death of the mid-14th century, has sent prices skyward for pork as well as for alternatives like beef and lamb.

As the Chinese public has begun asking, “Where’s the beef?”, China’s trade negotiators suddenly have an answer: It can come from the United States, along with a lot of pork, soybeans and other food.

But while the agreement will benefit certain industries, it will likely not reverse a trend toward greater economic divisions between the two countries.

If the understanding on Friday holds together, it would allow the United States to retain tariffs imposed over the past 16 months on a wide array of Chinese industries. That could prompt many companies to continue efforts to shift production away from China, possibly to the United States but more likely to American allies in Southeast Asia.

Eswar Prasad, a professor of trade policy at Cornell University and a senior fellow at the Brookings Institution, said the agreement will defer new sanctions but do little to resolve the major underlying sources of friction between the two countries.

“It’s hard to see this really amounting to an actual de-escalation of tensions or anything that businesses can take to the bank,” Mr. Prasad said.

Mr. Trump has often criticized past administrations for ceding too much to

China, and negotiating endlessly with limited results. China experts say that the many months of painful standoff have perhaps shown the limits to Mr. Trump's winner-take-all approach.

“We can't get Cuba to do what we want,” said Elizabeth C. Economy, the director for Asia studies at the Council on Foreign Relations. “I don't know why we could get China to do what we want.”

Negotiators say they will continue discussing other issues once the deal is signed. But the compromise does signal a shift in strategy for officials in the Trump administration, who had previously said they would settle for no less than a comprehensive pact that addressed so-called “structural issues.”

“What we want is fair trade,” Robert Lighthizer, Mr. Trump's top negotiator, told Congress in February. “That requires structural change.”

American negotiators have talked about curbing various Chinese industrial policies that they view as harmful to American businesses, including China's generous subsidies to its state-owned companies, policies that coerce technology away from multinational firms and a pernicious history of cybertheft.

But while the agreement includes some new protections on intellectual property, greater access for financial services companies and guidelines as to how China manages its currency, it does not appear to address several of these deeper concerns.

In a statement, the U.S.-China Business Council, which represents American companies that do business in China, said it hoped the tentative agreement would restore sufficient confidence to allow negotiators to tackle other issues, including “market-distorting subsidies for state-owned enterprises and equal treatment for U.S. and other foreign companies.”

Whether China will agree to deeper concessions is not guaranteed,

particularly given Mr. Xi's political sensitivities at home. Those crises have come at a bad time for Mr. Xi in terms of China's political calendar.

In the next three weeks, Mr. Xi will face a long-awaited session of the 204-member Central Committee of the Chinese Communist Party. The committee, which has not gathered since February of last year, holds enormous power in China and has authority to change the country's leaders.

While Mr. Xi's political dominance seems secure, he appears to be facing renewed pressure to share some of that power. His colleagues, particularly Premier Li Keqiang, who oversees government ministries while Mr. Xi oversees the Communist Party, have become slightly more visible lately, although still in Mr. Xi's shadow.

As the Central Committee session approaches, Mr. Xi has taken personal responsibility to an unusual degree for both the status of China's relationship with the United States as well as the general health of the Chinese economy. To handle the trade talks with the United States, Mr. Xi chose a Communist Party commission that he personally oversees, and put one of his closest advisers, Vice Premier Liu He, in charge of it.

"In the current dilemma, he to some extent needs to answer to the Central Committee members who attend the meeting," wrote Deng Yuwen, a [former editor](#) at an influential Communist Party journal in Beijing, [in an opinion column](#) on Thursday.

The possibility that the deal announced on Friday falls apart after the Central Committee meets remains a real one. The Chinese appear to be hedging their bets. Chinese state media did not describe the arrangement on Saturday as an actual deal. Mr. Trump himself was quick to say on Friday that legal details of the deal had not yet been worked out and committed to paper.

China and the United States have reached two previous truces in their trade war — the first in December in Buenos Aires and the second in June in Osaka,

Japan. The Buenos Aires accord lasted five months. The Osaka accord crumbled in a month.

“Anything can happen,” Mr. Trump said Friday when asked if the deal could fall apart before the two sides plan to sign it, at a summit of global leaders in Chile next month. “That can happen. I don’t think it will. I think we know each other very well.”

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