

Trump Officials Praise Gains From China Deal, but They Come at a Cost

By [Ana Swanson](#) and [Keith Bradsher](#) Dec. 15, 2019

The economic losses sustained during a bruising 19-month trade war will not be easy to make up.



Robert Lighthizer, the top American trade negotiator, talked with Vice Premier Liu He of China in October. Mr. Lighthizer has called the new deal "remarkable." Yuri Gripas/Reuters

WASHINGTON — Trump administration officials predicted big gains for the economy from [a newly announced trade deal with China](#), but the economic losses sustained during a bruising 19-month trade war will not be easy to make up.

In a televised interview on Sunday, President Trump's top trade negotiator praised the progress that the agreement between the world's two biggest economies would make on issues like intellectual property, currency and financial services. He described the deal as "remarkable" and predicted that it would roughly double American exports to China by 2021.

Yet the negotiator, Robert Lighthizer, admitted that the limited agreement, which the administration says is just the first of several phases, was only a partial victory. He said it would leave many of the existing tariffs between the countries in place and other bigger changes to the Chinese economy undone.

"This is a first step in trying to integrate two very different systems, to the benefit of both of us," Mr. Lighthizer, the United States trade representative, said in an interview on CBS's "Face the Nation." Anyone who thinks you would change China in one stroke of the pen "is foolish," he said, adding: "The president is not foolish. He is very smart."

Business groups have welcomed the first-phase trade pact as a sign of easing tensions in the trade war. On Sunday, Mr. Lighthizer predicted that Chinese purchases of American products would rise by more than \$100 billion a year once the agreement, which is expected to be signed in January, goes into effect.

But the economic benefits of the pact appear to have come at significant costs — namely, the tariffs Mr. Trump imposed to force China to accept an agreement and the uncertainty that [his unpredictable approach to trade](#) has created. Those factors have added new costs for businesses, forced them to undertake expensive changes to their supply chains and caused them to put off investments and new hiring.

Once those costs are taken into account, trade experts said, the gains from the new agreement are less clear.

"It's hard to see this China deal as the vindication of the president's tactics,"

said Edward Alden, a senior fellow at the Council on Foreign Relations. “It’s a pretty small deal, coming at a pretty high cost.”

To persuade China to bend to American demands, Mr. Trump imposed more new tariffs than any other president in modern history. On Friday, Mr. Trump announced that he would not go forward with an additional tariff increase planned for Sunday and that he would lower the rate on some of the tariffs he had already placed on China.

But tariffs on more than \$360 billion of Chinese goods — the bulk of products the country exports to the United States — will stay in place indefinitely.

The remaining tariffs cover a wide range of product categories in which American officials contend that the Chinese government has provided huge subsidies to businesses to become globally competitive. They also include many goods for which the Trump administration is leery of having the United States depend on China for national security or economic security reasons, such as nuclear reactor parts or certain widely used industrial pumps and motors.

In the interview on Sunday, Mr. Lighthizer described those tariffs as motivation for China to continue to negotiate with the United States. But many businesses continue to denounce them as a tax on doing business with the world’s second-largest economy.

Companies that import parts and finished products from China have already paid nearly \$40 billion in additional taxes since Mr. Trump imposed his first tariffs, [data from United States Customs and Border Protection](#) shows. While Mr. Trump insists that China is paying those tariffs, [most economic studies](#) have found that the burden of the levies falls more heavily on American businesses and consumers than Chinese ones.

The deal will need to make up a lot of ground in the area of agriculture, as well.

Under pressure from the trade war, American farm exports to China have fallen sharply, as China has put tariffs on American products and Chinese state purchasers shifted to buying goods from Brazil, Argentina and other countries. American agricultural exports to China fell from \$19.6 billion in 2017 to \$9.2 billion in 2018, according to the United States Agriculture Department, and have remained depressed this year.

Mr. Trump and his advisers have predicted that the deal will result in China buying \$40 billion to \$50 billion of American farm products per year. But some analysts have questioned how realistic those estimates are, given that the highest level of farm products the United States has ever exported to China was \$26 billion in 2012.

The uncertainty created by the trade war also appears to have taken a substantial toll on the American and global economy, particularly by suppressing business investment.

Mr. Trump and his advisers have pointed to record-low unemployment, a strong stock market and high consumer confidence as evidence that their trade war has little downside. But economists say American growth would be even stronger if not for the trade war.

Mark Zandi, the chief economist at Moody's Analytics, estimated that the trade war lowered American gross domestic product by a third of a percentage point in the third quarter, when the American economy [grew by 1.9 percent](#).

“The trade war has done significant damage to the economy,” Mr. Zandi said. “You can see the fingerprints of the trade war clearly in the manufacturing sector.”

The new tariffs that Mr. Trump decided not to move ahead with on Sunday would have fallen more heavily on American consumers by raising the price of apparel, smartphones and other finished goods. He also scaled back tariffs

imposed in September on other consumer products.

But earlier tranches of tariffs, which fell more heavily on industrial components and machinery, will remain in effect. That could ironically penalize some companies for making goods in the United States, instead of China.

Robert J. Leo, a lawyer for the American Down and Feather Council, said that levies would remain in effect on down and feathers from China, but not on Chinese-made comforters and pillows.

“That means the Chinese manufacturers can manufacture their products and get them into the country without tariffs,” where American manufacturers that import the goods to make products in the United States will still be charged, Mr. Leo said.

Despite the barriers that remain, Mr. Lighthizer said in the interview that Friday was “probably the most momentous day in trade history ever,” because in addition to announcing the agreement with China, the administration submitted its revised United States-Mexico-Canada Agreement to Congress for a vote.

The two deals “have been hyped as short-term wins for the U.S. resulting from hard-nosed negotiations by the Trump administration,” said Eswar Prasad, a trade professor at Cornell University. “But the outcomes of these trade deals hardly compensate for the heightened uncertainty resulting from the trade tensions unleashed by the Trump administration on multiple fronts that has hurt business sentiment and contributed to falling investment.”

The North American deal has gained the support of congressional Democrats and appeared to be on track for passage in the House of Representatives as early as this week. But in recent days, Mexico has raised new concerns about the deal’s stronger labor provisions, throwing up a potential stumbling block to its passage.

Jesús Seade, Mexico's chief negotiator for the pact, flew to Washington for meetings on Sunday after the United States said it would send as many as five labor attachés to Mexico to monitor labor conditions under the deal. Mexico has described the idea as a violation of its sovereignty.

For its part, the Chinese government appeared over the weekend to be keeping up its end of the deal struck on Friday, starting with the cancellation on Sunday of plans to impose further retaliatory tariffs against the United States.

China's Finance Ministry announced that the country's tariff commission had rescinded plans to impose tariffs of 5 percent or 10 percent on a range of American products, notably farm goods like sorghum and seed corn as well as flavored tea, electric clocks, magnifying glasses and navigational radars. China [had previously said](#) that it would put the tariffs in place if the United States proceeded with plans to impose further tariffs on Sunday.

The ministry said China would continue to collect 25 percent tariffs on a wide range of other American goods, in retaliation for the continued American imposition of 25 percent tariffs on \$250 billion a year worth of Chinese goods.

Wang Yi, China's foreign minister, praised the trade deal on Saturday, and that praise was widely echoed by state media.

Mr. Wang said the Phase 1 pact was based on principles of mutual respect between China and the United States — a crucial requirement and endorsement from Beijing's perspective. He also said the understanding between the two countries was good news for their economies and for the global economy.

“It will help to shore up confidence” in the global economy, Mr. Wang said, according to state-run Chinese television.

Ana Swanson reported from Washington, and Keith Bradsher from Beijing. Chris Buckley contributed reporting from Beijing.