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## China says U.S. talks covered joint efforts on excess steel capacity

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FILE PHOTO: Employees work in a Hangzhou Iron and Steel Group Company workshop in Hangzhou, Zhejiang province August 4, 2009.

Steven Shi/File Photo

WASHINGTON (Reuters) - Seeking a more positive spin on U.S.-China economic talks viewed as ending in discord, China said on Thursday that the two sides agreed to "active and effective measures" to reduce global excess steel production capacity.

The statement issued a day after the talks by the Chinese embassy in Washington did not elaborate on the measures discussed by U.S. Commerce Secretary Wilbur Ross and Chinese Commerce Minister Zhong Shan on Wednesday.

"In this breakout session, the two sides focused their discussion on steel, aluminum and high-tech trade," the embassy said in a statement. "The two sides had in-depth discussion on cutting excess steel production capacity in the world and agreed to active and effective measures to jointly address this global issue."

A U.S. Commerce Department spokesman declined comment on the Chinese statement and referred Reuters to a joint statement from Ross and U.S. Treasury Secretary Steven Mnuchin. Their statement did not mention steel and cited only one point of consensus, a "shared objective" to work toward reducing the U.S. trade deficit with China.

Late on Wednesday, a Trump administration official told Reuters that China had refused to agree to U.S. demands that it eliminate excess steel capacity and take other steps to open its economy for foreign firms.

The first annual economic summit between the Trump administration and their Chinese counterparts ended with canceled news conferences, no joint statement and no new transaction announcements.

The Chinese embassy statement also said China agreed to "deepen its cooperation" with the United States on expanding trade in services. The two sides also will start work on a one-year economic cooperation plan, determining an "early harvest" as soon as possible.

Before the latest Chinese statement, U.S. Agriculture Secretary Sonny Perdue announced that China would allow imports of U.S. rice for the first time, agreeing to phytosanitary protocols.

## **Tougher Stances**

The rocky dialogue session in Washington was a sharp contrast to U.S. President Donald Trump's rosy first meeting with Chinese President Xi Jinping at Trump's Mar-A-Lago, Florida estate in April.

Both sides found each other harder to deal with than expected, China trade experts said.

The Trump team's expectations that Beijing would agree to quick, substantial reforms to shrink the U.S. trade deficit and eliminate excess steelmaking capacity were dashed, while China found that further minor steps and vague action plans would no longer placate the U.S. side.

“There was a misalignment of expectations. The Americans pushed for deliverables, and the Chinese said no, everything is fine,” said Scott Miller, an Asia trade expert at the Center for Strategic and Economic Studies in Washington. “These are difficult issues that don’t lend themselves toward easy boxes to check.”

Domestic politics contributed to both sides taking a tougher stance, said Eswar Prasad, a trade policy professor at Cornell University and former China division chief at the International Monetary Fund.



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China faces a once-in-five-years Communist Party congress to set new leadership this autumn, while Trump is keen to hold to campaign promises to help ailing U.S. steel and coal industries and grow U.S. manufacturing jobs.

Prasad said that China found that the Trump administration is “no pushover” on trade and may need to offer bigger concessions to keep its relationship with its biggest trading partner on an even keel.

“The administration seems unwilling to settle for further symbolic, cosmetic victories in terms of access to China’s markets and is pressing for more specific and

time-bound commitments from China about opening up its markets to U.S. exporters and investors," he added.

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