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U.S.-China Divisions Exposed After One Phrase 'Torpedoed' Pacific Accord

For first time, APEC fails to issue a communiqué, as prospects dim for a deal between Beijing and Washington

By Rob Taylor, Peter Nicholas and Rachel Pannett

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PORT MORESBY, Papua New Guinea—An economic summit of world leaders ended in acrimony on Sunday, as a fight over Chinese trade practices cast doubt over the ability of Washington and Beijing to resolve their trade battle soon.

For the first time in the Asia-Pacific Economic Cooperation summit's nearly three-decade history, officials of the 21-member Pacific Rim group ended two days of meetings in Port Moresby without issuing a communiqué, with Papua New Guinea's leader delivering only his summary of failed talks.

"You all know who the two big giants in the room were, so what can I say," Prime Minister Peter O'Neill said.

Emotions were so high at the summit, dominated by disagreements between the U.S. and China, that Chinese officials demanding a meeting with Papua New Guinea's foreign minister, who was leading negotiations, forced their way into his office on Saturday and had to be escorted away by police after a confrontation, two senior officials from the host country said.

China denied the incident happened, and local police didn't respond to a request for comment.

The midlevel Chinese officials had sought the meeting to voice their unhappiness with the draft language of a proposed statement, a senior Trump administration official briefed on the episode said.

The official on Sunday said the dispute largely came down to a single proposed sentence: "We agreed to fight protectionism including all unfair trade practices."

China wouldn't agree to that language, believing it amounted to a "singling out" of Chinese trade practices, the U.S. official said. Other APEC members favored including the language in the final communiqué, the official said. Officials at the meeting from several nations said the fight wasn't only between the U.S. and China. Other APEC members also lined up against Beijing.

The administration has long been trying to create a united front against Beijing on trade and has worked with Japan, an APEC member, and the European Union, which isn't a part of the group, to hash out common positions on Chinese subsidies, aid to state-owned firms and other issues.

Bryan Kramer, an opposition lawmaker in Papua New Guinea who has been critical of the government's tilt toward China, said the "biggest issue to come out of APEC is the U.S. raised the issue of transparency" in China's dealings, in a region where corruption is a problem.

The tensions and lack of resolution at APEC herald the difficulty the two sides will have in reaching any trade deal. President Trump and Chinese President Xi Jinping are scheduled to meet in Buenos Aires in less than two weeks during a meeting of the Group of 20 industrial and developing nations. The two sides are aiming for at least a cease-fire in the trade fight that would involve a new set of negotiations tied to a U.S. pledge to hold off on additional tariffs.

Mr. Trump has recently indicated some optimism that the two sides could reach a deal. Negotiators from the two nations have spoken by phone, but it is far from clear they can reach even a limited settlement. Beijing has never acknowledged the central U.S. complaint—that it is coercing U.S. companies into transferring technology—and has recently sent a proposal the administration's China hawks consider inadequate.

"The meeting makes it harder for the two sides to conduct their pre-[G-20] summit talks," said Eswar Prasad, a China expert at Cornell University. The U.S. "is in no mood to back off from its full set of aggressive demands, while China signaled it is open to



U.S. Vice President Mike Pence walks past President Xi Jinping at the APEC venue Sunday. PHOTO: DAVID GRAY/REUTERS

negotiation, but not to surrender to all U.S. terms.”

On Saturday, Mr. Xi clashed with the U.S. over trade and security, calling on officials to “reject arrogance and prejudice,” as Beijing and Washington vie for global influence.

Speaking to reporters before leaving Papua New Guinea, Vice President Mike Pence, traveling in Asia over the past week, said he twice spoke privately—briefly and candidly—to Mr. Xi during the APEC summit.

“I reiterated that they need to open up their markets,” said Mr. Pence, who has repeatedly warned of “aggression” and “empire” in the region—an implicit reference to China’s behavior. He added that “President Trump believes that a [trade] deal is possible but we also believe we’re in a very strong position.”

On Thursday, in Singapore, Mr. Pence had a candid private exchange with Chinese Premier Li Keqiang. Walking back to their seats after a summit photo, Mr. Li told the vice president that China was still “a developing country,” another U.S. administration official said. Mr. Pence, pointing to China’s trade practices, told Mr. Li: “Things have to change.”

The clash between the world’s two largest economies spilled into a closed-door leaders meeting in Papua New Guinea on Sunday.

Mr. Xi didn’t name the U.S., but spoke of “unilateralism” and “protectionism,” the U.S. official said, an apparent critique of Mr. Trump’s policies. Mr. Pence said the U.S. “will continue to take actions to hold nations accountable for their unfair economic

practices, such as tariffs, quotas and other policies that...stand in the way of commerce.”

Papua New Guinea has been the subject of a Chinese charm offensive as Beijing attempts to lure small Pacific nations away from their traditional Western aid partners through infrastructure loans and investment.

China has gone to great lengths to cast itself as a friend of Papua New Guinea, which has poor infrastructure and massive development needs. Hundreds of Chinese flags line a new six-lane highway built by China that leads to the country's Parliament building.

The apparent confrontation with Papua New Guinea officials fits a pattern of Beijing demanding overt submission to its interests in exchange for trade and investment.

In September, Chinese representatives clashed with officials in the tiny nation of Nauru after border authorities refused to accept their diplomatic passports at a meeting of Pacific leaders on the island. Nauru is one of six states in the region to recognize Taiwan instead of Beijing.

“They can often be their own worst enemies. Their engagement in the region is already characterized as being quite aggressive, and that's often mirrored by their diplomats,” said Jonathan Pryke, director of the Sydney-based Lowy Institute's Pacific program.

The move may also be linked to the domestic political environment in China, where officials are under increasing pressure to deliver results to impress Mr. Xi, amid concern in Beijing that his signature Belt and Road global infrastructure initiative may be stumbling.

The South Pacific, home to important shipping lanes and fisheries, is again in strategic calculations as China modernizes its military and expands its economic clout. China's actions have alarmed the U.S. and its allies, concerned that island nations could face a growing debt burden to Beijing.

The U.S. and its allies are increasingly countering Beijing's overtures. On Sunday, Papua New Guinea signed an agreement with Australia, Japan, New Zealand and the U.S. that aims to connect 70% of its population to electricity by 2030. Currently only about 13% of Papua New Guinea's population have reliable power.

The announcement is the first under a trilateral partnership signed this month between the U.S., Japan and Australia to invest in infrastructure projects in the Indo-Pacific region.

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