

Business

# After signing new North American trade pact at G-20, Trump turns sights to China

By [David J. Lynch](#) and  
[Philip Rucker](#)

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BUENOS AIRES — President Trump suggested his Saturday showdown with Chinese President Xi Jinping could produce a cease-fire in the tariff war, capping a day that saw the American leader reach a milestone in his populist economic crusade by signing a [regional trade deal with Mexico and Canada](#).

The president struck a notably more upbeat tone about prospects for his dinner meeting with Xi, scheduled for Saturday evening in a downtown hotel following the annual Group of 20 leaders summit. “We’re working very hard. If we can make a deal, that’d be good. I think they want to; I think we’d like to. And we’ll see,” the president told reporters, adding: “There’s some good signs.”

Speaking before a meeting with Japanese Prime Minister Shinzo Abe, the president did not elaborate. But earlier Friday, the architect of Trump’s hard-line approach to China, chief trade negotiator Robert E. Lighthizer, previewed the more optimistic stance.

“I would be very surprised if the dinner is not a success. . . . I’m sure at the end there will be a positive feeling by both men,” Lighthizer told reporters after Trump joined Canadian Prime Minister Justin Trudeau and Mexican President Enrique Peña Nieto in signing the United States-Mexico-Canada Agreement.

Such official optimism, following months of on-again, off-again bargaining, makes it likely that the president will emerge from the dinner with a tangible achievement. But no one expects a sweeping agreement that resolves all of the irritants in the U.S.-China relationship.

One potential bargain would involve the United States deferring further tariff increases in return for China dropping its retaliatory levies on shipments of American soybeans and liquefied natural gas, according to Derek Scissors, a China expert at the American Enterprise Institute who occasionally advises administration officials.

The two presidents also could agree to deputize officials for new negotiations over the most contentious U.S. charges, which go to the core of China’s state-led economic model. The U.S. Chamber of Commerce has proposed talks with a six-month deadline to reach a deal that would eliminate tariffs and provide American companies greater access to the Chinese market.

“Trump clearly wants to be seen as tough on China, but also as an effective dealmaker,” said Eswar Prasad, a Cornell University economist and former International Monetary Fund China division chief. “It is unlikely that

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the substantial differences between the two sides can be bridged anytime in the near future, but even a cessation of additional trade hostilities would be a positive outcome at this stage.”

After earlier talks led by Commerce Secretary Wilbur Ross and Treasury Secretary Steven Mnuchin failed, the Chinese want to see Lighthizer deputized to lead a renewed dialogue.

“The Chinese now no longer believe anyone else can deliver,” said Douglas Rediker, executive chairman of International Capital Strategies, a market advisory firm.

Even as the outlook brightens for the Trump-Xi dinner, the long-run picture looks darker.

Administration officials regard China as an economic predator, a hostile power that seeks to undermine American technological supremacy and unseat Washington as the globe’s dominant power.

The United States complains that Beijing subsidizes its state-owned giants to compete in world markets, steals American technology and maintains strict limits on foreign businesses in China. Officials in Beijing and Washington speak openly of prospects for a new “Cold War” between the two countries.

“I am quite confident that a year from now the cooperative results finalized tomorrow will be evaporating and 2020 will be more contentious than this year,” Scissors said via email.

The president spent the first part of this week playing down chances for an accommodation with China. He told the Wall Street Journal it was “highly unlikely” he would cancel a planned Jan. 1 increase to 25 percent from 10 percent in tariffs on \$200 billion worth of Chinese imports.

National Economic Council Director Larry Kudlow, a self-described free-trader, also spoke skeptically, saying China’s responses to U.S. trade complaints had been “disappointing” and “unsatisfying.”

But as the dinner with Xi drew closer, Trump began emphasizing the potential for progress, however limited.

For the president, the day’s signature moment came with the morning’s ceremonial signing of a North American trade deal that overhauls the rules governing more than \$1.2 trillion in regional commerce and closes the door on a quarter-century of unbridled globalization.

In a half-hour ceremony, Trump lavished praise on the agreement, calling it a “truly groundbreaking achievement,” and he nodded to his blue-collar base with claims that the measure would promote “high-paid manufacturing jobs” and farm exports.

But the pact faces an uphill battle in Congress next year, where Democrats will control the House and may be reluctant to help the president fulfill a 2016 campaign promise as he gears up to run for reelection.

Major U.S. industries and agricultural interests are also unhappy that the president has not yet removed tariffs on steel and aluminum imports from Mexico and Canada, as administration officials promised.

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A 2018 USMCA Deal? Trade Deal with Mexico, China, and the World Bank Deal  
“That’s bad news for a lot of us,” said Rufus Yerxa, president of the National Foreign Trade Council, which represents multinational corporations.

Lighthizer is seeking to replace the tariffs with quotas that will limit metals shipments from the two U.S. trading partners.

Canada and Mexico also fear being hurt if Trump follows through on his threats to impose tariffs on imported automobiles. The auto industry is perhaps North America’s most integrated business, with companies shipping parts and half-finished cars across the U.S. northern and southern borders multiple times before completing production.

Friday’s ceremony was relatively subdued, save for Trump’s acknowledgment that the trio had done “battle” to reach an accord. Trump and Trudeau, whose relationship has been rocky, interacted cordially, though the Canadian resisted Trump’s rebranding effort and called their handiwork a “new North American Free Trade Agreement.”

Trump was accompanied by a large U.S. delegation, including Secretary of State Mike Pompeo, Mnuchin, Lighthizer, national security adviser John Bolton and White House Chief of Staff John F. Kelly.

The president’s daughter Ivanka and her husband, Jared Kushner, both senior White House advisers, also attended. Minutes earlier, Peña Nieto had awarded Kushner the Mexican Order of the Aztec Eagle, the country’s highest award for foreigners, in part for his work on the trade deal.

The measure faces opposition in Congress, despite Trump’s breezy assertion Friday that “it’s been so well reviewed I don’t expect to have very much of a problem.”

In the Senate, Sen. Patrick J. Toomey (R-Pa.), who backs expanded trade, says he will oppose the deal unless changes are made to several provisions, including protections for investors. Sen. Elizabeth Warren (Mass.), a likely Democratic presidential aspirant, said Thursday that she would oppose the trade pact.

In a worrisome sign for the administration, major labor unions, fearing additional outsourcing, are refusing to back the pact. Robert Martinez, international president of the International Association of Machinists and Aerospace Workers, said the USMCA “will do little, if anything,” to keep more American jobs from moving to Mexico.

Lighthizer, who spent 13 months in sometimes acrimonious bargaining, ruled out trying to rework the agreement to reflect lawmakers’ concerns.

“The negotiations are not going to be reopened. The agreement’s been signed,” he said.

Lighthizer said he “absolutely” believes the bill will get support from “a very high number of Democrats.” “I have no doubt about it.”

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A 2017 version of the USMCA, or C-20, Trade Deal between the U.S., Canada and Mexico. The Washington Post  
The president has repeatedly called NAFTA “the worst trade deal ever” and came close to withdrawing the United States from it within months of taking office.


Vows to scrap NAFTA and replace it with a better deal also were staples of Trump’s campaign rallies across the industrial Midwest in 2016.

The agreement requires that 75 percent of each vehicle granted duty-free treatment be made in North America, up from 62.5 percent in the current treaty, and requires a substantial amount of manufacturing be performed by workers earning at least \$16 per hour.


That measure is designed to reduce incentives for American work to shift to lower-cost Mexican factories.

The deal also contains new provisions governing e-commerce and cross-border data flows that were not part of the earlier treaty, which was negotiated before the Internet became a commercial force.

### David J. Lynch

David J. Lynch is a staff writer on the financial desk who joined The Washington Post in November 2017 after working for the Financial Times, Bloomberg News and USA Today. [Follow](#) 

### Philip Rucker

Philip Rucker is the White House Bureau Chief for The Washington Post. He previously has covered Congress, the Obama White House, and the 2012 and 2016 presidential campaigns. Rucker also is a Political Analyst for NBC News and MSNBC. He joined The Post in 2005 as a local news reporter. [Follow](#) 

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