

Trade talks fizzle as China rebuffs key Trump team demand

By [Ana Swanson](#) July 19

U.S. officials fell short of securing ambitious gains in trade with China in a meeting Wednesday and news conferences planned to cap off the event were canceled as the two countries wrapped up 100 days of trade talks.

The United States unsuccessfully pressed China to make a substantial commitment to cut its steel production, according to people with knowledge of the matter, who spoke on the condition of anonymity to comment on private discussions. U.S. officials also asked China to do more to reduce its trade surplus with the United States and open its market for agriculture, financial services and data flows, the people said.

In a terse statement released after the talks, the Treasury Department said that China had “acknowledged our shared objective to reduce the trade deficit which both sides will work cooperatively to achieve.” It also pointed to earlier-announced agreements on issues including credit ratings, electronic payments, liquefied natural gas and American beef.

The Treasury and Commerce departments did not provide further comment, while the Chinese Embassy did not respond to a request for comment.

One of the few bright spots of the session was that, when Ross pressed the Chinese, they acknowledged the need to reduce the U.S. trade deficit and declared it to be a mutual goal, said an administration source familiar with the negotiations, who spoke anonymously to discuss them candidly.

The Trump administration is considering imposing tariffs or other restrictions on imports of steel and aluminum, on the grounds that China has unfairly flooded the global market with these commodities and made U.S. producers unable to compete. Analysts say the tariffs could come within days.

In a closed-door meeting with the Senate Finance Committee last week, Commerce Secretary Wilbur Ross said the administration hoped that the threat of harsh action would bring other countries to the negotiating table, according to people who attended the meeting.

In a stern speech that kicked off Wednesday's talks, Ross pointed out that China accounts for nearly half of the U.S. trade deficit in goods and called for rebalancing the relationship.

“As President Trump has made clear at Mar-a-Lago, the fundamental asymmetry in our trade relationship and market access must be addressed. We must create more balance in our trade by increasing exports of made-in-America goods to China,” Ross said.

At a nearby event highlighting products made in America — the theme the White House had chosen for the week — President Trump pledged to “crack down on foreign countries that cheat.”

“They take our intellectual property like we are a bunch of babies, but no longer,” Trump said of foreign manufacturers.

Eswar Prasad, a professor of trade policy at Cornell University who focuses on China, said domestic politics on both sides of the relationship are driving conflict. The Trump administration is eager to check off policy goals at home after delays in implementing its tax and health-care overhaul, while the Chinese are heading into important political meetings this fall where new leaders will be appointed and do not want to appear weak.

“It looks like the U.S.-China relationship is again entering a rough patch,” Prasad said. “Neither of them can appear to be too soft with the other.”

Trump was initially warm with China's leaders, praising President Xi Jinping after a meeting at Mar-a-Lago in April where the two countries launched a 100-day action plan to improve trade relations.

In May, the administration cheered initial progress under the talks, as China received its first shipment of beef in 14 years and pledged to begin the purchase of U.S. liquefied natural gas and open its financial-services sector to U.S. companies.

But in June, Trump's tone turned more critical, as China failed to provide the assistance he wanted in combating the nuclear threat from North Korea.

“Trade between China and North Korea grew almost 40% in the first quarter. So much for China working with us - but we had to give it a try!” Trump tweeted.

Leland Miller, president of China Beige Book International, an economic database, points out that several of the commitments the Chinese made during the 100-day talks had been made previously.

While the United States sent its first shipment of beef to China in June, for example, the Chinese Agriculture Ministry actually lifted the ban on beef in September, an event the Obama administration viewed as a win.

According to Miller, U.S. negotiators tried to push China beyond its usual commitments, and that was not a place China was willing to go.

“Part of it is theatrics. Part of it is that there is not an obvious next step. We barely started this, but the Chinese have already gone about as far as they were going to go in the near future,” he said.

Ana Swanson covers the economy, trade and the Federal Reserve.  Follow @anaswanson