

Business

# Crossed wires: Why the U.S. and China are struggling to reach a trade deal

By [David J. Lynch](#) and  
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In a midtown Manhattan conference room, Chinese Foreign Minister Wang Yi vented to a small group of prominent American business executives about how China had been betrayed, again and again, by a fickle United States.

Chinese leaders believed they had a trade agreement last year with Commerce Secretary Wilbur Ross, only to see [President Trump](#) veto it. In May, they reached a second deal with Treasury Secretary Steven Mnuchin, but Trump again turned thumbs down — this time via Twitter. Then in September, as China prepared to dispatch a top official to discuss possible concessions, the president preempted the trip with [new tariffs](#).




“They do not seem to want to talk,” Wang said at the private gathering in late September, according to one attendee. “We don’t know if they’re uncoordinated, or if they’re negotiating in bad faith.”

The communications breakdown reflects the plight of two countries in the midst of profound internal changes, struggling to resolve a conflict that already is slowing the global economy and could soon worsen. Though Trump repeatedly promised to revolutionize U.S. trade policy, Chinese leaders have been slow to grasp the implications of his presidency and even slower to recognize that their traditional American contacts cannot speak for the disruptive leader in the Oval Office.

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### Market Watch

<b>Dow</b>	Today 
<b>24,583.42</b>	2.41%
<b>S&amp;P 2,656.1</b>	Today 
	3.09%
<b>NASDAQ</b>	Today 
<b>7,108.4</b>	4.43%

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“They are stuck in a rut,” said Dennis Wilder, a former top China analyst for the Central Intelligence Agency. “They missed a sea change in the American political system.”

The mixed signals have left the onus squarely on Trump and President Xi Jinping to personally begin resolving the Sino-U.S. trade conflict when they [meet at the G-20 summit](#) in Buenos Aires next month. Both men are proud nationalists, with compromise especially difficult for Xi, who cannot be seen to be capitulating to foreign pressure.

Since Trump’s election, the two governments have cycled through a remarkable lineup of official and unofficial intermediaries amid a blur of mutual misunderstanding and [rising suspicion](#).

“China feels cheated by Trump many times — I think many countries that trade with the U.S. would understand,” said Wang Wen, a professor at Renmin University in Beijing who advises Chinese policymakers. “If he really wants conflict, then we’re not scared of conflict with the United States. We’re scared of not having channels to talk to the United States.”

Alarms over the souring relationship went off in Beijing this year when Department of Homeland Security agents at the San Francisco airport stopped a half-dozen senior Chinese researchers, including some employed by the China Institutes of Contemporary International Relations — an influential think tank that answers to China’s intelligence agency. The agents confiscated the researchers’ laptops and phones and demanded their passwords, according to two people familiar with the incident, who spoke on the condition of anonymity to discuss a sensitive issue.

Outraged Chinese scholars suspected the searches were politically motivated and wrote to the State Department saying they would cancel future trips to the United States, according to a copy of an

email from the think tank seen by The Washington Post. (The institute later resumed travel to the United States after receiving State Department assurances.)

This month, a conflict that began with U.S. allegations of unfair Chinese trade practices expanded into a broader indictment. Vice President Pence [assailed Beijing](#) for allegedly trying to influence the November elections, assembling an aggressive military and violating the religious freedoms of its citizens.

### **Lots of negotiators, channels**

As they weigh the widening U.S. attacks, China faces a crowded lineup of negotiators. Beijing initially viewed Ross, 80, as first-among-equals, in part because his advanced age resonated with officials who themselves had risen through a system that prioritized seniority, Wilder said.

But Ross has proved unable to deliver presidential approval for a deal, either with last year's agreement to limit steel production or earlier this year when Trump [overruled him](#) on the punishment of Chinese telecom giant ZTE.

"Ross has been repudiated twice now, once for being too soft on China and once for being too hard," said economist Derek Scissors of the American Enterprise Institute.

Mnuchin has fared little better and has his own credibility problems with his Chinese counterparts, officials said. To China, administration hard-liners such as U.S. Trade Representative Robert E. Lighthizer or Peter Navarro, a White House trade adviser and the author of books such as "Death by China" and "The Coming China Wars," are enemies rather than negotiating partners.

In their struggles to fathom the president's intentions, the Chinese have tried both establishment and unconventional channels. They

have reached out to long-standing contacts at Washington think tanks, former Cabinet officials such as Henry Paulson and Henry Kissinger, and prominent business leaders, including Stephen Schwarzman, chief executive of the Blackstone Group, who attended the recent event with Wang.

They also have sought insight into the president's thinking by tapping figures closer to Trump, including casino magnate Steve Wynn and former White House strategist Stephen K. Bannon, whose warnings of "economic war" with China while at Trump's side earned him a private meeting with Wang Qishan, Xi's vice president.

"There've been quite a few channels," said Michael Pillsbury, director of the Hudson Institute's center on Chinese strategy and an occasional White House adviser. "As many as 10 Americans can claim to be speaking for President Xi to President Trump and vice versa. If the messages were identical, that might be okay. . . . But the messages were not internally consistent."

### **Incoherent message?**

Administration officials insist they have been clear in their demands that China stop forcing [American businesses](#) to surrender their technology before entering the Chinese market, subsidizing state businesses in advanced industries and stealing U.S. trade secrets.

But Trump's message has sounded garbled on the receiving end, many U.S. analysts said. The administration argues that the Chinese government should reduce its role in the economy yet somehow simultaneously choreograph a massive increase in Chinese companies' purchases of American goods.

"There are deep contradictions in their approach," said Douglas

Paal, former vice chairman of JPMorgan Chase International and now a vice president at the Carnegie Endowment for International Peace.

The Chinese government greeted Trump's 2016 election victory with "shock and alarm," said Ryan Hass, a former U.S. diplomat who is now at the Brookings Institution. Less than one month after the election, Trump startled the Chinese by [accepting a call](#) from the president of Taiwan, which Beijing regards as a renegade province. No U.S. president or president-elect in almost 40 years had spoken directly with a Taiwanese leader.

[Cui Tiankai](#), China's ambassador to the United States, was among those caught unawares. "His job is to be the eyes and ears of the Chinese government and he got that wrong," said one veteran China analyst, who asked not to be named to preserve his relationship with Cui.

On the Trump team, meanwhile, officials scrambled to assemble a unified China policy.

Jared Kushner, a White House aide and the president's son-in-law, opened an early and unconventional diplomatic channel, meeting Cui for several private conversations. One result was the [April 2017 summit](#) between Trump and Xi at the president's Mar-a-Lago estate in Florida where the two leaders agreed to begin a four-part dialogue.

Mar-a-Lago convinced Chinese leaders that they could do business with Trump, whom they viewed as a transaction-oriented businessman. His claims as a candidate that China was "raping" the U.S. economy were just rhetorical red meat for his voters, in this view.

Chinese officials were accustomed to American presidents who

campaigned on tough talk and then moderated their views once in office. Bill Clinton famously had castigated the Communist Party leadership as the “butchers of Beijing” following the 1989 Tiananmen Square protests. Yet as president, he ushered China into the World Trade Organization.

Beijing expected something similar from Trump. Instead, the president hit China with [punishing tariffs](#), first on imports of steel and aluminum and then twice on its shipments of industrial products and consumer goods. Far from being eager to bargain, Trump for the past two months has said repeatedly that it’s “not the right time” to make a deal with China. The president also has criticized China in an intensely public fashion, discombobulating Chinese officials accustomed to more discreet diplomacy.

“It’s a very different approach to negotiating. They’ve never seen this before from the United States,” said Wilder, who served as President George W. Bush’s top China aide before becoming the CIA’s deputy assistant director for East Asia and the Pacific.

The unusual American approach comes amid ongoing political change within the Chinese system. Xi has abandoned four decades of collective leadership, centralizing power in his own hands and eliminating term limits on his rule. State industries are once again in favor as pro-market initiatives lag.

Against that backdrop, the lack of clarity about Trump’s objective has put Chinese officials who might otherwise float diplomatic initiatives “in an incredibly awkward position in an authoritarian system,” Wilder said.

### **Advisers without influence**

The president’s unconventional style and hawkish views on trade have vexed plenty of foreign governments. But Trump seems to

have particularly flustered China, which spent decades cultivating relationships with U.S. business executives and retired government officials, only to discover that their read on the White House is no longer authoritative.

“The Chinese felt that they could maybe control this Trump guy a bit using Henry Kissinger, Steve Schwarzman, Hank Paulson and so forth, but China has realized they don’t have near as much influence over Trump as they anticipated,” said Max Baucus, ambassador to Beijing during the Obama administration.

In September, Wang, the Renmin University scholar, and a Chinese delegation met with Kissinger in New York and asked the 95-year-old former secretary of state to deliver a message to the White House. Kissinger tried to temper expectations: The Chinese may hold him in high esteem, Kissinger said, but Trump probably wouldn’t listen.

In mid-September, the Chinese scheduled a hastily arranged conference of top financial executives, co-hosted by John Thornton, a former Goldman Sachs president, and Zhou Xiaochuan, China’s former central bank chief, but it made little headway.

Beijing also has dispatched to Washington a stream of former government officials for “Track 2” meetings with their American counterparts. Such unofficial discussions are a common approach to floating trial solutions to troublesome foreign policy matters.

But they have proven far less useful in the Trump administration, in part because Washington’s most prominent think tanks are populated by establishment figures who lack close ties to Trump.

In August, Fu Ying, one of China’s most seasoned diplomats, traveled to Washington expecting to hold such talks with American

scholars and officials, only to be surprised when the White House withdrew its officials from the meeting, Chinese and U.S. analysts said.

“The Chinese government is using an old playbook. They haven’t figured out how the times and attitudes have changed, and they are either unable or unwilling to come up with new plays that suit the circumstances,” said one National Security Council official, who would comment on sensitive discussions only if granted anonymity.


While China’s state media have vowed never to cave to U.S. pressure, there is a quiet acknowledgment in Beijing that China may have misjudged the depth and breadth of anti-China sentiment in Washington. It’s not just Trump who has soured on China. Leading Democrats and the business community say a confrontation over China’s mercantilist trade practices is overdue.

The White House has not provided Xi, who has built his domestic image as a tough nationalist, with a face-saving path to offer concessions, according to U.S. business leaders and China analysts. With the Mar-a-Lago dialogues stalled, and the Kushner-Cui channel no longer operative, many Chinese officials are pessimistic about repairing the relationship.

“The Chinese are becoming convinced that the U.S. is an active enemy and needs to be treated as such,” said Charles W. Freeman Jr., a former U.S. diplomat who served as President Richard M. Nixon’s interpreter during his 1972 trip to China. “Frustration has turned into exasperation. This is a geopolitical earthquake in the making and the implications are huge.”




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