

▼

DOW JONES, A NEWS CORP COMPANY

Stoxx 600 **355.07** 0.51% ▲

Nikkei **21184.60** -0.40% ▼

U.S. 10 Yr **4/32** Yield 3.105% ▲

Crude Oil **66.73** -0.89% ▼

Euro **1.1370** -0.05% ▼

This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers visit <http://www.djreprints.com>.

<https://www.wsj.com/articles/u-s-wont-resume-trade-talks-without-firm-proposal-from-a-wary-china-1540465201>

POLITICS

U.S. Won't Resume Trade Talks Without Firm Proposal From a Wary China

Stalled negotiations threaten to undermine meeting between Trump and Xi next month



President Trump and Chinese President Xi Jinping meeting in Beijing last November. The U.S. is refusing to resume trade talks until China presents a concrete proposal. PHOTO: ANDREW HARNIK/ASSOCIATED PRESS

By Bob Davis in Washington and Lingling Wei in Beijing

Updated Oct. 25, 2018 6:12 p.m. ET

The U.S. is refusing to resume trade negotiations with China until Beijing comes up with a concrete proposal to address Washington's complaints about forced technology transfers and other economic issues, officials on both sides of the Pacific said.

The impasse threatens to undermine a meeting between President Trump and President Xi Jinping of China that is scheduled for the end of November at the Group of 20 leaders summit in Buenos Aires. Both sides had hoped the gathering would ease the trade tensions. U.S. businesses have been counting on sufficient progress at the meeting for the Trump administration to suspend its plan to increase tariffs on \$200 billion of Chinese imports to 25% on Jan. 1, from the current 10%. Such a move would be a blow to U.S. importers and consumers.

Negotiations have been on hold since mid-September, when the Chinese canceled a trip to Washington after the U.S. announced levies on the \$200 billion of Chinese imports. Since then, Beijing has sought to re-engage,

including asking U.S. Treasury Undersecretary David Malpass to resume talks. He declined—with the backing of the White House trade team—until the Chinese present a formal offer, U.S. officials said.

“If China wants [the G-20 session] to be a meaningful meeting, we need to do the groundwork,” a senior White House official said. “And if they don’t give us any information, it’s just hard to see how that becomes fruitful.”

The impasse comes as tensions between the world’s two largest economies are spreading from trade to national-security issues. Vice President Mike Pence, in a recent speech, railed against China’s acquisition of sensitive technology and its confrontational military posture. Mr. Pence accused Beijing of meddling in U.S. politics, leaving China’s leadership perplexed over the scope of their mounting challenges with Washington, said Craig Allen, president of the U.S.-China Business Council, a trade group of large U.S. firms.

RELATED

- Heard on the Street: China to U.S.: My Tax Cut Is Bigger Than Yours

“They are not clear that responding on the trade issues would be sufficient to be able clear the air bilaterally,” Mr. Allen said.

For Beijing, making a formal offer presents a number of risks, individuals briefed by the Chinese said. First, it would reveal China’s negotiating position. Second, Beijing fears Mr. Trump could make any offer public in a tweet or statement as a way to lock in any concessions by China.

There is history behind Beijing’s concerns. During negotiations over China’s entry to the World Trade Organization in 1999, then-President Clinton turned down an offer by China’s premier at the time, Zhu Rongji, that included deep concessions and a reorganization of the Chinese economy. The Clinton administration made Mr. Zhu’s offer public, hoping to prevent the Chinese from backsliding. Instead, Mr. Zhu was pilloried at home by hard-liners, and it took months of negotiations to finally persuade China to accept a deal similar to the one it initially offered.

China’s ambassador to the U.S., Cui Tiankai, said Beijing wanted more discussions before it would put forth a specific offer. “People have to sit down together,” he said in an interview. “Then each side should make its own proposal.”

He said Beijing is wary of negotiating with the Trump administration because Mr. Trump rejected several previous offers after other senior U.S. negotiators indicated they would be accepted. “You cannot have some tentative agreement one day and reject it next day,” he said.

Mr. Allen of the U.S.-China Business Council said he recently met with senior Chinese officials and urged them to produce a written proposal. He said they weren’t ready to do so yet and were seeking assurances that if they did so, the U.S. would reduce tariffs on Chinese imports. U.S. officials haven’t indicated any willingness to do so.

The U.S. is concerned China will string out negotiations and try to get pledges from Mr. Trump in a one-on-one session with Mr. Xi. That would produce agreements that “sort of commit to things that will sound good but aren’t meaningful,” the senior White House official said, who added Mr. Trump wouldn’t fall for such a trap. Chinese officials are well known for carefully preparing for meetings while Mr. Trump often trusts his instincts.

Since the spring, the two sides have discussed the makings of a deal. During May talks in Beijing, U.S. negotiators handed their Chinese counterparts an eight-point list of demands, ranging from halving the \$376 billion trade deficit to curtailing much of China’s subsidies for high-tech industries.

Chinese officials divided the U.S. demands into 142 separate items, which they then placed into three categories, said individuals briefed on the Chinese discussions. Of the demands, 30% to 40% could be done immediately; another 30% to 40% could be negotiated over time; and 20% were off limits because they involve national security or other sensitive issues, they said. Informally named the “80/20 plan” or the “60/20/20 plan,” the idea was presented to the U.S. in mid-August negotiations, U.S. and Chinese officials said.

Chinese negotiators, however, didn’t reveal the items in each of the three categories other than to say 122 of the 142 items were considered negotiable, and they didn’t say how individual items would be handled. Rather, the proposal was conceptual in nature, said U.S. officials, who argue that isn’t sufficient. They want a detailed, concrete offer that addresses U.S. concerns.

‘ We need to figure out some way to trust but to verify and to make sure that we don’t give up all leverage at the end of the meeting. ’

—Senior White House official

“Show us your list,” the senior White House official said, or no negotiations would take place before the G-20.

Beijing counters that the U.S. has the sequencing backward, and an offer should follow talks. “We are not sure whether the U.S. side is really serious about all these so-called structural issues in greater detail because there’s no meeting,” said Mr. Cui, the ambassador.

All of which has led to the current stalemate. Any negotiations are bound to face many obstacles. For instance, the U.S. is looking at ways to enforce any deal that could include leaving in place some tariffs until China fulfills its pledges. Alternatively, the U.S. could impose more tariffs should China fall short.

“We need to figure out some way to trust but to verify,” said the U.S. senior White House official, “and to make sure that we don’t give up all leverage at the end of the meeting.”

Beijing is also looking to show that it is taking complaints about its trade policies seriously and is putting together a big import-promotion fair next month in Shanghai. More than two-dozen large U.S. companies have rented space there, though the U.S. Embassy in Beijing says there are no plans for high-level U.S. government promotion.

Privately, U.S. officials say the trade fair makes their point about coercive Chinese practices. They allege Chinese officials have warned executives at several large companies their businesses could suffer if they don't participate in the event. A Chinese Embassy spokesman in Washington dismissed the claim as a "groundless accusation."

—James T. Areddy in Shanghai contributed to this article.

Write to Bob Davis at bob.davis@wsj.com and Lingling Wei at lingling.wei@wsj.com

Appeared in the October 26, 2018, print edition as 'U.S. Spurns Trade Talks Without a China Offer.'

Copyright ©2017 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers visit <http://www.djreprints.com>.