

POLITICS

U.S.-China Trade Talks Begin on Positive Note

President Trump, who plans to meet on Friday with Vice Premier Liu He at the White House, says, 'We had a very, very good negotiation'



Chinese Vice Premier Liu He, center, with Treasury Secretary Steven Mnuchin, right, and U.S. Trade Representative Robert Lighthizer before the start of trade negotiations in Washington. PHOTO: ANDREW HARRER/BLOOMBERG NEWS

By William Mauldin, Chao Deng and Andrew Restuccia

Updated Oct. 10, 2019 6:35 pm ET

WASHINGTON—U.S.-China trade talks kicked off amid expectations that Beijing's emissaries are ready to offer compromises aimed at getting President Trump to hold off on tariff increases set to take effect next week and in December.

Financial markets rose on prospects of any headway after five months of stalemate, and on the news Mr. Trump would meet on Friday with Chinese Vice Premier Liu He at the White House. Speaking to reporters Thursday evening, the president said, "We had a very, very good negotiation."

The meetings were conducted behind closed doors, and officials only provided a list of broad topics to be discussed. Still, business leaders and others following the talks are hoping for possible concessions—or "early harvests" toward a future comprehensive deal—that could include China offering more agriculture purchases, a joint pact to deter Beijing from devaluing its

currency, and, on the U.S. side, suspending planned tariffs and relaxing export bans against blacklisted Chinese telecom giant Huawei Technologies Co.

“They come to Washington with the intention of making progress this week,” said Myron Brilliant, head of international affairs at the U.S. Chamber of Commerce, who has been briefed on the talks.

China’s state-owned Xinhua news agency reported that the Chinese side “came with great sincerity, and is willing to engage in serious exchanges with the U.S. on trade balance, market access, investor protection and other mutual core issues.”

U.S.-China Business Council President Craig Allen, who met with Mr. Liu in Washington on Wednesday, said China’s top negotiator “seemed to take a very pragmatic view on what could be expected from the U.S. in terms of producing a balanced agreement and noted this would be a process rather than a single deal that would resolve all issues.”

The upbeat tone contrasted with tense moments in U.S.-China relations recently, including the Trump administration’s decision this week to impose sanctions on companies accused of helping China repress its minority Muslim population in the country’s northwest and the Chinese outcry over an NBA general manager’s support for Hong Kong demonstrations.

While most U.S. business groups are pushing for a deal, China hawks in and outside the administration are discussing ways to put further pressure on China should trade negotiations falter.

Michael Pillsbury, a Hudson Institute expert who advises the Trump administration, has outlined ways to restrict or deny Chinese access to the U.S. capital markets, potentially hobbling its financial markets and slowing China’s economic growth, according to a memo he has circulated to administration officials that was reviewed by The Wall Street Journal.

Mr. Pillsbury’s recommendations to the administration include limiting Chinese investments in pension funds and university endowments; endorsing legislation to deny China access to U.S. capital; improving relations with Taiwan; and backing a bill to impose sanctions on Beijing over its activity in the South China Sea.

But in a sign that the long stalemate in talks may be ending, the White House recently cleared the approval of licenses for American firms to do business with Huawei, a move that, if completed, would improve the environment for the talks.

The Trump administration hasn't spelled out how it will grant Huawei licenses, and the White House could face pressure from lawmakers worried that helping the telecom giant could threaten national security.

Officials at the Commerce Department's Bureau of Industry and Security, which monitors the country's export-control system for national security concerns, haven't said when it will begin approving licenses.

Until approvals are granted, it is unclear what relief the move will bring to the semiconductor industry and other companies within Huawei's supply chain.

For its part, Beijing has resumed buying some American agricultural products but has balked at making deep structural changes in its economy and enforcing them with new laws, as demanded by the Trump administration through the tariff-led trade war.

Before talks broke down in May, U.S. and Chinese negotiators had agreed to a series of measures that American officials said would deter Beijing from manipulating its currency.

SHARE YOUR THOUGHTS

What do you think it will take for the U.S. and China to come to an agreement on trade? Join the conversation below.

"There's even the possibility of a currency agreement this week," Mr. Brilliant said at a media briefing on Thursday after speaking with U.S. officials.

Spokesmen for the Treasury Department didn't immediately respond to a request for comment on the currency negotiations.

U.S. officials have long had concerns about China's currency practices, with some arguing that China artificially lowered the value of its currency in order to make its exports less expensive and boost its manufacturers—at the expense of countries like the U.S. with stronger currencies and thus relatively more expensive goods.

In August, after the talks had broken down, the U.S. formally designated China as a "currency manipulator," a move that was largely symbolic since the two sides were already engaged in tit-for-tat tariff escalation.

The agreement that Treasury Secretary Steven Mnuchin and other officials mostly completed with Chinese negotiators in April was largely modeled after the currency provision that the U.S. negotiated with Canada and Mexico in their efforts to rewrite the North American Free Trade Agreement.

The talks are being led by Mr. Liu and U.S. Trade Representative Robert Lighthizer. Lower-level officials began laying the groundwork for the high-level talks this week, and critics of the trade

war hope Messrs. Trump and Xi can build on progress at a November summit of global leaders.

The Chinese side and big international businesses hope for an agreement to prevent Mr. Trump from raising tariff level to 30% from 25% on \$250 billion of annual imports from China on Oct. 15 —and new 15% tariffs on \$156 billion of consumer products from China on Dec. 15.

—*Josh Zumbrun, Alex Leary and Katy Stech Ferek contributed to this article.*

Write to William Mauldin at william.mauldin@wsj.com, Chao Deng at Chao.Deng@wsj.com and Andrew Restuccia at Andrew.Restuccia@wsj.com

Copyright © 2019 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 <https://www.djreprints.com>.