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POLITICS

As China Trade Talks Resume, Trump Pushes an Ambitious Agenda

Trump administration is pushing for a deal that will result in long-term reforms—and prove that tariffs are an effective battering ram to open markets



President Trump spoke with Chinese Vice Premier Liu He, left, in the Oval Office on Jan. 31 during talks aimed at easing a trade dispute between the world's two largest economies. PHOTO: MARK WILSON/GETTY IMAGES

By Jacob M. Schlesinger

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WASHINGTON—As trade negotiations with China resume this week, the Trump administration is racing to strike a deal that will result in long-term reforms—and prove that tariffs are an effective battering ram to open markets around the world.

The president is pursuing an ambitious agenda that envisions remaking U.S. commercial ties from Asia to Europe to North America, advancing new deals this year covering about 40% of the global economy.

But each initiative faces major obstacles before yielding results, including resistance from trading partners, domestic political opposition and disagreements inside the administration.

“Trump has started a bunch of things, he has taken the system by the lapels and shaken it, he has changed the conversation” said William Reinsch, a trade expert at the Center for Strategic

and International Studies in Washington, which promotes global markets and free trade. “But he’s not yet that far down the road in terms of accomplishing anything. There’s not yet a lot of success there,” added Mr. Reinsch, who worked on trade policy in the Clinton administration.

China is currently the priority for the Trump trade team, as the administration has given Beijing a March 1 deadline to commit to concrete, broad economic changes.

Failing that, the administration has said the current 10% U.S. tariffs on \$200 billion worth of Chinese imports will be boosted to 25%—although the president has said he might be willing to extend the deadline if advances are evident.

“Big progress being made on soooo many different fronts!” Mr. Trump tweeted Sunday, after huddling with his trade team over the weekend at his Mar-a-Lago resort in Florida.

After meeting in China last week, both sides are set to resume talks in Washington this week. But people briefed on the negotiations said big outstanding differences remain.

Nor is China the only battle in the administration’s trade campaign. On Sunday, the president received a Commerce Department report laying out options for blocking auto imports in the name of national security—a measure that would largely affect U.S. allies in Europe, Japan and South Korea.

The administration didn’t make public the details of the report, and it remains unclear whether Mr. Trump will decide to impose car tariffs, or just continue to use the prospect as a threat to extract new concessions from trading partners. Under the law used to justify the tariffs, a decision is required by mid-May.

Many trade lawyers and lawmakers from both parties said it is difficult to make a case that car imports pose an actual national security threat, and that any such move would draw fierce political opposition.

At the same time, the administration is ramping up its push to win the necessary approval from a divided Congress for the rewritten North American Free Trade Agreement, called the U.S.-Mexico-Canada Agreement.

Large numbers of lawmakers from both parties have said they won’t clear the pact either without revisions to the text, or broader changes in Trump trade policy, casting a cloud over prospects for its passage.

Mr. Trump is also pushing both Japan and the European Union to advance separate bilateral deals. Yet the sides remain far apart even on the basic scope of negotiation.

Officials in Tokyo and Brussels also say they have no clear signal from U.S. counterparts—who seem more focused on China and the U.S.-Mexico-Canada Agreement—for when they can even launch detailed talks.

Mr. Trump's ability to tout completed trade pacts during his 2020 re-election campaign rests in part on how he steers his still-evolving trade strategy.

One big question: whether he ultimately sees tariffs as a means to an end—a club to force open export markets—or an end in itself, to protect domestic industry from imports. He has at different times suggested different answers, and they can be contradictory goals.

It was last year's threat of car tariffs that brought the Japanese and Europeans to the negotiating table for new trade deals. Both said they would walk away if he carries out the threat.

“Were this [Commerce Department] report to translate into actions detrimental to European exports, the European Commission would react in a swift and adequate manner,” EC spokesman Margaritis Schinas said Monday in Brussels.

Another question: how high a bar Mr. Trump sets for declaring victory in each trade negotiation. U.S. and Chinese officials, for example, remain far apart on core U.S. demands seeking fundamental change in Beijing's heavy-handed state interference in the economy.

Even so, Mr. Trump has at times hinted he might be willing to gloss over big disagreements to claim a new truce that could spark the kind of financial markets rally he regularly celebrates.

Even free-traders critical of Mr. Trump's strategy to date now worry he will take the pressure off China before extracting structural reforms. “We're looking for a comprehensive, sustainable deal, not a Band-Aid deal,” said Myron Brilliant, head of international affairs at the U.S. Chamber of Commerce.

As the administration rolled out its broad trade agenda through 2018—imposing tariffs on half of all Chinese imports; slapping duties on metals, solar panels and washing machines; renegotiating trade deals with South Korea and North America—it did so while enjoying a remarkable degree of freedom. Trump aides creatively uncovered obscure executive powers and stretched their application beyond precedent.

In 2019, the White House faces new limits. While U.S. Trade Representative Robert Lighthizer had the power to renegotiate Nafta on his own, he now needs congressional approval before the new U.S.-Mexico-Canada Agreement pact can take effect.

This is the first time since Mr. Trump took office that he has had to ask lawmakers to back his trade actions, and many say they intend to use that new leverage to extract concessions.

Lawmakers from both parties said a priority will be forcing Mr. Trump to scale back his steel and aluminum tariffs imposed a year ago.

They acknowledged those duties helped drive Canada and Mexico to strike the new agreement, but argued their continuing application undermines the core benefits of Nafta—by disrupting cross-border supply chains, and by crimping the big export gains farmers have long enjoyed under the pact after the two other countries imposed retaliatory tariffs.

In recent meetings with the trade committees in both the House and Senate, Mr. Lighthizer was told repeatedly by Republicans and Democrats that he is highly unlikely to win passage of the U.S.-Mexico-Canada Agreement unless the curbs are lifted. But Mr. Trump has so far refused, arguing that the tariffs are necessary to further a rebound in U.S. steel production he says has been prompted by the measures.

Even Mr. Trump's most aggressive trade advisers acknowledge they are hitting the limits of how far he can go in brandishing tariffs under existing laws. That's why White House trade adviser Peter Navarro has been working closely this year with a small group of House Republicans on legislation that would give a president broad new powers.

That legislation isn't likely to gain traction, having drawn no Democratic support and considerable Republican opposition. Indeed, a growing bipartisan coalition has emerged in both the House and Senate behind legislation that would do the opposite—curb Mr. Trump's ability to impose tariffs under existing laws he has been invoking

“Congress has to get back in the game,” said Wisconsin Democratic Rep. Ron Kind, who joined two Republicans to spearhead the legislative effort in the House. Car tariffs, he said, would spark “a huge increase in interest in moving forward.”

“For the first two years in office, Trump got a free pass on trade,” said Wendy Cutler, a longtime trade negotiator under Republican and Democratic administrations and now vice president of the Asia Society Policy Institute. “In 2019, there are more constraints on his administration's ability to pursue its agenda.”

—*Emre Peker in Brussels contributed to this article.*

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