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## The big China meeting with the 'un-Trumpian' ending

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No need for the lipstick, just show them the pig.

That seems to be the way Commerce Secretary Wilbur Ross and Treasury Secretary Steven Mnuchin chose to play things on Wednesday when they dispensed with any pretense that the first meeting of the new U.S.-China Comprehensive Economic Dialogue yielded anything close to a breakthrough.

The spin game following past high-level U.S.-China trade gatherings was always characterized by lengthy joint statements. Not this time.

Ross and Mnuchin summed up the much-hyped meeting with a brief statement that amounted to little more than a "thank you" note. It was just five paragraphs, including two that thanked Chinese Vice Premier Wang Yang, his team and other U.S. officials for participating.

Another paragraph pointed to gains that resulted from the 100-day trade dialogue that President Donald Trump had been so high on after he and Chinese President Xi Jinping brokered the arrangement during their first face-to-face meeting, at Mar-a-Lago in April. But that effort wrapped up earlier this week, before Wang and his team arrived in Washington.

In this case, old news was not good news. "We look to achieving the important goals set forth by President Trump this past April in Mar-a-Lago," Ross and Mnuchin said in closing.

In other words: No way to sell a letdown.

"I was surprised by the outcome because it was so un-Trumpian," said Bill Reinsch, a distinguished fellow at the Stimson Center, a national security think tank. "The Trump thing would be to settle for peanuts and declare it the greatest thing ever."

The administration "deserves some credit for not going through the subterfuge," Reinsch continued. "It was clear — from the rumors anyway — they went for bigger stuff and didn't get anything. So rather than put lipstick on the pig, they just said, 'Well, here's the pig.'"

Ross and Mnuchin could have asked Trump to tweet the one "deliverable" from the meeting — "China acknowledged our shared objective to reduce the trade deficit, which both sides will work cooperatively to achieve." That sentence could potentially prove more consequential than the scores of commitments that have come out of previous meetings. But ask industry officials if they have any idea how the Trump administration plans to achieve that end and it's clear they don't.

The business community would prefer a different overarching goal, such as opening China's market to more U.S. exports and investment, or stopping Chinese government policies that force companies to transfer technology in order to do business in the world's second-largest economy.

Also, one of the tools the Trump administration is exploring in an effort to pressure China — potentially applying a rarely used U.S. trade law to put restrictions on steel and aluminum imports in the name of U.S. national security — makes industry nervous because of the possibility that such a move could backfire on the U.S. and spur trade retaliation.

The Comprehensive Economic Dialogue that Trump and Xi created at their meeting in April is actually just the latest incarnation of a bilateral forum that goes back to the George W. Bush administration. It was originally called the Strategic Economic Dialogue, then renamed the Strategic & Economic Dialogue during Barack Obama's presidency.

The Trump administration in May announced initial results from the 100-Day Plan to approve bilateral trade, including reopening China's market to U.S. beef for the first time in nearly 14 years and other measures that help financial services firms like Citigroup and JPMorgan Chase.

But as welcome as those achievements were to a few affected industries, Ross' exaggerated sense of the 100-day effort caused sniggering across Washington. "It was pretty much a Herculean accomplishment to get this done," Ross said at the time. "This is more than has been done in the whole history of U.S.-China relations on trade."

So when China balked this week at the big U.S. demands to cut steel excess capacity and slash the trade deficit, the Trump team apparently saw little advantage in declaring victory over the "crumbs" offered in other areas, one industry official briefed on the talks said.

The two sides had what may have been their first "bad" trade meeting since talks on China's accession to the World Trade Organization nearly broke down in 1999, the industry official added. That left the Chinese side confused, since the United States had always wanted to issue joint statements after previous talks, the official added.

Back in Beijing, a Chinese Foreign Ministry spokesman insisted the meeting wasn't as bad as it seemed. "If you read carefully information and remarks made by China and by U.S. Treasury Secretary Steven Mnuchin and Commerce Secretary Wilbur Ross, you will not believe that the U.S. thinks this round is negative," spokesman Lu Kang said.

Chinese Vice-Minister of Finance Zhu Guangyao told reporters the two sides also agreed to continue work on a one-year plan as a follow-up to the initial 100-day endeavor. However, there was no reference to that in Ross and Mnuchin's statement, which could reflect a disagreement within the Trump administration over the utility of a 365-day effort.

Although both sides talked this week about addressing major long-term challenges in the trade relationship, "internally everyone knew it was about generating short-term tweetable deliverables," said Scott Kennedy, director of the Chinese business and political economy project at the Center for Strategic and International Studies.

That didn't happen, but "the Chinese don't want it to appear that the negotiations collapsed and there's a big fissure," Kennedy added. "They want to suggest that they are still being cooperative, even if they couldn't reach deals on every item under discussion — and they want to look like they are taking the high road."

But the failure could also have been the result of poor U.S. preparation, since neither Treasury nor Commerce is fully staffed with political appointees. During the Obama administration, "the staff worked year-round to prepare for those one or two days," Kennedy said. "But here we had 90 days to prepare with less staff and less coordination."

After this week's stumble, industry officials hope the administration will go back to the drawing board and devise a more coordinated approach for dealing with a growing list of U.S.-China trade concerns. That could include a one-year plan if it includes systemically important issues and significant achievements along the way, the industry official said. But it's also not clear that the Chinese are willing to make difficult reforms, so the United States may have to devise new tools to gain leverage, the official added.

Meanwhile, China has invited first daughter Ivanka Trump and her husband, senior White House adviser Jared Kushner, to visit this fall, setting the stage for a possible trip by Trump. Xi invited Trump to come to China at their meeting in April, but so far no date has been announced.

Against that backdrop, Ross is believed to be putting the finishing touches on recommendations for Trump to restrict steel and aluminum imports to protect national security. That move could potentially hit back at not only China but allies in Europe and other countries that export the two metal products to the U.S.

This week's events could empower those in the administration who favor tough action, on the grounds that China was given a chance to act on steel overproduction and it refused. But a unilateral move would surely anger allies, especially after they agreed at the recent G20 meeting to step up efforts to deal with global excess capacity.

That included setting an August deadline for countries to share information on their steel sectors in order to meet a November deadline to develop "concrete policy solutions," which the G-20 nations also agreed would be followed by "tangible and swift policy action and follow-up progress reporting in 2018."

Therefore, once Ross makes his recommendations, one possibility would be for Trump to announce that he plans to enact the toughest possible restriction, but delay implementing them until December, Reinsch said. That would put pressure on the G-20 countries, which account for most U.S. steel imports, to reach a deal to reduce the global steel production glut.

It also would avoid a blowup before Ivanka Trump, Kushner and potentially the president himself travel to China this year. And it would allow Xi to get past two important political events that make it difficult for him to make any concessions to the U.S. right now — a senior Chinese leadership meeting in August and the 19th Party Congress in the fall.

In the meantime, it's very hard to discern an overall strategy behind the Trump administration's dealings with China, "except in the very general sense of using threats to increase leverage," said Simon Lester, trade policy analyst at the Cato Institute. Their approach is "we're going to be tougher and stronger and make everyone give in."

"Maybe they thought they could do that this week and China didn't give in," Lester said. "They got a little lost, and now they think 'OK, we've got to regroup.'"