ST. LOUIS POST-DISPATCH

Lacking detail, US-China trade truce is nothing to be excited about

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U.S. President Donald Trump, right, shakes hands with Chinese Vice Premier Liu Friday in the White House. China's trade with the U.S. fell by double digits again in September amid a tariff war that threatens to tip the global economy into recession.

News of last week’s partial trade deal with China came with plenty of superlatives but, tellingly, little detail.

President Donald Trump described the agreement as the “biggest” and “greatest” ever negotiated on behalf of U.S. farmers, but neglected to say when or how China plans to buy a reported $40 billion to $50 billion worth of agricultural products.

Trump agreed to postpone a tariff increase scheduled for this month, but he didn’t back off his plan to slap new tariffs on a variety of consumer goods in December. Neither side mentioned any progress on the underlying issues, such as intellectual property theft and subsidies to state-owned businesses, that started the trade war in the first place.

“I’m not sure we have much here,” says Simon Lester, a trade policy expert at the Cato Institute. “I want to see some specifics before I’m going to take this seriously.”

Details matter. Will China relax its tariffs on the farm goods it buys? When will the purchases start? Do they represent an increase in China’s ag-import needs, or will they replace imports from other countries?

Farm groups greeted the deal with caution. The American Soybean Association, based in Creve Coeur, called the agreement good news, but added that it is waiting for more information about the effect on farmers.

Gary Hufbauer, senior fellow at the Peterson Institute for International Economics, says the agricultural purchases aren’t much of a concession from a country that suffers from widespread drought and a major swine-fever outbreak. “Buying agricultural goods makes a lot of sense economically for China,” he said.

Last December, after a meeting between Trump and Chinese President Xi Jinping, the White House said China agreed to buy a “very substantial amount” of agricultural and other goods. Similar language followed another Trump-Xi meeting in June.

Each time, Trump would later accuse China of backing away from its commitments, and it’s not clear that the latest agreement is any more solid.

“This is another of several truces we’ve seen between the U.S. and China, and the truces are getting shorter because the two sides find they have less and less to talk about,” says Paul Christopher, head of global market strategy for Wells Fargo Investment Institute.

Trump called last week's agreement a "phase one" deal, implying that issues such as intellectual property and U.S. sanctions on Chinese company Huawei would be dealt with in a later phase.

No timetable has been announced for those talks, which Christopher takes to mean that differences remain wide. "It doesn't look like they tried to chip off any smaller rocks from the big rocks," he said.

"I wouldn't say the outlook is particularly optimistic," Hufbauer adds. "The remaining issues for phase two are hard issues."

Meanwhile, the tariffs imposed by the two nations continue to slow the global economy. The International Monetary Fund estimates the trade war's global cost at $700 billion next year.

With such sums at stake, the stock market tends to react to any sign of movement, positive or negative, in trade talks. Last week, stocks rose in anticipation of a deal with China, then gave back a little ground when the partial deal was announced Friday afternoon.

"Financial markets don't look at the substance, they look at the story," Lester said. "Trump wanted to say something to calm the markets."

He did that, but markets have been fooled before by false signs of progress in these trade talks. Skepticism is in order until we know more about this very limited, and apparently tentative, deal.