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Analysis: Trump gained little ground this year in China trade war

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A year of threatening to escalate a trade war with China aggressively has brought the Trump administration only marginal progress in securing a deal that would get China to change predatory policies like forced technology transfers and intellectual property theft.

While President Trump has raised tariffs, overall, he has held back on the most punitive measures. Beijing has taken note of this, says Derek Scissors, resident scholar at the American Enterprise Institute. China has decided to try to wait Trump out.

“On intellectual property theft and coercion and other ways in which it is a predator, China will stall and see if there’s any punishment after the election,” Scissors said. “If China hasn’t stopped stealing intellectual property and subsidizing state-owned firms, in 2022 we could be right back where we started.”

Trump himself has periodically said that Beijing is deliberately stalling the negotiations. “The reason for the China pullback & attempted renegotiation of the Trade Deal is the sincere HOPE that they will be able to ‘negotiate’ with Joe Biden or one of the very weak Democrats, and thereby continue to ripoff the United States ((\$500 Billion a year)) for years to come,” Trump tweeted in May.

At the beginning of 2019, the Trump administration put 25% tariffs on \$50 billion worth of goods and 10% tariffs on \$200 billion worth of Chinese goods. Beijing responded with tariffs between 5% and 25% on \$110 billion worth of U.S. goods.

By the end of the year, the administration had tariffs of 25% on \$250 billion worth of Chinese goods and 7.5% tariffs on another \$120 billion worth of goods. Beijing had tariffs of up to 25% on \$185 billion worth of U.S. goods. The recent cool-down in Trump’s trade war with Beijing has mostly only prevented additional tariffs.

Throughout the negotiations with China, the Trump administration periodically set deadlines and then adjusted them in reaction to apparent or claimed progress in talks with Beijing. The White House was scheduled to impose 25% tariffs on \$200 billion worth of goods, up from 10%, at the beginning of the year, but first postponed them to the beginning of March and then put them on

hold — seemingly indefinitely. The White House then revived that threat on May 5 and followed through five days later.

A subsequent threat to impose 25% tariffs on \$300 billion worth of goods was averted days before a June 30 deadline. A later vow to raise tariffs on the same \$300 billion worth of goods went into effect on Sept. 1, but tariffs on \$156 billion of those items were delayed until Dec. 15. Three days before that deadline, the White House reached a deal with Beijing where it agreed again to hold off on the new tariffs and also cut existing tariffs on Chinese goods, according to the *Wall Street Journal*. In exchange, Beijing will reportedly increase purchases of up to \$50 billion of U.S. farm goods.

The main win for the White House from this effort has been completing in mid-December “phase one” of a deal with Beijing first announced in October, and that has one, possibly two, more phases left. The White House completed the first phase largely by moving the most contentious issues to the later phases.

"President Trump has focused on concluding a Phase One agreement that achieves meaningful, fully-enforceable structural changes and begins rebalancing the U.S.-China trade relationship," U.S. Trade Representative Robert Lighthizer said in a Dec. 12 statement. "This unprecedented agreement accomplishes those very significant goals and would not have been possible without the President's strong leadership."

Trade policy experts say the White House hasn't released the full details of the first phase. "It is unlikely China made any major changes to its intellectual property and investment policies as the Trump administration wanted," said Bryan Riley, trade policy expert with the National Taxpayers Union.

Gary Hufbauer, nonresident senior fellow at the Peterson Institute for International Economics, predicted that both sides will ease back on tariffs next year to prevent harming their economies, but the fight over technology policies will ratchet up. "The next president, Trump or his successor, will continue to wrestle with China for his/her entire term in the White House," Hufbauer said.

There's little indication that all of this has gotten the U.S. any closer to a deal, said Simon Lester, trade policy expert with the free-market Cato Institute. "On non-trade issues — human rights, Hong Kong, territorial expansion — China is probably pretty happy with the Trump administration, so they may see the tariff wars as something that is worth putting up with," Lester said.