



Written by [Bob Adelman](#) on September 13, 2018

Trump Seeks Third Round of Trade Talks With China, Sensing Their Vulnerability

The first two trade talks between U.S. and Chinese officials didn't go well. Perhaps the third one will. On the eve of implementing a second round of tariffs on some \$200 billion worth of Chinese goods coming into the United States, President Trump [offered an olive branch](#) to Chinese officials through his Treasury Secretary, Steven Mnuchin. On Wednesday Mnuchin invited Chinese Vice Premier Liu He, President Xi Jinping's top economic advisor, to reopen talks, this time at the highest level.



The initial negotiations involved Mnuchin, Larry Kudlow (Director of Trump's National Economic Council) and other top Trump administration officials. When it ended in an impasse, another series of negotiations among midlevel officials of both countries took place in August. It too ended without any agreement.

But circumstances have changed in the last few months. Threats of a tariff "war" have barely nudged the U.S. stock market (the S&P 500 Index is up eight percent for the year) have knocked the Chinese stock market down by more than 10 percent. The U.S. economy is on a tear while the Chinese economy continues to slow. Exports, capital investment, and consumer spending there are all in decline compared to a year ago.

And attempts to rein in the country's runaway debt — estimated to be more than two and a half times the value of the entire Chinese economy and forcing credit rating agencies to downgrade that debt — are contributing to the slowdown. Julian Evans-Pritchard, senior China economist at Capital Economics, said that "headline official indicators are now in broad agreement that the [Chinese] economy is losing momentum," while Louis Kuijs, head of Asia economics at Oxford Economics, added that the prospect of additional tariffs is "already dampening business confidence and delaying investment" there.

This makes it for a perfect time for President Trump, author of *The Art of the Deal*, to make his move. Said Robert Carnell, chief Asia-Pacific economist at investment banking firm ING, "this is probably the best time for the U.S. to go back to the table ... [this time] with a 'take it or leave it' type of trade demand."

Previous negotiations have resulted in offers by Chinese officials merely to promise to buy more American goods but without any movement on the big three issues: stealing of American technology, ending subsidies, and protecting American intellectual property. Such efforts in the past have succeeded in hollowing out America's basic industries and capturing vital technology (both commercial and military), and allowing the communist Chinese government to gain at America's expense. Enormous trade imbalances have given the communist Chinese the opportunity to build its economy to the point where its military power is threatening America's while forcing the United States increasingly to depend on its enemies for vital raw materials.



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Trump sees his opportunity and is taking it. Already in play are tariffs on \$50 billion worth of Chinese imports, with another \$200 billion ready to go at a moment's notice. And the president has warned the Chinese that unless they come to terms, he will put tariffs on all the rest of Chinese goods seeking customers in the United States — "on short notice, if I want," said the president.

Said Steve Moore, a fellow at the Heritage Foundation,

Because the U.S. economy is so strong, because some of these other trade deals are in the bank or on the precipice, [Trump administration officials] feel they are going to be negotiating with China from a stronger position than if we'd done this three months ago.

It's like dominoes. It puts more pressure on the ones [like China] that don't have a deal.

One aspect not mentioned in the conversation is the Oriental concept of "saving face." That expression describes the lengths to which a Chinese official will go to preserve his position in the communist government, taking action to ensure that he is not thought of badly by his peers or his boss. But under communism, failure to "save face" — that is, by giving in to President Trump and acceding to his demands — will not only cause him to lose favor among his peers, but also is likely to cause him to lose his life.

How does one negotiate with another party who is willing to give up his life rather than come to an agreement? President Trump and his advisors are likely to find out.

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