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Dollar and Sense Podcast
Why US-China trade talks are going into overtime
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DOLLAR: I'm David Dollar, host of The Brookings Trade Podcast, "Dollar & Sense." Given all the fast-moving developments in U.S.-China trade, we want to put out a short update between full episodes.

I've got three points. First, the news. President Trump has announced that the trade discussions between the U.S. and China are moving well enough that he's going to hold off on raising tariffs on China on March 1st, and the two sides will continue to negotiate, and the White House is working on a summit meeting between President Trump and President Xi. This will probably be held in Mar-a-Lago, Florida sometime in March –about a month from now. I think what's happening here is that the tariffs that have been imposed by both of these two big economies are starting to bite. Definitely the Chinese economy is slowing down, but the tariffs are also hurting the U.S. economy. You see that on Wall Street, the number of factors going on there, but certainly worries about the trade war have affected the stock market. And it looks like the two sides are going to try to reach a practical compromise.

The second point I want to make is that we do not really know the details of this agreement. In fact, it definitely hasn't been finalized yet. The messages from both sides are that there's enough progress that they feel encouraged and the U.S. is going to hold off on further tariffs, so that's good news. It looks like the two sides are working on perhaps six different agreements. One of these we can be sure will be about purchases, particularly in the agricultural sector, the U.S. buying more soybeans and other products. I've argued before that this is not particularly important. China is happy to buy certain products from the U.S. and that's going to happen anyway as long as we're not in a real trade war. The meat of this agreement will probably be some market access issues, China opening up new sectors of its economy. There's talk of a currency agreement between the two which will be interesting. In our most recent Dollar & Sense podcast with Janet Yellen on

February 19th, Janet Yellen gave a pretty good set of arguments about why it's difficult to define and control currency manipulation. So, it'll be interesting to see the specifics. I encourage you to listen to the Janet Yellen episode if you want to understand more on the currency side.

And then there's an important set of other structural issues, such as forced technology transfer, intellectual property rights protection, subsidies to state enterprises. It will be interesting to see, we don't have the details on what's going to come into an agreement, but it's likely that these aspects will be addressed by various promises from China. And that is going to raise a lot of interesting questions, we'll be looking at what are the details. But that really brings me to the third point I wanted to make that in these areas, these so-called structural areas like forced technology transfer, IPR protection, China is basically going to be making a set of promises and will be interesting to see what enforcement is built in. The U.S. Trade Representative Offices put a lot of emphasis on the issue of enforcement, so let's see what do these agreements look like and what are the enforcement mechanisms.

In our next full episode of Dollar & Sense my guest will be Wendy Cutler. She's Managing Director of the Asia Society Office in Washington, but for our purposes, more importantly, she has almost three decades of experience in the U.S. Trade Representative Office negotiating trade agreements—all the important trade agreements that the U.S. has entered into in recent decades. So, we're going to talk to Wendy Cutler about the U.S.-China trade negotiations, but particularly focus on the issue of enforcement, what enforcement can actually be built into this kind of agreement, and how much confidence are we going to have that this is really going to change relations between the U.S. and China.

So stayed tuned while these big trade issues are hammered out, and we'll have a much fuller discussion with Wendy Cutler on March 4th. Thank you.

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And until next time, I'm David Dollar, and this has been Dollar and Sense.