The Trump administration’s willingness to strike a trade deal with China is being seen by some observers as increasingly tied to how doing so may affect the president’s chances of winning the 2020 presidential election. An agreement that secures suitably strong terms for the U.S. could aid Trump’s re-election bid, but if that cannot be accomplished Trump could follow through with threats to hike tariffs on $300+ billion worth of additional imports from China as a show of strength to voters.

In an effort to advance negotiations on an agreement to resolve a number of longstanding trade irritants, U.S. and Chinese officials have recently spoken by phone and are planning another face-to-face meeting, possibly in Beijing later this month. Talks broke down in May after each side accused the other of going back on terms they had agreed to. The presidents of the two countries then met at a G-20 summit in June and pledged to continue working toward an agreement. As a show of good faith President Trump said he would suspend plans to impose additional tariffs of up to 25 percent on so-called List 4 goods from China.

However, there have been no further negotiations since that meeting and there is speculation that prospects for an agreement are growing dimmer. President Trump this week said that there is “a long way to go” to reach a deal and that he is content to maintain existing tariffs until China agrees to U.S. terms. He is under increasing pressure to hold to that line from advisors concerned that an insufficiently strong agreement could be a liability in the 2020 presidential campaign. Trump also said slowing economic growth in China, which he attributed at least partly to his tariffs and trade policies, is giving the U.S. the upper hand in the talks.

Beijing refuted these claims, asserting that its economy remains strong and has felt little impact from the Trump tariffs. China also added to its negotiating team commerce minister Zhong Shan, who recently accused the U.S. of protectionism and called on China to “uphold our warrior spirit” in the ongoing bilateral trade war. A South China Morning Post article cited two observers as saying Zhong’s involvement illustrates that China is “in no hurry to reach a deal.”
If the two sides are unable to conclude a mutually beneficial agreement, Trump could revert to a frequently-used strategy and raise tariffs on imports from China in an effort to gain leverage. Following the previous breakdown in talks the Office of the U.S. Trade Representative released a list of approximately $300 billion of such imports (List 4 goods) that could be hit with additional tariffs of up to 25 percent, and while that process is currently suspended it could quickly be resumed if the White House feels doing so would strengthen the U.S. position.

For more information, including how to prepare for and mitigate additional potential tariffs on imports from China, please contact your ST&R professional or Sandler, Travis & Rosenberg, P.A.

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