

# WSJ Print Edition

*Beijing fought back, and it's hard to see what tariffs achieved.*

## Lessons From Trump's China Trade War

President Trump and Chinese leader Xi Jinping struck their third trade truce in a year on Thursday, and the best we can say is that the deal averted more economic damage. Mr. Trump called the deal a "12 out of 10," but markets were nearer to the truth when they yawned. The deal mostly restores the status quo that prevailed in May. *Note*

Mr. Xi will resume exports of rare-earth minerals, lifting China's recent suspension, but only for a year. This means China will be able to exploit its rare-earth leverage again next year. China will also buy American soybeans again, after what amounted to an embargo that strained American farmers and led to demands for a Washington bailout. Beijing says it will crack down on fentanyl-precursor production on its shores, a promise that is unenforceable and China isn't likely to fulfill. *Note*

In return, Mr. Trump is abandoning the 100% tariff he had threatened in the wake of Beijing's rare-earth export controls. He'll cut by 10 percentage points the part of his existing 57% tariff on China related to fentanyl. The new overall tariff rate is 47%. And the U.S. appears set to ease some export controls on some advanced artificial-intelligence chips. *Note*

The best news is that Mr. Trump appears to have made no concessions to Chinese designs on Taiwan. The President also went far to praise the U.S.-Japan alliance, and the U.S. will help South Korea build a nuclear submarine. On the other hand, Mr. Trump extracted no concessions regarding China's continued purchases of Russian oil or support for Russia's war in Ukraine. Tariff sanctions of the kind mooted in the Senate seem off the table.

It looks like Mr. Trump's main goal was to avoid economic disruption going into an election year. America's hostility to Chinese exports is triggering anxiety in Beijing about deflation as China is forced to absorb goods intended for foreign markets. Rising costs of components and finished goods are weighing on businesses and consumers in the U.S. And soybean farmers were the first but wouldn't be the last to get caught in Beijing's retaliation. *Note*

One lesson here is that trade wars aren't easy to win, especially against a peer competitor. China chose to fight back, and Mr. Trump underestimated the leverage China has with its control of global rare-earths minerals. China's economy may be less resilient overall than America's, but Mr. Trump and Republicans have to face voters and Mr. Xi doesn't. *Note*

Another lesson is that fighting a trade war without allies is a mistake. America's potential friends in an economic confrontation with China include Japan, India, South Korea, the Philippines—and Canada, Britain and the European Union. Mr. Trump has tariffed all of them.

This left Mr. Trump with less leverage against Mr. Xi than he would have enjoyed with allies behind him. Alliances still can help now, especially on rare earths, as Mr. Trump recently discovered when he struck a deal with Australia. Time is short for America and its friends to develop their own mining and refining capacity now that Beijing has learned how effective export restrictions can be.

The U.S.-China Cold War will continue, and it's hard to see much that this year's trade skirmish has accomplished. At best it bought the U.S. some time. If Mr. Trump wants to deter Chinese mercantilism, he needs a new strategy and more allies.