

A Quick Guide to **The US-China Phase One Trade Deal**

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After an almost 18 month-long trade war, the United States of America (USA) and China signed a trade agreement officially titled: [Economic and Trade Agreement Between the Government of the United States of America and the Government of the People's Republic of China](#), on January 15, 2020. More famously known as the "Phase One Trade Deal", this almost 100-page agreement contains eight main chapters which aim to resolve some of the areas of contention between the two economies. Such areas include but are not limited to accusations of Chinese currency manipulation, alleged unfair trading practises, concerns of forced technology transfers and other issues. For ease of reference below is a summary of the agreement's key provisions contained within each chapter.

Chapter 1: Intellectual Property

Under this chapter parties agree to commitments related to the protection of trade secrets and confidential business information, pharmaceutical-related Intellectual Property (IP) and geographical indications. The chapter also addresses measures for combatting piracy and counterfeiting on e-commerce platforms, as well as across traditional markets. It emphasises the prevention and non-distribution of counterfeit medicine, goods with health and safety risks and unlicensed software. Provisions are also made for term extensions of patents and protection against bad faith trademarks. Also included are dispute provisions related to IP cases and scope for bilateral cooperation on IP protection. While both parties agree to undertake the necessary amendments for the implementation of commitments under this chapter, the agreement calls for China to develop an Action Plan to strengthen IP protection within 30 days. This Action Plan is expected to outline China's proposed implementation method and timeline for these obligations, among other things.

Chapter 2: Technology Transfers

This chapter provides that technology transfers be done on voluntary market-based terms which reflect mutual agreement. It prohibits forced technology transfers and prevents either side from supporting or directing domestic companies in the acquisition of foreign technology particularly in sectors targeted by industrial plans that create distortions. Provisions have also been made for promoting scientific and technological cooperation where appropriate between the two parties.

Chapter 3: Trade in Food and Agricultural Products

Included in this chapter are provisions aimed at making agriculture a strong component of this bilateral relationship. It addresses a range of structural and non-tariff barriers, with the effect of expanding each party's market for food and agricultural products, specifically – dairy and infant formula, poultry, beef, pork, live breeding cattle, processed meat, seafood,

rice, animal feed, and pet food among others. Provisions are also included for agricultural cooperation in a range of areas such as pesticides, sustainable agricultural development, digital technologies in the agricultural sector, communication on agricultural policy, agricultural biotechnology and agricultural science and technology. Within this chapter commitments are also made for China to adhere to its WTO obligations as it relates to domestic support and tariff rate quotas.

Chapter 4: Financial Services

Enhanced market access provisions particularly for banking services, credit rating services, electronic payment services, financial asset management services, insurances services and securities, fund management, future services are included within this chapter. Consequently, the chapter provides that a range of longstanding trade and investment barriers generally maintained by China in these sectors, such as foreign equity limitations and discriminatory regulatory requirements be removed.

Chapter 5: Macroeconomic Policies and Exchange Rate Matters and Transparency

Focused primarily on monetary policy and currency-related matters, this chapter encompasses commitments which refrain parties from manipulating exchange rates. Obligations which encourage public disclosure of monthly foreign exchange reserves, quarterly balance of payments for the sub-components of the financial account and quarterly exports and imports of goods and services are outlined within this chapter, as well as mechanisms for accountability and enforcement.

Chapter 6: Expanding Trade

China commits to increase its importation of American goods and services by no less than USD 200 billion during the two-year period (January 1, 2020 – Dec 31, 2021). The purchase commitment includes manufactured goods (USD 77.7 billion), agricultural goods (USD 32 billion), energy goods (52.4 billion) and services (37.9 billion). A breakdown is provided below.

China's Increased Purchases under Phase One Trade Deal (2020-2021)				
Product category		2020	2021	2-year total
Manufactured goods	Industrial machinery, electronic equipment and machinery, pharmaceutical products, aircraft (orders and deliveries), vehicles, optical and medical instruments, iron and steel	US\$32.9 billion	US\$44.8 billion	US\$77.7 billion
Agricultural goods	Soybeans, oilseeds, meat, cotton, seafood, wheat, fruit, jams, jellies, corn, flour, horses, honey	US\$12.5 billion	US\$19.5 billion	US\$32.0 billion
Energy goods	Liquified natural gas (LNG), crude oil, refined products, coal	US\$18.5 billion	US\$33.9 billion	US\$52.4 billion
Services	Business travel and tourism, financial services, reinsurance, insurance, management consulting, telecom services, data hosting, cloud computing services, charges for use of IP	US\$12.8 billion	US\$25.1 billion	US\$37.9 billion
Total		US\$76.7 billion	US\$123.3 billion	US\$200 billion

Source: US-China Economic and Trade Agreement (Phase One Deal)

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Chapter 7: Bilateral Evaluation and Dispute Resolution

Chapter 7 provides for a bilateral evaluation and dispute resolution arrangement in order to ensure prompt and effective implementation of this agreement. Included within this structure are regular bilateral consultations at both high and working levels. High-level engagement is to occur through an established Trade Framework Group responsible for the agreement's implementation, while daily work, related to the handling of complaints and issues, is to be undertaken by the Bilateral Evaluation and Dispute Resolution Office. The appeals process allows issues to be elevated from midlevel officials to the offices of the United States Trade Representative and the Vice Premier of China, which if still unresolved gives activation to the provisions outlined for putative measures.

Chapter 8: Final Provisions

This chapter simply outlines provisions for amendments, entry into force and termination, further negotiations and notice and comment on implementing measures. Regarding entry into the force, the prescribed timeframe is 30 days of signature by both parties or on a date otherwise previously notified by the parties.

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