

SRC TRADE QUICK GUIDE

THE US-CHINA PHASE ONE TRADE DEAL



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 practices, concerns of forced technology transfers and other issues.

PREAMBLE

The Agreement's overarching objective is to resolve identified existing and future trade and investment concerns in order to improve and preserve a good economic and trade relationship between the two parties that is compliant with international norms.

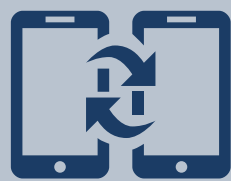


CHAPTER 1: INTELLECTUAL PROPERTY (IP)

Both parties commit to provisions related to the protection of IP rights in a range of areas. These include the protection of trade secrets and confidential business information, pharmaceutical-related IP, patents - particularly effective patent term extension, and geographical indications. Provisions are also outlined to prevent piracy and counterfeiting on e-commerce platforms and the manufacture and export of pirated and counterfeit goods - especially for unlicensed software, medicines, and goods with health and safety risks. Measures are further outlined to prevent cases of bad faith trademarks and provisions relevant for judicial enforcement in IP cases and bilateral cooperation on IP protection are also included in this Chapter. Among suggested measures such as the strengthening of laws and the increased training of personnel, the agreement further calls for China to develop an Action Plan within 30 days which will include inter alia a list of proposed measures and deadlines that China will undertake in order to implement its obligations.

CHAPTER 2: TECHNOLOGY TRANSFERS

Both parties agree that technology transfers are to be done on voluntary, market-based terms which reflect mutual agreement. This chapter prohibits technology transfers as a condition for market access and prevents either party from supporting or directing domestic companies in the acquisition of foreign technology for sectors targeted by industrial plans that create distortions. Provisions are also made for scientific and technological cooperation where appropriate between the two parties.



CHAPTER 3: TRADE IN FOOD & AGRICULTURAL PRODUCTS

This chapter aims to make agriculture a strong component of China and the USA's bilateral trading relationship. It addresses a range of issues affecting agricultural trade, focusing primarily on structural and non-tariff barriers with the intention of initiating or expanding trade between the two parties in the following food and agricultural products:

- Dairy and infant formula
- Poultry
- Beef
- Live Breeding Cattle
- Pork
- Meat Poultry and Processed Meat
- Electronic Meat and Poultry Information System
- Aquatic Products
- Rice
- Plant products
- Feed Additives, Premixes, Compound Feed, Distillers' Dried Grains, etc.
- Pet Food and Non-Ruminant Derived Animal Feed

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CHAPTER 3: TRADE IN FOOD & AGRICULTURAL PRODUCTS (CONT.)

Provisions are also included for agricultural cooperation in a range of areas including but not limited to: agriculture-related technical and sanitary and phytosanitary measures, 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 agreements and the Panel Report in China-Tariff Rate Quotas (TRQs) for Certain Agricultural Products, as it relates to its wheat, rice and corn (WRC) TRQs. Furthermore, the eligibility criteria for China's WRC TRQs must be made public and there must be no discrimination between state trading enterprises (STE) and non-STEs regarding the requirements for WRC TRQ eligibility, allocation, return, reallocation and penalties. Additionally, China must ensure that it does not inhibit the filling of its WRC TRQs. The Chapter also instructs China to comply with its WTO obligations as it relates to domestic support, particularly its publication of these measures. Provisions addressing agricultural biotechnology and food safety are also included, followed by an Appendix which clarifies the beef, pork, and poultry products considered not eligible for import into China.

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 Liquefied 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. If bilateral consultations with designated officials fail to resolve disputes then the concerns can be carried to the Deputy US Trade Representative and the Vice Minister of China, and if again no success is reached, then the matter is to be addressed by the US Trade Representative and Vice Premier of China. Failure to reach an agreement during bilateral consultations gives the complaining party the right to impose proportional trade remedies which would have to be unilaterally decided absent a neutral third party.



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 time frame is 30 days of signature by both parties or on a date otherwise previously notified by the parties.



SOURCES

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