

United States and China Finally Agree to “Phase One” Deal

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Last week, the United States and China reached an agreement on the long-awaited “phase one” trade deal. The deal, originally announced in [October](#), will include tariff reductions by the United States and a \$200 billion increase of U.S. good purchases by China. According to U.S. Trade Representative Robert Lighthizer, the 86-page agreement is currently being translated and undergoing legal review, but the terms are agreed to. The parties expect to sign the deal in early January.

As part of the agreement, the United States indefinitely postponed a 15 percent tariff that was scheduled to be imposed December 15th on \$160 billion of Chinese imports. The United States also expects to reduce tariffs on an additional \$120 billion of Chinese imports from 15 percent to 7.5 percent. Over the next two years, China has agreed to increase purchases of U.S. goods and services by \$200 billion over 2017 levels, including \$40 to \$50 billion annually in agricultural products.

Additionally, the deal will cover intellectual property, technology transfer, agriculture (structural barriers), financial services, and dispute resolution, according to the [Fact Sheet](#) released by USTR. The intellectual property chapter will address longstanding issues such as trade secrets and pharmaceutical intellectual property protections. The financial services chapter should allow U.S. financial service firms to compete more effectively in the Chinese market.

The technology transfer chapter will include “binding and enforceable obligations,” with China agreeing to end its controversial practice of forcing foreign companies to transfer their technologies to Chinese firms as a condition for obtaining market access. China has also commit to “provide transparency, fairness, and due process in administrative proceedings and to have technology transfer and licensing take place on market terms.” The technology transfer chapter is notable because earlier reports indicated that it would not be included in the deal.

The agreement also contains a dispute resolution chapter. Enforceability is a longstanding issue in previous agreements between the United States and China. This chapter will provide both sides with a mechanism to ensure the implementation of and compliance with the agreement. It will also allow both sides to take “proportionate responsive actions” when deemed appropriate. While specific procedures have not been released, the inclusion of a dispute resolution chapter will go a long way towards quelling the fears of some that China will not follow through on its obligations.