

US and China trade agreement

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Source: *The Hindu*

Manifest pedagogy: The trade between India and China was always a contentious issue with respect to the trade deficits, anti-dumping duties and the currency manipulations. In light of the global movement towards trade wars, the signing of the trade deal is a significantly important move.

In news: The US and China have signed a “phase one” deal.

Placing it in syllabus: International relations

Dimensions:

- Provisions of the agreement
- Importance
- Criticisms

Content:

Provisions of the agreement:

- The initial trade deal **defused an 18-month conflict** between the world's two largest economies.
- China has pledged to purchase at least an **additional \$200 billion worth of US farm products** and other goods and services over two years.
- The deal would include **\$50 billion in additional orders for US agricultural products.**
- China would buy \$40 billion to \$50 billion in additional **US services**, \$75 billion more in **manufacturing goods**, and \$50 billion more worth of **energy supplies.**
- It **canceled planned US tariffs on Chinese-made cellphones, toys and laptop computers** and halved the tariff rate to 7.5% on about \$120 billion worth of other Chinese goods.

- However 25% tariffs on a \$250 billion array of Chinese industrial goods and components used by US manufacturers will be in place.
- Trump has said that the remaining tariffs would be removed once the two sides had negotiated a Phase 2 agreement.

Importance:

- According to analysts, the agreement **would add 0.5 percentage point to US GDP growth** in both 2020 and 2021.
- It would give **new market access to U.S. financial services firms.**
- China as a whole would benefit from Western companies being allowed to offer banking, insurance and other financial services.
- Certain **provisions like protections for Intellectual Property(IP)** would benefit both sides.
- The deal would **temporarily halt slowdown of global economy** which got intense with the trade war between the world's two largest economies.
- For the first time in any trade agreement, **China has agreed to end its long-standing practice of** forcing or pressuring foreign companies to **transfer their technology to Chinese companies** as a condition for obtaining market access or administrative approvals.

Criticisms:

- The deal doesn't address Beijing's ambitious **'Made in China 2025' programme**, which Washington sees as a direct threat to its supremacy in tech, as Chinese companies get unfair and outsized assistance from the its government in the form of subsidies.
- It also **doesn't address the subsidies that China gives** its state-owned enterprises.
- The trade deal **won't reduce US pressure on Huawei, the Chinese telecoms giant** as Washington has been lobbying

its allies (including the UK) to not use Huawei's 5G technology services in critical communications infrastructure, alleging it **could be used by Beijing to spy on customers.**

- Though the agreement talks about opening up market access for financial services firms, analysts opine that it **doesn't** go far enough to **ensure equal market access to all firms.**
- The deal has a **dispute resolution mechanism** in place, which requires China, once a complaint has been made to begin consultations with the US, with the onus on Beijing to resolve it. However it's **unclear of how US is going to monitor enforcement.**
- The deal **doesn't include a definitive timeline on when the tariffs that are still in place will go down.** Thus US has left the threat of tariffs in place as a stick to beat China with – in case Beijing doesn't keep to its commitments.