



The Bottom Line

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TRUMP ADMINISTRATION REACHES TENTATIVE AGREEMENT WITH CHINA OVER TARIFFS

Summary

The United States has settled on final terms of a partial trade deal with China, a development that could ease tensions between the world's largest economies just days before the long-running trade war is set to escalate.

Background

The Trade Act of 1974 (Section 301) authorizes the President to take all appropriate action, including retaliation, to obtain the removal of any act, policy or practice of a foreign government that violates an international trade agreement or is unjustified, unreasonable, or discriminatory, and that burdens or restricts U.S. commerce. In August 2017, the President instructed the U.S. Trade Representative to investigate China's unfair trade practices. The results, announced in March 2018, concluded that China does engage in activities, including foreign ownership restrictions on business in China, requirements for technology transfer to Chinese entities, investment in U.S. firms to obtain cutting-edge technology and intellectual property, supporting and conducting unauthorized intrusions into computer networks of U.S. companies, and manipulation of Chinese currency to inflate the cost of U.S.-manufactured goods in China. Starting in June 2018, punitive tariffs have been levied against Chinese products entering the United States in three phases. China has retaliated by enacting reciprocal tariffs and slashing purchased of U.S. agricultural products shipped to China. Repeated attempts at talks have not led to resolution in the upward-spiraling conflict.

Current Status

The latest round of negotiations, which began in October, was motivated by the fourth tranche of duties (Part 4B) scheduled to begin on December 15. China had threatened significant retaliatory duties and further cuts in agricultural purchases if the latest round went into effect. Although no specific details have been made available, U.S. Trade negotiators have advised that the United States has agreed to indefinitely postpone the last tranche of tariffs and roll back half of the others previously imposed. In exchanged, China has committed to increasing purchases of American agricultural products to near 'pre-tension' levels, enforcing 'stronger' protections for American intellectual property, and allowing greater access and transparency into financial institutions and policies. No official agreement has been signed yet.

Impact

While U.S. businesses are relieved at the announcement, and U.S. stocks soared with the news, the talks have made little tangible progress towards the original stated goal of the Section 301 action: "To address unfair Chinese economic practices and create a level playing field that will give all Americans a better chance to succeed." The deal under consideration admittedly would not resolve all of President Trump's issues with China. That includes China's history of coercing technology away from American firms, as well as industrial policies that economists say have helped China dominate global industries, like steel and solar panels, and put American companies out of business. According to negotiators, these difficult topics are to be addressed in subsequent negotiations after the 2020 election.

RESOURCES:

[\\$300 Billion Trade Action \(List 4\)](#) (USTR)

[Technology Transfer, Intellectual Property, and Innovation](#) (USTR)