



FedEx Regulatory Alerts & Updates

Regulatory Alert: Economic and Trade Agreement Between U.S. and China (Phase One)

January 21, 2020

BACKGROUND

On January 15, 2020, the United States and China signed an agreement on a Phase One trade deal that requires structural reforms and other changes to China's economic and trade regime in the areas of intellectual property, technology transfer, agriculture, financial services, and currency and foreign exchange.

The Phase One agreement also includes a commitment by China that it will make substantial additional purchases of U.S. goods and services in the coming years. Importantly, the agreement establishes a strong dispute resolution system that ensures prompt and effective implementation and enforcement.

The United States has agreed to modify its Section 301 tariff actions.

TRADE AGREEMENT DETAILS

China is committing that over the next two years it will import no less than \$200 billion of U.S. goods and services on top of the amounts that it imported in 2017 in four key categories: manufactured goods, agricultural products, energy products, and U.S. services.

The agreement has eight chapters, including several dedicated to intellectual property protection, preventing forced technology transfer and safeguarding against currency manipulation. The Intellectual Property chapter addresses the areas of trade secrets, patents and pharmaceutical-related intellectual property, geographical indications, trademarks, and enforcement against pirated and counterfeit goods.

The agreement does not address the issue of U.S. Section 301 tariffs on Chinese goods or the Chinese duties on American exports. However, the 15% 301 tariffs on almost 3,800 goods from China included on list 4A will be reduced to 7.5% at 12:01a.m. on February 14, 2020. The Office of the U.S. Trade Representative (USTR) posted a notice on that reduction in the 301 tariffs, which is included in the Resources section below. Entries filed before February 14, 2020 will remain subject to the current 15% rate. The List 4B duties remain suspended.

The final provisions of the agreement address amendments and termination issues:

- An amendment shall enter into force sixty days after the date on which China and the U.S. exchange written notifications of the approval of the amendment within their respective domestic procedures or "such other date as the Parties may decide."

- Either Party may terminate this Agreement by providing written notice of termination to the other Party. The termination would take effect sixty days after the date on which a Party has provided that written notice to the other Party, or such other date as the Parties may decide.

Q&A

Q1: When does this agreement become effective?

A1: This agreement shall enter into force within 30 days of signature by both parties (February 14, 2020) or as of the date on which the parties have notified each other in writing of the completion of their respective applicable domestic procedures, whichever is sooner.

Q2: Is there a list of items included in the \$200 billion of goods and services China will import in larger quantities over the next two years?

A2: The four-digit HTSUS header codes for most of the goods and services included in the additional purchases begin on page 57 of the Agreement text.

Q3: Will the 25% 301 tariff action be reduced or lifted by this Agreement?

A3: No. The List 1, 2, and 3 tariffs will remain in place while Phase Two is being negotiated between the two countries.

REFERENCES:

Text of Agreement from USTR site:

https://ustr.gov/sites/default/files/files/agreements/phase%20one%20agreement/Economic_And_Trade_Agreement_Between_The_United_States_And_China_Text.pdf

Fact Sheets on the Agreement from USTR site:

<https://ustr.gov/countries-regions/china-mongolia-taiwan/peoples-republic-china/phase-one-trade-agreement/fact-sheets>

Notice of the 301 Tariff Decrease for items on the 4A List from USTR site:

https://ustr.gov/sites/default/files/enforcement/301Investigations/Notice_of_Modification-January_2020.pdf