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The U.S.-China "Phase One" Deal: A Backgrounder

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Overview

On January 15, 2020, President Donald Trump and China's Vice Premier Liu He signed a "Phase One" trade agreement. It forms part of an effort to resolve trade tensions that have been ongoing since March 2018, when the Office of the U.S. Trade Representative (USTR) published its Section 301 investigation into China's trade-distorting practices.[1] The deal includes commitments by China to purchase an additional $200 billion worth of U.S. products over 2017 levels in four sectors (manufactured goods, services, agricultural products, and energy) over the next two years.[2] China also made new promises not to manipulate its currency,[*] protect foreign intellectual property (IP), and refrain from forcing foreign companies to transfer technology.

Although the deal includes commitments from China to open up access for U.S. financial services firms and expedite approval for genetically modified foods—two longstanding complaints by U.S. exporters—it falls short on addressing fundamental structural problems in the U.S.-China relationship. For instance, China's continued use of industrial policy to guide economic outcomes, including industrial espionage and massive subsidies given to favored companies, did not get a mention. Trump Administration officials said outstanding concerns will be covered in subsequent talks, but announced no immediate plans for the next phase of negotiations.[3]

The agreement concludes with a chapter on a new dispute resolution process. If a private company or either government believes the other party is not complying with the terms of the deal, they will engage in a consultative process through which progressively higher levels of officials assess issues related to the agreement's implementation and resolve disputes.[†] If the disagreement cannot be resolved through consultation, the complaining party can respond "by suspending an obligation under [the agreement] or by adopting a remedial measure in a proportionate way."[4] The deal allows either side to provide a written notice of withdrawal from the agreement if it believes the other party is acting in "bad faith."

The ongoing spread of the coronavirus is taking a toll on China's public health and economy, and may impact its ability and willingness to meet the commitments in the Phase One deal. The deal includes a clause that calls on parties to enter consultations if "a natural disaster or other unforeseeable event outside the control of the parties delays a party from timely complying with its obligations." At the time of publication of this brief, China has not request its commitments be waived or suspended.

[*] The Trump Administration designated China as a currency manipulator in August 2019, and formally removed this designation on January 13, 2020. U.S. Department of the Treasury, *Treasury Releases Report on Macroeconomic and Foreign Exchange Policies of Major Trading Partners of the United States*, January 13, 2020. *https://home.treasury.gov/news/press-releases/sm873*.

[†] The dispute resolution timeline grants officials 45 days from the date of the receipt of the complaint to reach a resolution (split into progressively higher levels of official review). If a resolution is not reached, and the complaining party presents the issue to the U.S. Trade Representative and the designated Vice Premier of China, these officials shall hold a meeting within 30 calendar days from the date of the meeting request. The U.S. Trade Representative or the designated Vice Premier of China can also request a meeting "on a matter of urgency," which shall be scheduled within 30 calendar days from the date of the receipt of that request.

Tariff Reductions

As a concession, the Trump Administration agreed to lower tariffs from 15 percent to 7.5 percent on an announced $120 billion worth of U.S. imports from China.[*] [5] These tariffs, imposed in September 2019, will be reduced when the Phase One deal enters into force on February 14, 2020.[6] In addition to announcing tariff reductions on January 15,[†] during negotiations the Trump Administration also suspended planned tariffs on about $180 billion[‡] of U.S. imports,[7] which had been set to take effect in mid-December 2019.[8] Likewise, China's State Council Customs Tariff Commission suspended its additional tariffs to be implemented in mid-December, and it continued to suspend retaliatory tariffs on U.S. auto exports it had planned to reimpose.[9]

According to the USTR, tariffs will remain in place on about $370 billion out of $550 billion in total U.S. imports from China.[§][10] Chad Bown, senior fellow at the Peterson Institute for International Economics, calculates that following the deal's implementation, U.S. tariffs on imports from China will stand at 19 percent on average, up from 3 percent in January 2018.[11] Remaining tariffs on U.S. imports from China target machinery, parts, and components used broadly in manufacturing.[**] Dr. Bown estimates tariffs cover 93 percent of components imports from China, compared with 69 percent of consumer products.[12] President Trump has described the retention of the remaining tariffs as necessary leverage for negotiations toward a Phase Two deal.[††]

[*] The USTR had initially announced these tariffs at 10 percent on August 20, 2019, then modified the rate to 15 percent on August 30, 2019. Office of the U.S. Trade Representative, "Notice of Modification of Section 301 Action: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation," *Federal Register* 84: 169 (August 30, 2019). *https://ustr.gov/sites/default/files/enforcement/301Investigations/Notice_of_Modification%E2%80%93August_2019.pdf*.

[†] Tariffs reduced on January 15 affected a wide range of imports, including food products, textiles and clothing, household items and furniture, sporting goods, metal imports like steel and aluminum products, machinery equipment, and technology goods and inputs (e.g., televisions and cameras). Tariffs suspended in mid-December also affected a wide range of imports, including chemicals, textiles and clothing, household items and furniture, technology goods and inputs (e.g., mobile phones, speakers), and Christmas ornaments. For the full list, refer to Annex B (January 15 reduction) and Annex D (mid-December suspension). Office of the U.S. Trade Representative, "Notice of Modification of Section 301 Action: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation," *Federal Register* 84: 161 (August 20, 2019). *https://www.govinfo.gov/content/pkg/FR-2019-08-20/pdf/2019-17865.pdf*.

[‡] In its notice, the USTR stated that tariffs proposed on August 20 would affect about $300 billion of U.S. imports from China. On December 13, the USTR stated that tariffs on part of the August 20 product list (imposed September 1) had affected $120 billion of U.S. imports. According to the USTR's calculations, the decision to suspend tariffs in December affected $180 billion of U.S. imports. Office of the U.S. Trade Representative, *Notice of Modification of Section 301 Action: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation*, January 15, 2020, 3. *https://ustr.gov/sites/default/files/enforcement/301Investigations/Notice_of_Modification-January_2020.pdf*; Office of the U.S. Trade Representative, *United States and China Reach Phase One Trade Agreement*, December 13, 2019. *https://ustr.gov/about-us/policy-offices/press-office/press-releases/2019/december/united-states-and-china-reach*.

[§] USTR's calculations are the sum of three sets of tariffs following its Section 301 report from March 22, 2018: (1) tariffs on about $50 billion in imports implemented in two phases on July 6, 2018 and August 23, 2018; (2) tariffs on about $200 billion in imports implemented on September 24, 2018; and (3) tariffs on about $300 billion in imports, originally to be implemented in two phases on September 1, 2019 and December 15, 2019. USTR referenced $550 billion as the total value of U.S. imports from China on August 23, 2019. As USTR stated that $120 billion in imports were affected by the September 1 tariffs, the total value of U.S. imports from China still affected by tariffs can be calculated as $370 billion ($50 billion + $200 billion + 120 billion). Office of the U.S. Trade Representative, "USTR Statement on Section 301 Tariff Action Regarding China," August 23, 2019. *https://ustr.gov/about-us/policy-offices/press-office/press-releases/2019/august/ustr-statement-section-301-tariff*.

[**] Imports affected by remaining tariffs include electrical machinery and equipment, machinery and mechanical appliances, furniture and lighting, iron or steel products, chemicals, plastic products, and precision instruments. For information about specific product categories, see U.S.-China Economic and Security Review Commission, *Economics and Trade Bulletin*, August 6, 2018, 8. *https://www.uscc.gov/sites/default/files/Research/August%202018%20Trade%20Bulletin.pdf*.

[††] In the Phase One signing ceremony, President Trump said, "I will agree to take those tariffs off if we're able to do phase two, otherwise we don't have any cards to negotiate with." Shawn Donnan, Josh Wingrove, and Sahela Mohsin, "U.S. and China Sign Phase One of Trade Deal," *Bloomberg*, January 15, 2020. *https://www.bloomberg.com/news/articles/2020-01-15/u-s-china-sign-phase-one-of-trade-deal-trump-calls-remarkable*.

Expanding Purchases of U.S. Products

The agreement requires China to increase purchases of U.S. products by at least $200 billion over 2017 levels,* split into two tranches: $76.7 billion in 2020 and $123.3 billion in 2021. Specifically, China committed to purchase an extra $77.7 billion in manufactured goods, $52.4 billion in energy, $32 billion in agricultural goods, and $37.9 billion in services. The deal includes a detailed appendix identifying specific products in each category.†

The $200 billion in additional imports represents an ambitious expansion of U.S.-China trade targets. U.S. exports to China in 2021 would have to be 92 percent higher than they were in 2017 to meet the terms of the deal, prompting some analysts to question whether China will be able to ramp up purchases of U.S. imports this quickly.[13] This is of particular concern for U.S. goods that are currently not price competitive in China, such as soybeans, even as China has waived the 33 percent retaliatory tariff on some U.S. soybeans.[14] China's trade negotiating team has also stated that China will not relax its tariff-rate quotas (TRQs)‡ on goods such as corn, rice, and wheat, undermining the competitiveness of those U.S. exports.[15] The Chinese government has a history of applying the TRQs in an opaque and managed way that ensures the quota is never met, which restricts access for U.S. farmers and violates China's WTO commitments.§

Some observers worry that in order to meet the agreement's requirements for expanded U.S. imports, the Chinese government may have to direct large-scale purchases of U.S. products—in other words, increasing even further the government's role in economic decision making.[16] Meeting the terms of the agreement may also lead China to divert trade from other countries, including U.S. trade allies, in favor of U.S. imports.[17] Similarly, the United States may need to divert exports away from other countries in order to increase sales to China. This possibility has led some trade experts to claim that the agreement undermines World Trade Organization (WTO) most-favored nation rules that require equal treatment of trading partners.[18] EU Trade Commissioner Phil Hogan has said that his team will investigate whether the purchase agreement is compatible with WTO rules.[19]

China Makes New Promises on IP and Technology Transfer

The Phase One agreement opens with chapters on IP and technology transfer, addressing issues at the core of the USTR's March 2018 Section 301 investigation. For IP, much of the emphasis is on procedural changes that work to bring China's administration of the IP lifecycle—from patenting, to licensing, to administrative and criminal enforcement—in line with norms of developed countries.[20] Other provisions aim to create a level playing field for foreign firms and ensure better protections in specific high-value markets, namely pharmaceuticals.[21] While the IP chapter does not prescribe any monitoring or enforcement mechanism beyond the general dispute resolution

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* Total U.S. exports to China in 2017 were $186 billion. The goods and services included in the increased purchase targets accounted for $134 billion of these exports. Chad Bown, "Trump's Phase One Deal with China Relies on Overblown Estimates of What the U.S. Can Sell," *Peterson Institute for International Economics*, January 21, 2020. *https://www.piie.com/blogs/trade-and-investment-policy-watch/trumps-phase-one-deal-china-relies-overblown-estimates-what*.

† The goods and services are divided into 12 categories and 567 subcategories, some of which have more specific purchase benchmarks. In order to avoid fluctuations in the prices for these products, the more detailed targets have not been made public. *World Trade Online*, "China Deal Includes Promises Not to Retaliate, IP and Biotech Commitments," January 15, 2020. *https://insidetrade.com/daily-news/china-deal-includes-promises-not-retaliate-ip-and-biotech-commitments*.

‡ Under its World Trade Organization (WTO) accession protocol, China agreed to allow quotas (known as TRQs) of foreign rice, wheat, and corn into the country at a 1 percent tariff. All imports beyond these quotas are subject to a prohibitive 65 percent tariff. However, the Chinese government pursues a policy of self-sufficiency in rice, wheat, and corn, and provides generous subsidies to domestic farmers to the disadvantage of foreign producers. For more information, see U.S.-China Economic and Security Review Commission, "China's Agricultural Policies: Trade, Investment, Safety, and Innovation," in *2018 Annual Report to Congress*, November 2018, 132.

§ In December 2016, the United States challenged China's administration of the TRQs at the WTO. The dispute settlement panel ruled in U.S. favor in April 2019. China agreed to bring its practice into compliance by December 31, 2019; as of the writing of this report, it is not clear if China had done so. World Trade Organization, *China — Tariff Rate Quotas for Certain Agricultural Products*, DS517. *https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds517_e.htm*.

provision in Chapter 7, the agreement requires China to provide an action plan outlining how it will meet its obligations 30 days after signing, including an estimated timeline for implementing each provision.[22]

A separate chapter on technology transfer addresses overarching concerns raised by the Section 301 report. It both prohibits China from conditioning market access on transfer of technology—reiterating a commitment China made in its 2001 WTO accession protocol—and forbids the Chinese government from directing overseas investment with the explicit aim of acquiring technology to fulfill industrial policy goals.[23] The statements are short, however, and in contrast to other chapters of the agreement, there are no monitoring guidelines, enforcement mechanisms, clear deadlines, or trade targets to meet. Absent firm commitments, the United States may lack metrics by which to judge China's compliance. This is particularly problematic given U.S. companies are often reluctant to share information about forced technology transfers for fear of backlash from the Chinese government. Chinese law has long prohibited officials from preconditioning licensing and investment approvals on sharing technology—to little effect—and evidence suggests China's overseas investment is becoming more, not less, guided by industrial policy targets.[24] It is also unclear how the United States would be able to prove the acquisition decisions of a so-called "private" company were directed by the government, given the extensive influence of the Chinese Communist Party in nominally private companies.[25]

Specific provisions in the IP chapter require China to:

- Shift the burden of proof from the plaintiff to the accused in civil proceedings for trade secret theft once the plaintiff has met a minimum threshold of evidence;
- Move cases from administrative to criminal court if there is "reasonable suspicion" a criminal IP violation occurred;
- Establish a patent linkage system[*] for pharmaceuticals;
- Provide for patent terms to be extended where the patent approval process faces regulatory delay; and
- Eliminate burdensome consular verifications of evidence presented in IP cases, including requirements that consulates certify the patent holder's identity.[26]

A number of U.S. lawyers praised the breadth of the IP chapter. Former National Economic Council Deputy Director Clete Williams suggested provisions on IP enforcement are the most impactful aspect of the agreement, noting that China's increased criminal enforcement for IP infringement would drastically improve operating conditions for U.S. companies in China.[27] The National Law Review similarly hailed potential commercial gains for U.S. companies if China follows through on pledges to eliminate use of unlicensed software within government-controlled entities and stepping up criminal penalties for bad-faith trademarks.[28]

Nonetheless, some IP experts worry the deal's provisions are too vague to ensure effective implementation.[29] Lack of clarity stems chiefly from uncertainty over agency jurisdiction (e.g., the article on shifting trade secret theft cases from administrative to criminal court does not detail how this would happen), so China's follow-up action plan may assuage concerns if it is more prescriptive.[30] Other provisions could prove ineffective in the context of China's legal system. For instance, the Phase One agreement requires Chinese courts to issue a preliminary injunction in urgent cases of potential trade secret disclosure. Susan Finder, author of the legal blog *Supreme Court Monitor*, observes that because China does not have an independent judiciary, judges are incentivized not to find cases "urgent" for fear a later review would determine the injunction was unwarranted.[31]

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[*] Patent linkage systems protect branded pharmaceuticals from infringement but also allow potential generic competitors to challenge whether a patent holder's claim is valid or applicable to a proposed generic drug. Such systems prevent expensive and time-consuming litigation by requiring pharmaceutical regulators to review claims directly before they go to court. Under the system proposed in the Phase One trade deal, patent holders would be notified and have a chance to respond any time a potential generic competitor claimed they were not infringing on the patent holder's IP. Office of the U.S. Trade Representative and U.S. Department of the Treasury, *2020 Economic and Trade Agreement between the United States of America and the People's Republic of China: Phase One*, January 15, 2019, 1–5.

Some IP legal scholars also expressed concern the Phase One agreement prescribes moderate adjustments rather than structural changes needed to bring China's system into compliance with international norms. Critics also noted the agreement is mute on China's more activist role in the global IP system, particularly as it increases its portfolio of standards-essential patents. For the former, critics warn the agreement overemphasizes criminal and administrative IP enforcement at the expense of civil cases. This could reinforce a tendency for administrative solutions to market problems in China, where other countries' experience demonstrates civil litigation is more effective in establishing the value of IP.[32] While China's IP courts* have increased in number substantially and improved in their sophistication, the punitive damages they award are not on par with civil awards in other countries, and are therefore not substantial enough to deter infringement.[33] The agreement does little to address this status quo. With regard to China's more activist approach to patenting and enforcing its own IP, the agreement's focus on strengthening criminal proceedings may backfire if Chinese IP prosecutors view expanded power as a tool to penalize competitors of Chinese patent holders without transparency and due process.[34]

U.S. Financial Services Providers to Get More Access

Chapter 4 of the Phase One agreement lays out each country's commitments for the financial services sector. China promised to remove restrictions on investment, reduce burdensome regulation, and expeditiously review pending license applications of U.S. companies in its domestic banking, credit rating, electronic payments, asset management, insurance and securities industries. The United States reaffirmed its commitment not to discriminate against Chinese financial service providers and acknowledged pending requests by Chinese companies.

Most of the commitments undertaken by China on financial sector opening are either restatements of, or minor improvements on, previous pledges and market-opening steps that were already in the works. For example, China committed to allow U.S. credit ratings agencies to acquire majority ownership in existing joint ventures and to expeditiously review pending applications by U.S. companies to provide credit rating services for onshore securities. This, however, was simply a renewal of a promise China had already made to allow U.S. access to its domestic credit ratings market as part of the U.S.-China 100-day action plan announced after President Trump's first meeting with General Secretary Xi Jinping at Mar-a-Lago in April 2017. Moreover, S&P already received approval to provide credit rating services for China's domestic bond market in January 2019. Although the reiteration of this promise is a welcome development and sends a positive signal to U.S. businesses. At the same time, it reflects Beijing's foot-dragging on widening market access for U.S. ratings agencies, and underscores how the Chinese government often fails to honor its promises unless significant external pressure is applied.

In another example of restating past promises, China committed to make a determination on license applications from U.S. electronic payments companies including those of Visa and Mastercard. In its 2017 Annual Report, the Commission documented how China has repeatedly used burdensome regulation and delay tactics to block U.S. electronic payments companies from expanding into China despite an adverse WTO ruling on the issue in 2012. Visa and Mastercard have been seeking market access ever since China phased out cobranded credit cards in 2016.

The day after the agreement was signed, the People's Bank of China (PBOC) said the commitments undertaken by China on financial services fully align with the government's goals of opening up and professionalizing the sector that it clearly laid out in 2017 and 2018. In essence, Chinese policymakers have merely adjusted the timing of opening measures they would have adopted anyway to facilitate the conclusion of the agreement with Washington.

The long-term implications of China lowering some of its financial barriers remain to be seen. One immediate effect would be to accelerate inflows of U.S. and other foreign capital (e.g., through direct investment or inclusion in indices such as MSCI). This would, in turn, increase the exposure of U.S. investors and savers to Chinese stock and bond markets. Some U.S. policymakers have expressed concern regarding the effective oversight of U.S. financial

* Many intermediate IP courts in China rule on civil, administrative, and criminal IP cases together. They are colloquially referred to as "three-in-one courts." Richard Li et al., "China's Specialized IP Courts," *Kluwer Patent Blog*, April 10, 2017. *http://patentblog.kluweriplaw.com/2017/04/10/chinas-specialized-ip-courts/.*

flows to Chinese corporate entities whose financial health, commercial operations, and proximity to the Chinese government are not sufficiently disclosed.[35]

Reduced Barriers to U.S. Food and Agricultural Products

Agricultural products are a major U.S. export to China, but historically China has used nontariff barriers to restrict higher-value-added products such as processed meats or organic produce.[36] Under the new agreement, Chinese import authorities will now permit the import of beef, pork, and processed meat that passes inspection by the U.S. Food and Drug Administration (FDA) Food Safety and Inspection Service.[37] China also committed to reduce the review and approval period for genetically modified products to "no more than 24 months"—down from the current approval period of five to seven years.[38]

Sections of the trade agreement reiterate and expand on a previous memorandum of understanding (MOU)[*] originally signed in 2017 between the FDA and China's Certification and Accreditation Administration of the People's Republic of China (CNCA).[39] In signing the MOU, the CNCA recognized products inspected at FDA-approved dairy and seafood facilities as suitable for export to China.[40] Though the original MOU pertained exclusively to seafood and dairy, the Phase One agreement stipulates the CNCA will recognize FDA inspections of fresh and processed meat and poultry as well.[41] The Phase One agreement continues many of the protocols previously agreed to under the MOU, including the continuation of China's right to request an audit—conducted by agreed-upon third parties—of facilities due to product safety concerns.[42]

The Phase One agreement also requires that China simplify and expedite its notoriously convoluted review and approval process for agricultural biotechnology. Under the agreement, the new review will take less than 24 months from formal application submission to final decision on a product.[43] Steps written into the trade agreement meant to expedite the process include accepting applications for agriculture biotech products on a year-round basis, and "not request[ing] information unnecessary for assessing the safety of a product for its intended use."[44] Chinese authorities are obligated to inform importers of U.S. export shipments delayed due to the presence of genetically modified crops, and to provide the United States with a summary of related risks or safety assessments.[45]

U.S. industry groups have previously criticized China's approval process for biotech crops for being highly opaque and unpredictable.[46] Approval of foreign genetically modified crops to China submitted between 2010 and 2017 took on average 43 months from submission to approval; some U.S. biotech products took over six years to receive approval without clearly communicated scientific reasons for the delay.[47] China approved no new genetically modified crops for import in 2018, and only seven new U.S. genetically modified crops in 2019.[48]

Further Reading

- **A monthly assessment of the U.S.-China economic relationship:** U.S.-China Economic and Security Review Commission, *Economics and Trade Bulletin*.
- **U.S.-China trade tensions in 2019:** U.S.-China Economic and Security Review Commission, "*Year in Review: Economics and Trade*," in *2019 Annual Report to Congress*, November 2019.
- **U.S. exposure to China's financial markets:** U.S.-China Economic and Security Review Commission, *Hearing on China's Quest for Capital: Motivations, Methods, and Implications*, January 23, 2020.
- **Challenges posed by Chinese industrial policies:** U.S.-China Economic and Security Review Commission, "*U.S.-China Commercial Relations*," in *2019 Annual Report to Congress*, November 2019.

[*] For more information, see U.S. Food and Drug Administration, *Memorandum of Understanding between Food and Drug Administration Department of Health and Human Services of the United States of America and Certification and Accreditation Administration of the People's Republic of China Regarding Registration of U.S. Food Manufacturers Exporting to China*, January 18, 2018. *https://www.fda.gov/international-programs/cooperative-arrangements/memorandum-understanding-between-food-and-drug-administration-department-health-and-human-services.*

- **China's forced technology transfer:** Sean O'Connor, "*How Chinese Companies Facilitate Technology Transfer from the United States*," *U.S.-China Economic and Security Review Commission*, May 6, 2019.
- **Limitations of China's IP system:** U.S.-China Economic and Security Review Commission, "*Tools to Address U.S.-China Economic Challenges*," in *2018 Annual Report to Congress*, November 2018, 94–97.
- **China's agricultural policies:** U.S.-China Economic and Security Review Commission, "*China's Agriculture Policies: Trade Investment, Safety, and Innovation*," in *2018 Annual Report to Congress*, November 2018.

[1] Office of the U.S. Trade Representative, *Section 301 Report into China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation*, March 27, 2018. *https://ustr.gov/sites/default/files/Section%20301%20FINAL.PDF*.

[2] Office of the U.S. Trade Representative, *Economic and Trade Agreement between the Government of the United States of America and the Government of the People's Republic of China*, January 15, 2020. *https://ustr.gov/sites/default/files/files/agreements/phase%20one%20agreement/Economic_And_Trade_Agreement_Between_The_United_States_And_China_Text.pdf.*

[3] Jonathan Garber, "US-China Trade War: Phase Two Talks Zero in on Beijing's 'Draconian' Rules," *Fox Business*, January 16, 2020. *https://www.foxbusiness.com/markets/us-china-trade-war-phase-two-talks-to-cover-these-areas*.

[4] Office of the U.S. Trade Representative, *Economic and Trade Agreement between the Government of the United States of America and the Government of the People's Republic of China*, January 15, 2020, 7–3. *https://ustr.gov/sites/default/files/files/agreements/phase%20one%20agreement/Economic_And_Trade_Agreement_Between_The_United_States_And_China_Text.pdf.*

[5] Office of the U.S. Trade Representative, *Notice of Modification of Section 301 Action: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation*, January 15, 2020, 3. *https://ustr.gov/sites/default/files/enforcement/301Investigations/Notice_of_Modification-January_2020.pdf*; Office of the U.S. Trade Representative, *United States and China Reach Phase One Trade Agreement*, December 13, 2019. *https://ustr.gov/about-us/policy-offices/press-office/press-releases/2019/december/united-states-and-china-reach*.

[6] Office of the U.S. Trade Representative, *Notice of Modification of Section 301 Action: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation*, January 15, 2020, 3. *https://ustr.gov/sites/default/files/enforcement/301Investigations/Notice_of_Modification-January_2020.pdf*; Office of the U.S. Trade Representative, "Notice of Modification of Section 301 Action: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation," *Federal Register* 84: 243 (December 18, 2019). *https://www.govinfo.gov/content/pkg/FR-2019-12-18/pdf/2019-27306.pdf*.

[7] Chad Bown, "Phase One China Deal: Steep Tariffs Are the New Normal," *Peterson Institute for International Economics*, December 19, 2019. *https://www.piie.com/blogs/trade-and-investment-policy-watch/phase-one-china-deal-steep-tariffs-are-new-normal#_ftnref6*.

[8] Office of the U.S. Trade Representative, "Notice of Modification of Section 301 Action: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation," January 15, 2020, 2. *https://ustr.gov/sites/default/files/enforcement/301Investigations/Notice_of_Modification-January_2020.pdf*; Office of the U.S. Trade Representative, "Notice of Modification of Section 301 Action: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation," *Federal Register* 84: 243 (December 18, 2019). *https://www.govinfo.gov/content/pkg/FR-2019-12-18/pdf/2019-27306.pdf*.

[9] China Ministry of Finance, *State Council Tariff Commission Announcement to Suspend U.S.-Origin Imported Products Tariff Increase Measures* (国务院关税税则委员会关于暂不实施对原产于美国的部分进口商品加征关税措施的公告), December 15, 2019. *http://gss.mof.gov.cn/zhengwuxinxi/zhengcefabu/201912/t20191215_3441954.html*; *Xinhua*, "China Suspends Planned Additional Tariffs on Some U.S. Products," December 15, 2019. *http://www.xinhuanet.com/english/2019-12/15/c_138632614.htm*.

[10] Chad Bown, "Phase One China Deal: Steep Tariffs Are the New Normal," *Peterson Institute for International Economics*, December 19, 2019. *https://www.piie.com/blogs/trade-and-investment-policy-watch/phase-one-china-deal-steep-tariffs-are-new-normal#_ftnref6*.

[11] Chad Bown, "Phase One China Deal: Steep Tariffs Are the New Normal," *Peterson Institute for International Economics*, December 19, 2019. *https://www.piie.com/blogs/trade-and-investment-policy-watch/phase-one-china-deal-steep-tariffs-are-new-normal#_ftnref6*.

[12] Chad Bown, "Phase One China Deal: Steep Tariffs Are the New Normal," *Peterson Institute for International Economics*, December 19, 2019. *https://www.piie.com/blogs/trade-and-investment-policy-watch/phase-one-china-deal-steep-tariffs-are-new-normal#_ftnref6*.

[13] Chad Bown, "Trump's Phase One Deal with China Relies on Overblown Estimates of What the U.S. Can Sell," *Peterson Institute for International Economics*, January 21, 2020. *https://www.piie.com/blogs/trade-and-investment-policy-watch/trumps-phase-one-deal-china-relies-overblown-estimates-what*; Tom Mitchell and Tom Hancock, "China Views Trade Deal as Welcome Respite in U.S. Battle," *Financial Times*, January 21, 2020. *https://www.ft.com/content/9005d1e8-3822-11ea-a6d3-9a26f8c3cba4*.

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