

Phase One Progress - A Partial Thaw In Trade Relations Between the US and China

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Announced on January 15, 2020, the 91 page Phase One trade agreement between the United States and the People's Republic of China entered into effect on February 14, 2020. That agreement calls for 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. We are already seeing some positive activities in China, particularly in the areas of agricultural tariffs and standards, as China begins to disassemble some of its structural barriers to US exports.

These actions include:

- Signing a protocol that allows the importation of U.S. fresh chipping potatoes;
- Lifting the ban on imports of U.S. poultry and poultry products, including pet food containing poultry products;
- Lifting restrictions on imports of U.S. pet food containing ruminant material;
- Updating lists of facilities approved for exporting animal protein, pet food, dairy, infant formula, and tallow for industry use to China;
- Updating the lists of products that can be exported to China as feed additives;
- Updating an approved list of U.S. seafood species that can be exported to China;
- Announcing tariff exclusions for imports of U.S. agricultural products (http://gss.mof.gov.cn/gzdt/zhengcefabu/202002/t20200218_3470901.htm); and
- Announcing the reduction in retaliatory tariff rates on certain U.S. agricultural goods; certain items from 10% to 5% and other items from

5% to 2.5%) http://gss.mof.gov.cn/gzdt/zhengcefabu/202002/t20200206_3466540.htm.

A new Bilateral Evaluation and Dispute Resolution Office, formed by the United States Trade Representative, will monitor China's commitments under the Phase One agreement and work with Chinese counterparts to address disputes arising thereunder.

COVID 19 concerns are slowing progress on other implementation efforts, and will most certainly have a negative impact on China's commitment to substantial additional purchases of US goods (especially agricultural goods) and services in 2020. However, in spite of COVID 19, some thawing of the trade dispute appears underway.

Nexsen Pruet will continue to monitor Phase One trade developments on behalf of its clients.

Few attorneys understand the opportunities and dynamics of global trade better than Nexsen Pruet's David Robinson, Special Counsel and International Business attorney. Based in Raleigh, N.C., he assists clients in cross-border transactions around the world. He helps global businesses integrate corporate compliance and operational programs into subsidiary operations, facilitate the transfer of personnel among operations, comply with export control and boycott regulations and negotiate commercial and joint venture relationships.

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