US-China Trade Deal

Why in News?

- The phase one of US-China trade deal was signed by the U.S. President Donald Trump and Chinese Vice-Premier Liu He recently.

What does the deal mean?

- The pact was pushed by Mr. Trump as a step toward creating a fairer and reciprocal partnership.
- But still it leaves intact nearly 3/4th of punitive tariffs slapped on China since the onset of the trade rift in 2017.
- This deal is seen as a temporary truce that leaves the key issues of the trade dispute unresolved.
- Even so, the limited terms the two largest economies agreed upon sets the political stage for further bilateral negotiations and to stem a further deterioration in the global growth scenario.

What would China do?

- China is to buy $200-billion in goods and services in the coming two years - purchases in 2017, were valued at some $187-billion.
- The proposed increase in exports is believed to be unprecedented in U.S. trade history and caused speculation on the impact these steep targets could have on China's other trading partners.
- Agricultural exports form the smallest proportion of the latest offers relative to manufactured goods and services.
- This has been an important area of concern for the American farming sector ever since China imposed retaliatory tariffs on soya bean imports from the U.S.
- Beijing has promised to open its markets in dairy products, poultry, fish and allied sectors.
- China has given assurances to remove barriers for American banking, insurance and other financial services.

What would the US do?

- The US would be more wary of guarantees on IP protection and alleged forced technology transfers.

- These two have been among the more contentious aspects of the trade dispute, as seen in the attacks on Chinese telecom manufacturer Huawei.
- Separately, Washington has invoked provisions on threats to its national security to punish adversaries, an exceptional measure in the international trading arena.
- Crucially, the timing of the package enables Mr. Trump to claim some success in narrowing the trade deficit with China ahead of his re-election bid.

What is next?

- Mr. Trump has said that negotiations on a phase two agreements would begin immediately.
- However, questions over government control of China's state-owned firms and industrial subsidies are not expected to be resolved until after the 2020 U.S. Presidential elections.
- In parallel is the agreement to revive an Obama-era mechanism for economic dialogue that was abandoned under the Trump administration.
- The step signals hope just as Washington's decision to withdraw the tag of a currency manipulator upon Beijing, accusing it of artificially devaluing the Renminbi to gain competitive advantage.
- The new forum could set the tone to address sensitive issues that have dogged Beijing's relations with the U.S. and its allies after China joined the WTO.

Source : The Hindu

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