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Phase one trade deal offers little certainty

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The United States and China settled on a phase one agreement[1] on trade that could cool down the trade war that has caused so much disruption to international business over the last 18 months. The agreement was hailed by both sides as a solid step forward and a "win-win" solution for some of the issues plaguing bilateral trade. The English text of the agreement, signed on Jan. 15, is available on the official website of the United States Trade Representative.

The centerpiece of the agreement is China's commitment to purchase USD 200 billion worth of U.S. goods. The exact wording of the agreement is found under Chapter 6 of the agreement:

"During the two-year period from January 1, 2020 through December 31, 2021, China shall ensure that purchases and imports into China from the United States of the manufactured goods, agricultural goods, energy products, and services identified in Annex 6.1 exceed the corresponding 2017 baseline amount by no less than $200 billion."[2]

Annex 6.1 includes services, manufactured goods, agricultural goods and energy products. The agreement also states that "[t]he Parties acknowledge that purchases will be made at market prices based on commercial considerations and that market conditions, particularly in the case of agricultural goods, may dictate the timing of purchases within any given year," addressing concerns that the agreement mandates managed trade between the two countries.

Zhang Xiaoqiang, a former vice-chairman at the National Development and Reform Commission, who is now executive vice-chairman at the China Center for International Economic Exchanges, told the *South China Morning Post*,[3] "The agreement is just a kind of framework. You cannot take the chance to raise prices arbitrarily or sell inferior quality products to China—that would certainly not be acceptable for local companies and consumers. The framework is based on the principles of the market economy."