

## **SCI China Market Update – December 2019**

Dear friends,

I returned from Beijing on December 14<sup>th</sup> after a two-week busy China trip for business. By coincidence or otherwise, both Beijing and D.C. confirm the U.S. and China have agreed on the terms of a “Phase One” trade agreement just upon my returning home.

Yes, this is truly a big deal to all of us in terms of helping boost confidence of the global market, stabilize expectations and investment. Hopefully the Phase One deal can be officially closed in Jan. 2020 to help our business too. Following are key details that have been released so far about the “Phase One” deal that may relate to your China market sales, sourcing from and business development strategy:

- The U.S. suspended planned 15% tariffs that were scheduled to go into effect on Dec. 15<sup>th</sup> on nearly \$160 billion worth of Chinese goods, including cell phones, laptop computers, toys and clothing.
- China canceled its retaliatory tariffs due to take effect that same day, including a 25% tariff on U.S.-made autos.
- The U.S. Trade Representative’s office said it would cut by half the tariff rate it imposed on Sept 1 on a \$120 billion list of Chinese goods, to 7.5%.
- U.S. tariffs of 25% on \$250 billion worth of Chinese goods will remain unchanged, providing U.S. negotiating leverage for a second phase of negotiations next year, according to USTR.
- China agreed to increase purchases of American products and services by at least \$200 billion over the next two years - nearly doubling U.S. exports to China - with an expectation that the higher purchases will continue after that period. The purchases include manufactured goods, agricultural goods, energy and services, and are expected to reduce the \$419 billion U.S. trade deficit with China, officials said. China bought \$130 billion in U.S. goods in 2017, before the trade war began, and \$56 billion in services, U.S. data show.

Beijing said that the agreement will help to boost confidence of the global market, stabilize market expectations, and create favorable environment for normal economic, trade and investment activities.

On behalf of SCI, I'd like to take this opportunity wishing you a very Happy Holiday Season and a prosperous New Year! Thanks!

Merry Christmas and Happy New Year!

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