



THE U.S.-CHINA TRADE AGREEMENT: TEMPORARY OR PERMANENT?

On January 15, 2020, U.S. President Donald Trump and Chinese Vice Premier Liu He signed the U.S.-China Trade Agreement in Washington. The 96-page agreement consists in total of eight chapters and covers issues such as intellectual property rights, technology transfer, trade in food and agricultural products, financial services, macro-economic policies, foreign exchange policies, market access and resolution of bilateral disputes. Most important points of the agreement between the United States and China can be summarized as follows: 1) The United States will reduce the additional customs tax applied to Chinese goods with a total value of \$120 billion from 15% to 7.5% within 30 days. However, the U.S. tariffs on \$250 billion worth of Chinese goods and China's tariffs on \$110 billion worth of U.S. products will remain in effect. 2) Both countries will facilitate access to the market and implement fair and free trade policies. 3) The United States and China will strengthen intellectual property rights regulations, will respect trade secrets and confidential business information, and will not force the other party to transfer technology. 4) Both countries will not manipulate the foreign exchange markets for price competition. 5) China will expand its imports of agriculture, energy, industry, and service products from the United States in the next two years, increasing its total imports from the 2017 level to \$200 billion. 6) Both countries will provide free access to financial institutions in the fields of banking, securities, insurance, and electronic payments.

The U.S.-China trade war that started in March 2018 with the introduction of U.S. tariffs on \$50 billion worth of Chinese goods and continued for 18 months, during which the parties applied mutual additional customs taxes, has now ended with this trade agreement. Having 13 rounds of negotiations since the start of the trade war, Washington and Beijing now seem to think the time has come for an agreement.

The impact of the U.S.-China trade war was particularly harsh for the global trading system. Its negative effects on the trade volume between the two countries are one of the main reasons that led to the signing of the trade agreement between Washington and Beijing. It is worth noting that the United States is China's largest export market and fourth largest importer, while China is the third largest export market for the United States and the largest importer of U.S. goods and services. The U.S.-China trade volume, which maintained its upward trend in 2018 despite the trade war, decreased significantly in 2019. For example, the U.S.-China trade volume, which reached \$633.52 billion in 2018, an increase of 8.5% compared to the previous year, declined to \$541.2 billion in 2019, or by 14.6% compared to 2018. In particular, U.S. exports to China fell 20.9% from a year earlier to \$122.7 billion,

while its imports from China fell 12.5% compared with 2018 to \$418.5 billion.

From the Trump administration's perspective, it can be estimated that Washington was willing to sign a trade agreement with Beijing as soon as possible, as the 2020 U.S. presidential election is approaching. Indeed, the Trump administration had made quite an effort to reach a trade agreement between China and the United States. Therefore, the trade agreement is of great importance for Trump to win again in the 2020 election. Trump started the trade war by accusing Beijing of implementing an unfair trade policy, stealing intellectual property, restricting foreign companies from starting business in China, and forcing them to transfer technology. With this in mind, the agreement's focus on such issues as market access, free trade policy, intellectual property rights, technology transfer, and foreign exchange policy can be regarded as the Trump administration's win.

In addition, according to the trade agreement, in 2020-2021, China will increase its total imports of U.S. goods from the 2017 level to \$200 billion, which is both economic and political gain for the Trump administration. Trump already promised to shrink the trade gap with China during the 2016 election campaign and after the start of the trade war in March 2018. Under the trade agreement, China undertakes to purchase \$32 billion of agricultural products, \$52.4 billion of energy products, \$77.7 billion of industrial products, and \$37.6 billion of service products within the next two years. On the other hand, targeting many U.S. agricultural products in China's retaliation decisions is a matter of concern for the Trump administration. For example, until September 1, 2019, China imposed tariffs on 1,084 U.S. agricultural products. China has been the largest importer of many U.S. agricultural products for years. In 2018, China's imports of agricultural products from the United States declined 53% in value to \$9 billion, while in January-May 2019 this figure was 32.73 billion yuan (about \$4.79 billion) decreasing by 55.3% compared to the same period of 2018. In order to minimize the negative impacts of the trade war on the U.S. agricultural sector, the Trump administration had to provide nearly \$28 billion to domestic agricultural producers in the past two years. It is understandable if we take into account that Trump received high votes in the country's developed agricultural regions in the 2016 U.S. presidential election. The fact that China will increase its imports of U.S. agricultural goods under the trade agreement may also contribute to receiving more support from major farming regions in the 2020 U.S. presidential election.

From China's perspective, the adoption of the trade agreement in favor of the United States is underpinned by Beijing's idea of

preserving economic and political stability. The negative impacts of the trade war with the United States have also adversely affected the growth rate of the Chinese economy. When the U.S.-China trade war was about to start, Germany's Deutsche Bank experts predicted that China's economic growth rate might decrease by 0.2-0.3% if the United States fully implemented additional customs tariffs. As expected, China's economic growth rate, which was 6.5% in 2018, declined to 6.1% in 2019, the lowest recorded in 30 years. According to Chinese economic experts, China's economic growth rate is estimated to be around 5.5-6% in 2020. One of the reasons for such a slowdown in China's economic growth rate is the negative impacts of the trade war with the United States. China sends almost a quarter of its total exports to the United States. Therefore, a 12.5% decrease in China's exports to the United States in 2019 severely damaged the export-oriented Chinese economy and forced Beijing to make a trade deal with Washington.

In addition to China's economic concerns, the increasingly violent anti-government protests in Hong Kong in 2019 also increased the need for the Beijing administration to improve the geopolitical environment, especially by reaching a trade agreement with the United States. In 1997, Hong Kong reverted to the Chinese rule with the "one country, two systems" policy. The Beijing administration sees the increasing protests in Hong Kong as a dangerous threat for both its political stability and its geopolitical interests. Moreover, the landslide victory by the pro-democracy opposition in the local elections held in Hong Kong in November 2019 became an issue of great concern for the Beijing administration. Therefore, China attempts to seize control of the situation in Hong Kong under the shadow of the trade agreement with the United States.

In summary, it can be stated that both Washington's and Beijing's current political and economic situations mainly caused the parties' steps towards the agreement despite many problems in the U.S.-China trade war, which becomes deeper in geopolitical and geo-economic dimensions. The U.S.-China trade agreement can also be regarded as the first-stage trade agreement between the two countries. Additional customs duties in effect and other important trade and economic issues are expected to be reviewed in the second-stage trade agreement. It also remains clear that the ongoing trade and economic disputes between the two largest economies of the world, the United States and China, will not be resolved by such a temporary agreement. The U.S.-China tension is not just a trade war. In fact, the trade war is the beginning of the global hegemony race between the United States, which is still considered the world's superpower, and China as the gradually rising power.

Politics, Foreign Affairs, and Security

- Secretary General of the Turkic Council Baghdad Amreyev met with Kyrgyz Minister of Foreign Affairs Chingiz Aidarbekov in Bishkek. The parties exchanged views on the council's past and future activities, including cooperation with non-member countries and international organizations. They also discussed the agenda of the upcoming extraordinary meeting of the foreign ministers of the organization's member states (Turkic Council, 13.01.2020).
- Turkey will chair the OSCE Forum for Security Cooperation for a four-month period from January to April 2020. Opening the country's chairmanship in Vienna, Turkey's Deputy Foreign Minister Sedat Onal stated that Turkey would aim at enhancing the implementation of OSCE participating states' existing commitments in the politico-military sphere (OSCE, 13.01.2020).
- President of Kazakhstan Kassym-Jomart Tokayev met with 300 young people selected on a competitive basis for the presidential youth personnel reserve. According to the president, Kazakhstan needs a new model of public administration that will be effective, fair and adequate to the needs of society, which will require a gradual reduction of the number of civil servants and employees of national companies up to 25% by 2024 (Akorda, 15.01.2020).
- Foreign Minister of Uzbekistan Abdulaziz Kamilov attended the fifth Raisina Dialogue international conference hosted in New Delhi by the Observer Research Foundation in collaboration with the Ministry of External Affairs of India. Kamilov also met with his Indian counterpart Subrahmanyam Jaishankar to discuss the prospects of bilateral relations and address the situation in Afghanistan (MFA of Uzbekistan, 14.01.2020).
- During his official visit to Uzbekistan, Russian Minister of Foreign Affairs Sergey Lavrov met with President Shavkat Mirziyoyev and Foreign Minister Abdulaziz Kamilov. The parties discussed preparations for Mirziyoyev's visit to Russia and reviewed ways to strengthen mutual interaction, including through integration cooperation in the Eurasian space (MFA of Russia, 16.01.2020).
- Newly appointed CSTO Secretary General Stanislav Zas, who took up his duties in early January 2020, visited the Joint Staff of the organization. He was updated about the main areas of the Joint Staff's activity – the development of the CSTO Collective Forces, joint military exercises, personnel training, and multilateral military technical cooperation (CSTO, 16.01.2020).
- The Central Commission for Elections and Referenda of Tajikistan started the official registration of candidates for the upcoming elections to the lower house of the country's parliament. Registered candidates will be able to conduct a full-fledged pre-election campaign in their constituencies and receive up to 20 minutes of free airtime on state television and radio (Asia-Plus, 16.01.2020).

Economy, Finance, and Energy

- China became the leading country in terms of the number of enterprises established in Uzbekistan in 2019. As of January 2020, there are 1,652 companies with Chinese capital in the country, including 531 set up last year. As for the total number of enterprises, China is second only to Russia, which has 1,828 enterprises, while Turkey ranks third with 1,271 companies (Spot, 13.01.2020).
- The European Bank for Reconstruction and Development (EBRD) achieved a new record in Uzbekistan in 2019 with an annual investment of \$576 million through 13 private and public sector projects. The bank invested money into key infrastructure projects, including the construction of additional generation capacity at the Talimarjan power plant, and expanded its operations by opening a regional office in Andijan (EBRD, 16.01.2020).
- Kazakhstan reduced the maximum permissible number of foreign labor for 2020 to 29,292 persons, or 0.32% of the total workforce in the country, which is 40% less compared to 2019 (48,700). The decision to cut the quota for employment of foreign nationals was made to protect domestic labor market from low-skilled foreign employees and attract, instead, local and qualified foreign personnel (Kazinform, 13.01.2020).
- In 2019, Tajikistan produced a record high of 8.1 tons of gold, which is 26.2% more than in 2018 (6.5 tons). According to the country's Ministry of Industry and New Technologies, in the past six years, gold production more than quadrupled from 2 tons in 2014 and will increase further due to the implementation of large investment projects (Asia-Plus, 17.01.2020).
- In 2019, Azerbaijan accounted for half of Russia's trade in the South Caucasus region as the trade turnover between the two countries reached \$3.022 billion, which is 18.5% more compared to 2018. Azerbaijan's exports to Russia amounted to \$731.8 million, whereas Russia's exports to Azerbaijan equaled \$2,290 million (AzerNews, 15.01.2019).
- The Russian automobile manufacturer AvtoVAZ sold about 50,000 cars of its Lada brand abroad in 2019, which is 32% more than in 2018. Belarus, where 16,000 cars were sold, became the largest export market for Lada, followed by Kazakhstan (15,000) and Uzbekistan (6,600). In Russia, the company sold 362,356 Lada cars in 2019, which is 0.6% more than a year earlier (Vedomosti, 13.01.2020).
- The Belarusian government continues to search for alternative schemes to replace oil supplies from Russia. According to First Deputy Prime Minister of Belarus Dmitry Krutoy, relevant commercial proposals for oil purchases were sent to Azerbaijan, Kazakhstan, Ukraine, Poland, and the Baltic countries (BelTA, 14.01.2020).

Society and Culture

- President Tokayev signed a decree providing a special status to the Khoja Ahmed Yassawi International Kazakh-Turkish University. The new status will expand the university's academic and administrative freedoms, enabling it to determine the content of its educational programs and award Ph.D. degrees (Strategy 2050, 17.01.2020).
- In 2020, the Ministry of Culture and Sports of Kazakhstan will organize a number of events across the world devoted to the celebration of Abai's 175th anniversary, including under the auspices of UNESCO and TURKSOY. In addition to conferences, concerts and exhibitions, the poet's works will be translated into ten languages and Abai centers will be created at the Kazakh embassies (Kazinform, 16.01.2020).
- Kyrgyz Minister of Culture, Information and Tourism Azamat Jamankulov stated that the Fourth World Nomad Games would be held in the town of Iznik of Turkey's Bursa province. The Turkish side is expected to announce the date and format of the event. The previous three Games were held in Kyrgyzstan (Kabar, 17.01.2020).
- During the international conference themed "Turkmenistan and International Organizations: Cooperation for Peace and Development" held in Ashgabat, the Turkmen parliament and government agencies signed annual working plans for 2020 with and the UN Children's Fund and the UN Fund for Population Activities. The plans concern topics such as rights, health and social protection of children, the quality of education, and gender equality (Turkmenistan Today, 14.01.2020).
- As stated in the World Report 2020 by Human Rights Watch, the human rights situation in Tajikistan worsened further last year as the authorities reportedly jailed government critics, including opposition activists, journalists, and social media users, for lengthy prison terms. According to the report, the country's nongovernmental organizations are subject to intimidation, and the internet is heavily censored (Asia-Plus, 15.01.2020).
- According to a survey conducted by the U.S.-based National Democratic Institute in Georgia, 82% of Georgians approve joining the EU, while 74% of respondents approve the Georgian government's stated goal of becoming a NATO member. Compared to the previous poll held in July 2019, the share of those supporting the EU membership increased by 4% (Agenda.ge, 16.01.2020).
- According to a ranking of 440 cities of the world by the cost of living published by the statistical resource Numbeo, Central Asian cities are among the most inexpensive ones. Nur-Sultan and Almaty rank 386th and 389th, respectively, while Bishkek and Tashkent belong to the group of the least expensive cities ranking 410th and 413th, respectively (CentralAsia.news, 18.01.2020).