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Skeptics Doubt China Will Adhere to Phase One

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The centerpiece of [Phase One](#) of a new trade deal with China is the pledge China made to purchase at least \$200 billion more of American products over the next two years. In addition, it allegedly puts in place enforcement mechanisms to keep China from stealing American companies' trade secrets and advanced technology.



Skeptics scouring the 94-page agreement aren't finding much to cheer about.

First, from a practical point of view, the near doubling of Chinese purchases in the four areas outlined in Phase One — farm products, energy purchases, manufacturing goods and services — isn't likely to happen. As the *Wall Street Journal* pointed out: "To meet the targets, exports to China would have to rise to around \$262 billion in 2020 and \$309 billion in 2021.... That amounts to an increase of around 60% ... an unprecedented jump."

Specifically, according to the *Journal*, "China would need to import ... over \$40 billion in U.S. agricultural goods — a nearly 90% increase from 2017.... Meeting its [energy] goals would require energy exports of \$26 billion in 2020 and over \$41 billion in 2021. That figure represents more than a quintupling [of] energy exports."

Even among willing partners such increases far exceed the ability of either party to ramp up exports that quickly. And China is hardly a willing partner. In fact, Chinese negotiators have built in "weasel wording" to guarantee that they won't adhere to the deal: The purchases will only occur "based on market conditions."

What does that mean, exactly? Terry Reilly, a senior commodities analyst with Futures International, answered, "It means when they need it and the price is right." That could be a very long time, especially in light of the flood of soybeans coming out Brazil, which is enjoying a record-breaking crop this year.

Other skeptics include Riley Walters, a policy analyst at The Heritage Foundation who focuses on China. In an interview at the *Daily Signal* Walters said, "For the rest of this year and all of next year [China] needs to buy roughly \$390 billion worth of goods and services.... This is not normal."

When it comes to intellectual property theft, Walters said that in the past, "if [an American company wants] to make a deal, we [China] need to have access to your intellectual property. That's supposed to no longer happen. We will see, of course, over the next year or so whether that's true or not.... We'll have to see whether [the deal] actually produces anything of substance."

Economist Steve Moore, a cheerleader for the deal, expressed some reservations about it as well. In an interview with *The Epoch Times*, Moore said "China's going to have to show over the next 12 to 18



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months that they're actually living by the tenets of the deal."

New York Democrat Senator Chuck Schumer was predictably skeptical, calling the deal "an extreme disappointment." He said the agreement "concedes our leverage" over China for "vague, unenforceable promises" that China "never intends to fulfill. I fear that Xi [China's communist leader] is laughing at us behind our backs for having gained so much at our expense."

Florida Republican Senator Rick Scott warned that "Communist China never lives up to the bargain," adding that the U.S.-China relationship "is also about human rights."

But it was Gordon Chang, China expert and frequent contributor at Fox News, who declared that the part of the agreement addressing the theft of intellectual property is null and void, thanks to the latest Chinese technology. He said he has "no confidence at all" that China will keep the agreement because "the theft of U.S. intellectual property ... is built into Xi Jinping's system." China's new law that became effective January 1 compels U.S. companies in China to hand over their software's encryption keys to Chinese officials. Added Chang: "I don't think they would have signed [the agreement] without sorting out the cybersecurity rules.... They take all the information foreign companies [have] on their Chinese servers, which means that there's no point in the intellectual property protections in the Phase One agreement. They're almost completely irrelevant by their new cybersecurity rules."

With weasel words like "based on market conditions" and the intellectual property protections being rendered useless thanks to China's encryption key technology and requirements, the communist Chinese are more than happy, once again, to sign an agreement that they have no intention of keeping.

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