

US tech sector sees only modest relief in China trade deal

January 17 2020, by Rob Lever



A preliminary US-China trade accord cancels planned US tariffs on imports of some Chinese electronics but stops short of addressing fundamental problems, analysts say

The US tech sector is getting some relief from a trade truce with China signed this week, but the deal leaves many of the industry's concerns

unresolved.

The "phase one" agreement signed by President Donald Trump on Wednesday canceled \$160 billion in tariffs on Chinese goods, which could have impacted electronics like cell phones and computers and been especially painful to US consumers, but leaves many new tariffs in place.

The pact also provides some improved patent protections for US technology.

Robert Atkinson of the Information Technology and Innovation Foundation, a think tank which often aligns with the [tech industry](#), said the [deal](#) only partly resolves some of the issues around technology between the two powers.

The deal "represents good progress toward curbing the systemic problems of intellectual property theft and forced technology transfers in China," Atkinson said in a statement.

"But some of the thorniest issues confronting innovation-driven industries are still on the table, including the lavish industrial subsidies China showers on its companies, including its state-owned enterprises."

Atkinson added that it remains unclear how the phase one agreement will be enforced, noting that "China has shown itself to be a master of obfuscation when it comes to living up to its agreements."

Undoing the damage

Gary Shapiro, president of the Consumer Technology Association, said the deal will not undo the damage from the tariffs already imposed by the president.



A US-China trade pact leaves out questions about what to do about Huawei, the tech giant Washington accuses of supporting espionage

"Tariffs are taxes on Americans—not the Chinese," Shapiro said.

"The postponement of tariffs is a temporary reprieve on many of Americans' favorite tech products. But market uncertainty remains until we see permanent [tariff](#) removal—or return the billions of dollars our nation has paid because of these tariffs."

According to the association, which represents some 2,000 large and small tech firms, tariffs have added about \$19.2 billion to the cost of tech product imports through November 2019, including nearly \$1.7

billion for products critical to 5G deployment.

Chris Mitchell of IPC, an association representing the electronics manufacturing industry, welcomed the agreement as a "pathway" to resolution of broader issues.

But he added: "The deal leaves many issues unaddressed including cybersecurity, structural economic reforms, and the high level of tariffs that are still in place on many products that are traded in our industry."

Peter Navarro, a White House trade official, said the deal signed in Washington addresses a key issue for the tech sector on theft of trade secrets, or intellectual property.

"They'll steal things, it's very destructive to our businesses. They promised back in 2015 to stop doing it. They didn't stop doing it," Navarro told CNBC television.

"We got a great start on these structural issues."



President Donald Trump stands with Chinese Vice Premier Liu He, before signing a preliminary trade deal between the US and China

Tougher questions ahead

The trade agreement "is just the first stage of what will be a protracted process, but it looks likely that a working relationship will be established," said Richard Windsor, an analyst following the tech sector and who writes the Radio Free Mobile blog.

Windsor said the two governments are still battling over the question of leadership of the global tech sector, and must resolve questions around

Huawei, which Washington has accused of supporting Chinese espionage.

"While tensions appear to be thawing on trade, the rivalry over technology standards is heating up and I continue to see many other countries being forced to make a choice between two separate supply chains," the analyst said.

Susan Aronson, a George Washington University professor who specializes in international trade, called the pact "mediocre" and said it fails to deal with fundamental issues.

Aronson said the deal does nothing about the "Great Firewall" which China uses to control its online ecosystem nor does it address the rise of Chinese tech giants which operate under a different set of rules governing data protection.

"China wants to set the standard for governance of data, and we are moving into an economy where more firms use personal data to improve their products and services," she said.

The deal also is flawed because it is "discriminatory toward other nations," according to Aronson.

"The US should join the EU and Japan and other like-minded nations and say China should become a free-market economy with a transparent set of rules," she said.

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