Testimony Before the U.S. House of Representatives Committee on Ways and Means Subcommittee on Trade: "American Trade Enforcement Priorities"

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February 25, 2025

I. Introduction

In the America First Trade Policy Memorandum issued on January 20, 2025, President Trump directed the key trade officials in his administration to conduct a comprehensive review of a range of trade and tariff actions that could be taken and to report back by April 1, 2025. Among the potential trade enforcement actions, President Trump directed the United States Trade Representative ("USTR") to review the Economic and Trade Agreement Between the Government of the United States of America and the Government of the People's Republic of China (the "Phase One Trade Agreement") to determine whether China is acting in accordance with the agreement.[2] Based upon the results of this review, the USTR will make recommendations to the President regarding "appropriate actions" to be taken by the United States, which could include "the imposition of tariffs and other measures as needed."[3]

While the America First Trade Policy Memorandum addresses numerous critically important trade enforcement initiatives, this testimony focuses on China's compliance with the Phase One Trade Agreement and potential actions to address its violations of the agreement. The Phase One Trade Agreement was entered into on January 15, 2020 and requires significant structural reforms and other changes to China's economic and trade regime in the areas of intellectual property, technology transfer, agriculture, financial services, and currency and exchange rate practices. China also committed to significantly increase its purchases of U.S. goods and services to help address the imbalance in our trade relationship. All of these commitments by China are fully enforceable pursuant to a strong, effective, and expeditious dispute resolution mechanism. In addition, the tariffs that the United States imposed on Chinese imports pursuant to Section 301 of the Trade Act of 1974 remained in place.

The lack of transparency in China makes it difficult to conduct a full assessment of China's compliance with the Phase One Trade Agreement. However, based on publicly available information, it appears that China has failed to abide by the requirements of the agreement in a number of areas. If the USTR determines that China has violated the agreement, the United States can act swiftly and strongly to ensure that China comes into compliance with its obligations or to implement enforcement actions to address China's non-compliance. Enforcement actions for breaches of the agreement can and should include the imposition of additional tariffs on U.S. imports from China, and Congress should closely monitor these enforcement efforts to ensure that appropriate action is taken.

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1 The views and opinions expressed in this testimony are mine only and do not represent the views of Schagrin Associates or any of the firm's clients.

2 *America First Trade Policy Memorandum* (January 20, 2025) at Sec. 3(a).

3 *Id.*

II. China Committed to Make Important Structural Changes in the Phase One Trade Agreement

It is important to start with what China agreed to in the Phase One Trade Agreement. Although many have focused solely on China's commitments to increase its purchases of U.S. goods and services and have ignored the bulk of the agreement, the agreement contains significant, substantive commitments by China to make structural reforms covering a wide range of issues that have resulted in unfair and discriminatory treatment of U.S. companies, workers, farmers, and ranchers.

The intellectual property chapter of the Phase One Trade Agreement has a combination of both general, overarching commitments by China as well as highly specific commitments to address numerous longstanding concerns that the United States has had with China in the areas of trade secrets, patents, pharmaceutical-related intellectual property, geographical indications, trademarks, and enforcement against pirated and counterfeit goods. For example, on trade secrets, the agreement requires China to expand the scope of civil liability for trade secret theft, to allow trade secret owners to obtain preliminary injunctions to prevent the use or attempted use of stolen trade secrets, to ensure greater criminal enforcement for trade secret theft, and to prevent the unauthorized disclosure of trade secrets or other confidential information by government personnel or third-party experts. On patents and pharmaceutical-related intellectual property, China agreed to establish a mechanism for the early resolution of pharmaceutical patent disputes, provide patent term extensions for delays in the patent office or in marketing approval, and permit the use of supplemental data to meet patentability criteria. China is also required to enhance protections for U.S. trademarks, including protections against bad faith trademarks, and to ensure that it does not take any action on geographical indications to undermine market access for our food and agriculture exports. To address another chronic problem, China took on a number of commitments to significantly increase its enforcement against pirated and counterfeit goods, including in the online environment and physical markets and with respect to counterfeit pharmaceuticals and counterfeits with health and safety risks. In addition, China agreed to make several changes to its judicial system to facilitate greater enforcement of intellectual property rights, including providing deterrent-level penalties, ensuring expeditious enforcement of judgments, and making it easier to authenticate evidence in Chinese courts.

The technology transfer chapter prohibits China from engaging in formal and informal acts, policies, and practices to force or pressure U.S. companies to turn over their technology. Among other things, China committed not to require or pressure U.S. companies to transfer technology in relation to acquisitions, joint ventures, or other investment transactions. China also agreed to end its longstanding practice of forcing or pressuring U.S. companies to transfer their technology to Chinese companies as a condition for obtaining market access, administrative and licensing approvals, or receiving advantages from the government. Moreover, China committed to have technology transfer and licensing take place on market terms, to refrain from directing or supporting outbound investments aimed at acquiring foreign technology pursuant to its industrial plans, and to ensure that the enforcement of its laws and regulations is impartial, fair, transparent, and non-discriminatory.

The commitments made by China in the agriculture chapter of the Phase One Trade Agreement address a multitude of sanitary and phytosanitary measures and other non-tariff barriers to U.S. agriculture and seafood products in China, including for meat, poultry, seafood, rice, dairy, infant formula, horticultural products, animal feed and feed additives, pet food, and others. On market access for beef, for example, China agreed to recognize the U.S. traceability system, eliminate the cattle age requirements for the importation of U.S. beef and beef products, and adopt maximum residue limits for certain key hormones used in American beef. China also committed to broaden the list of pork products eligible for importation into China and to conduct a risk assessment for ractopamine in swine and cattle as soon as possible. In addition, China agreed that it would not implement food safety regulations that are not science- or risk-based and that it would only apply such regulations to the extent necessary to protect human life or health. Further, China committed to certain procedures for registering U.S. facilities that produce various food products. China made important commitments in the critical areas of agricultural biotechnology, domestic support measures, and tariff rate quota ("TRQ") administration. On agricultural biotechnology, China agreed to implement a transparent, predictable, efficient, and science- and risk-based regulatory process for approval of agricultural biotechnology products. China also committed that its time frame for review and approval of agricultural biotechnology products for feed or further processing will be an average of 24 months, which is a substantial reduction from previous time frames. And China agreed to make a number of administrative improvements in the agricultural biotechnology application process. On TRQs, China agreed to make specific improvements to the administration of its wheat, corn, and rice TRQs, including with respect to the allocation methodology, the treatment of non-state trading enterprises applying for quota amounts, and the transparency of the actions it takes on TRQs.

The financial services chapter addresses a number of longstanding trade and investment barriers to U.S. providers of all of the key financial services sectors, including banking, insurance, securities, electronic payment services, credit rating services, distressed debt services, fund management, and futures services. These barriers include foreign equity limitations, discriminatory regulatory requirements, and unreasonable operating requirements. China also agreed to take action to ensure that U.S. companies can get the licenses they need to operate in these financial services sectors.

In the chapter on currency, China agreed to refrain from competitive devaluations and the targeting of exchange rates. The chapter also includes important transparency commitments and provides mechanisms for accountability and enforcement. The commitments in this chapter are designed to ensure that China cannot use currency practices to compete unfairly against U.S. companies.

In addition to the extensive and meaningful structural changes required by the agreement, China agreed in the purchases chapter to increase the purchase and import of U.S. goods and services in 2020 and 2021 by $200 billion over 2017 levels. China's commitments covered a wide range of U.S. manufactured goods, food, agricultural and seafood products, energy products, and services. The agreement provides specific purchase commitments for 2020 and 2021, but it expressly states that the parties project that the trajectory of the increases in China's imports of U.S. goods and services will continue through 2025.

III. China Has Not Acted in Accordance with Key Provisions of the Phase One Trade Agreement

The opacity of the Chinese system makes it challenging to fully and accurately assess the extent to which China has fulfilled its commitments under the Phase One Trade Agreement. Based on the available information, it appears that China has implemented some of its commitments but fallen far short with respect to others. China's failures to comply with its obligations cut across each of the chapters of the agreement.

A. Intellectual Property

While China has issued a number of draft measures for comment and some final measures relating to implementation of its intellectual property commitments under the Phase One Trade Agreement, it has failed to comply with several key commitments.[4] In fact, the U.S. Chamber of Commerce's Global Innovation and Policy Center reports that despite positive movement by China, including reforms made pursuant to the Phase One Trade Agreement, "licensors and rightsholders have continued to face substantive challenges to doing business in China on fair, nondiscriminatory, and equal terms."[5] There are multiple potential violations of the intellectual property provisions of the Phase One Trade Agreement.

In the Phase One Trade Agreement, China agreed to ensure effective protection for trade secrets and effective enforcement against the misappropriation of trade secrets, and it made specific commitments to enhance judicial enforcement and deterrent-level penalties. However, significant enforcement challenges remain in China that undermine the protection of trade secrets, including high evidentiary burdens, limits on discovery, and difficulties in obtaining deterrent-level damages awards.[6] China also agreed to certain actions to provide for criminal enforcement and penalties against trade secret theft, but it has failed to fulfill these commitments. Although the National People's Congress passed amendments to China's Criminal Law to change the thresholds for criminal investigation and prosecution and the scope of criminal acts of trade secret theft, the implementation of those amendments remains lacking.[7] In addition, it appears that China may not be complying with its obligation to prohibit the unauthorized disclosure of trade secrets and confidential business information by government personnel and third-party experts, which is of particular concern to industries such as software, manufacturing, cosmetics.[8]

China record of compliance with its obligations relating to patents and pharmaceutical-related intellectual property is similarly deficient. China has taken certain actions relating to patent term extensions for unreasonable patent and marketing approval delays, including passing

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4 *See* Office of the United States Trade Representative, *2023 Report to Congress on China's WTO Compliance* (Feb. 2024) ("*Report on China's WTO Compliance*") at 51-55, 57.

5 U.S. Chamber of Commerce Global Innovation Policy Center, *International IP Index* (2024) ("*International IP Index*") at 123.

6 *See* Office of the United States Trade Representative, *2024 Special 301 Report* (Apr. 2024) ("*2024 Special 301 Report*") at 45.

7 *See 2024 Special 301 Report* at 45; *Report on China's WTO Compliance* at 52-53.

8 *See 2024 Special 301 Report* at 45.

amendments to the Patent Law and the issuance of the Implementing Regulations of the Patent Law by the China National Intellectual Property Administration ("CNIPA").[9] However, right holders continue to express concerns about China's implementation of patent term extensions and on the type of protection provided.[10] And while China has implemented a type of patent linkage mechanism for the early resolution of potential pharmaceutical patent disputes, right holders have raised complaints about the lack of transparency in decisions issued by CNIPA and other problems relating to the cumbersome registration system, the lack of penalties for erroneous patent statements, difficulties in obtaining preliminary injunctions, and bias in favor of Chinese companies.[11] China's implementation of its commitment to allow pharmaceutical patent applicants to use supplemental data to satisfy patentability requirements has also raised significant concerns, with right holders identifying problems with the opaqueness of the rules for accepting such data and the overly stringent standard applied to reject data.[12]

China made a number of commitments in the Phase One Trade Agreement to take effective enforcement action against the manufacture and distribution of counterfeit and pirated goods, including counterfeit pharmaceuticals and related products and counterfeits with significant health and safety risks. However, China's compliance with these obligations has been woefully inadequate.[13] It remains, by far, the world's leading source of counterfeit and pirated goods. For example, a recent report found that China and Hong Kong represented the largest exporters of counterfeit foodstuffs and cosmetics, with approximately 60% of counterfeit foodstuffs and over 80% of counterfeit cosmetics that were seized by global customs officials being sourced from China and Hong Kong.[14] In fact, China and Hong Kong accounted for approximately 90% of the total quantity of counterfeit and pirated goods seized by U.S. Customs and Border Protection in Fiscal Years 2023 and 2024 and 84% of the value of such items as measured by the manufacturers' suggested retail price in Fiscal Year 2023.[15]

Finally, despite China's commitment to ensure adequate and effective protection and enforcement against bad faith trademark registrations, bad faith trademarks remain "widespread" and "one of the most significant challenges for U.S. brand owners in China."[16] China's failure to

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9 *See 2024 Special 301 Report* at 52; *International IP Index* at 121.

10 *See 2024 Special 301 Report* at 52; *Report on China's WTO Compliance* at 57; *International IP Index* at 118, 121.

11 *See 2024 Special 301 Report* at 48; *Report on China's WTO Compliance* at 57; *International IP Index* at 118, 120-121.

12 *See 2024 Special 301 Report* at 48.

13 *See 2024 Special 301 Report* at 46-47; *Report on China's WTO Compliance* at 55.

14 *See* Organization for Economic Co-Operation and Development and European Union Intellectual Property Office, *Dangerous Fakes – Trade in Counterfeit Goods that Pose Health, Safety and Environmental Risks* (Mar. 2022), available at https://www.oecd.org/publications/dangerous-fakes-117e352b-en.htm.

15 U.S. Customs and Border Protection, *Intellectual Property Rights Seizure Statistics – Fiscal Year 2024*, at 4, available at https://www.cbp.gov/document/annual-report/fy-2024-ipr-seizure-statistics; U.S. Customs and Border Protection, *Intellectual Property Rights Seizure Statistics – Fiscal Year 2023*, at 4, available at https://www.cbp.gov/document/annual-report/fy-2023-ipr-seizure-statistics.

16 *See 2024 Special 301 Report* at 50; *Report on China's WTO Compliance* at 53; see also *International IP Index* at 122 ("Bad faith filing applications and trademark squatting remain perennial problems.").

fulfill its obligation to invalidate or refuse bad faith trademark applications has caused U.S. companies to continue to confront "Chinese applicants registering their marks and 'holding them for ransom' or seeking to establish a business building off of U.S. companies' global reputations."[17] The Phase One Trade Agreement was intended to correct this very problem.

B. Technology Transfer

China has taken steps toward eliminating some of its technology transfer-related policies and practices. In particular, China has enacted legal measures that appear, on their face, to prohibit administrative agencies and their employees from engaging in certain forced technology transfer practices, including Article 22 of the Foreign Investment Law.[18] However, these measures are superficial and ineffective, and China has not eliminated many of the policies and practices identified in the Section 301 investigation of China and the Phase One Trade Agreement.[19] China's policies and practices on technology transfer continue to play a critically important role in China's technology-related industrial policies that aim to achieve state-directed market dominance in strategic sectors of the global economy. Through these ongoing policies and practices, China forces or pressures U.S. companies to turn over their technology and then uses that technology to help Chinese companies dominate key sectors to the enormous detriment of their competitors.[20]

China's continued actions to force or pressure U.S. companies to transfer their technology to Chinese entities, including as a condition for obtaining market access, run afoul of several of its commitments under the Phase One Trade Agreement. First, notwithstanding its commitment not to require or pressure U.S. companies to transfer technology in relation to acquisitions, joint ventures, or other investment transactions, China still uses investment restrictions and joint venture requirements to drive technology transfer.[21] It also continues to use indirect means to pressure companies into joint ventures or partnerships with Chinese companies that lead to technology transfer, including in the medical devices and aircraft sectors.[22] Second, China has maintained its longstanding practice of requiring U.S. companies to turn over their technology as part of administrative review and licensing processes and to obtain market access in violation of its obligation to end that practice.[23] In particular, cybersecurity reviews conducted under China's Cybersecurity Law can be used to require companies to disclose their technology in order to access the Chinese market.[24] As the USTR recently concluded, "[t]he very government entities overseeing these reviews and responsible for protecting foreign companies' trade secrets are also charged with

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17 *Report on China's WTO Compliance* at 53.

18 *See* Office of the United States Trade Representative, *Four-Year Review of Actions Taken in the Section 301 Investigation: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation* (May 14, 2024) ("*Report on Four-Year Review of Section 301 Actions*") at 10-12; *International IP Index* at 122..

19 *See Report on Four-Year Review of Section 301 Actions* at 15.

20 *See id.* at 16-17.

21 *See id.* at 35.

22 *See id.* at 35-38.

23 *See id.* at 39.

24 *See id.* at 40-41; *2024 Special 301 Report at 49-50.*

supporting Chinese companies in strategic sectors designated by the Chinese government for development."[25] Third, China has continued to use state-directed and supported outbound foreign direct investment to acquire technology, which contravenes its commitment in the Phase One Trade Agreement to refrain from such investments.[26]

Another area of concern is the growing trend of Chinese courts issuing decisions known as anti-suit injunctions and claiming global jurisdiction to set licensing rates for technologies protected by standard essential patents to exert pressure on U.S. companies with high-tech patents to prevent them from asserting their rights and protecting their technologies.[27] These practices and China's use of its Anti-Monopoly Law to pressure high-tech companies appear to conflict with China's obligations not to directly or indirectly force technology transfers under the Phase One Trade Agreement.

American and foreign companies certainly believe that China's technology transfer-related policies and practices persist and, in fact, have worsened in recent years. In its *China Business Climate Survey Report*, AmCham China has detailed that the percentage of its responding member companies reporting that they transferred technology to China other than "as a voluntary business decision" increased from 19% in the 2020 survey to 40% in the 2025 survey.[28] Of these, the companies that transferred technology "as required by joint venture regulations" increased from 8% in the 2020 survey to 12% in the 2025 survey, and the companies that transferred technology "to (implicitly/explicitly) improve market access prospects" increased from 0% in the 2020 survey to 21% in the 2025 survey.[29] The European Chamber also reported in a recent survey that 17% of the responding companies felt compelled to transfer technology and/or trade secrets to maintain market access in China and that of those that felt compelled to do so, 41% did it due to joint venture requirements, "written policy requirements," or "verbal pressure from government officials."[30]

C. Agriculture

Although China has implemented a number of its commitments under the agriculture chapter of the Phase One Trade Agreement, its compliance has been lacking in several key respects. China has not demonstrated full implementation of its commitments to improve the administration of its wheat, corn, and rice TRQs, including the commitments regarding its allocation methodology, the treatment of non-state trading enterprises, and greater transparency.[31] In addition, China appears not to be adhering to its obligations regarding food safety regulations and the procedures for

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25 *Report on Four-Year Review of Section 301 Actions* at 41.

26 *See Report on Four-Year Review of Section 301 Actions* at 45-46.

27 *See International IP Index* at 123.

28 *See* AmCham China, *2020 China Business Climate Survey Report* (Mar. 10, 2020) at 73; AmCham China, *2025 China Business Climate Survey Report* (Jan. 22, 2025) at 87.

29 *See id.*

30 European Chamber, *European Business in China – Business Confidence Survey 2023* (Jun. 21, 2023) at 35.

31 *Report on China's WTO Compliance* at 39.

registering U.S. facilities that produce various food products.[32] China also has failed to conduct a risk assessment for ractopamine in swine and cattle and to publish maximum residue levels for the use of certain hormones in beef, as it agreed to do.[33]

But perhaps most importantly, China has not fulfilled its commitment to implement a transparent, predictable, efficient, and science- and risk-based system for the review of agricultural biotechnology products. The procedures of China's National Biosafety Committee ("NBC") for the approval of these products continue to be plagued by a fundamental lack of transparency, including in the process for notifying applicants of outcomes and for soliciting additional information in support of applications, and information about meetings of the NBC are not shared in a transparent and predictable manner.[34] Furthermore, China has not reduced the average time for the approval of agricultural biotechnology products used for feed and further processing to no more than 24 months despite its commitment to do so.[35]

D. Financial Services

According to the available information, China's record of compliance with its obligations under the financial services chapter of the Phase One Trade Agreement appears to be better than in certain other areas.[36] One concern that has developed has been with China's implementation of its commitment to ensure that the People's Bank of China ("PBOC") operates its licensing process for U.S. suppliers of electronic payment services in a predictable, efficient, and timely manner to facilitate their access to the Chinese market. Five years after the entry into force of the Phase One Trade Agreement, one U.S. supplier, Visa, still does not have access to China's market due to the PBOC's delays in issuing a license.[37]

E. Currency

The Phase One Trade Agreement contains the strongest provisions of any U.S. trade agreement on currency and exchange rate practices to prevent China from manipulating its currency to gain an unfair advantage against U.S. companies. Reports emerged in December 2024 that China's top leaders and policymakers were considering allowing the yuan to weaken in 2025 to offset higher tariffs that the United States might impose when the Trump Administration came into office.[38] And in fact, the yuan did slide in January 2025, declining close to its weakest level since

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32 *See id.* at 43.

33 *Id.* at 44.

34 *See id. at 42-43.*

35 *Id.* at 43.

36 *See id.*at 59-60.

37 *See id.* at 60-61.

38 Reuters, "Exclusive: Chinese authorities are considering a weaker yuan as Trump trade risks loom," Dec. 11, 2024, available at https://www.reuters.com/markets/currencies/chinese-authorities-are-considering-weaker-yuan-trump-trade-risks-loom-sources-2024-12-11/.

2007.[39] China's actions with respect to the yuan bear close monitoring to determine whether they are in accordance with the strong and binding currency and exchange rate obligations in the Phase One Trade Agreement.

F. Purchases

U.S. exports to China grew considerably following the Phase One Trade Agreement from $106 billion in 2019 to $151 billion in 2021 before declining somewhat but remaining at an increased level of $144 billion in 2024, and agricultural and other products covered by the agreement's purchasing commitments were a major beneficiary.[40] However, China's failure to meet its commitments for purchases of U.S. goods and services under the Phase One Trade Agreement has been well documented.[41] The purchasing provisions of the agreement remain in effect through 2025 and should continue to be monitored.

IV. Potential Actions to Address China's Lack of Compliance with the Phase One Trade Agreement

The structural and purchase commitments that China made in the Phase One Trade Agreement were unprecedented. But equally unprecedented was the enforcement mechanism in the agreement. The bilateral evaluation and dispute resolution chapter of the agreement makes all of the commitments by China fully enforceable. It sets forth an arrangement to ensure the effective implementation of the agreement and to allow the parties to resolve disputes regarding implementation and compliance with the agreement in an expeditious manner. In fact, the entire process for resolving disputes regarding breaches of the agreement takes only about 90 days. If the parties cannot resolve the dispute by the end of that roughly 90-day period, the party raising the breach determines whether the other party is in violation of the agreement and what is a proportionate remedy for that violation. If the action taken by the complaining party is in good faith, the other party cannot retaliate or challenge the action at the World Trade Organization. In other words, the United States can decide unilaterally whether China has violated the agreement and, if so, what action to take to address the violation. It need not wait for a dispute settlement panel or any other third party to issue a decision. The United States can take enforcement action for breaches of the agreement in even less than 90 days if the issue is a "matter of urgency."

If the USTR determines as part of its ongoing review process under the American First Trade Policy Memorandum that China has failed to comply with commitments it made in the Phase One Trade Agreement, and the information above suggests that it has, the Administration should

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39 Bloomberg News, "China Lets Yuan Weaken After Defending 7.3 Per Dollar for Weeks," Jan. 3, 2025, available at https://www.bloomberg.com/news/articles/2025-01-03/china-s-yuan-slips-past-7-3-level-opens-room-for-further-drops.

40 *See* U.S. Census Bureau, Trade in Goods with China, available at https://www.census.gov/foreign-trade/balance/c5700.html; Yuka Hayashi, "U.S. Trade Balance With China Improves, but Sources of Tension Linger," *Wall Street Journal*, Feb. 5, 2021, available at https://www.wsj.com/articles/u-s-trade-deficit-narrowed-in-december-as-exports-outpaced-imports-11612532757.

41 *See, e.g.,* Josh Zumbrun, "U.S. Faults China for Failing to Meet Purchase Targets Under 2020 Trade Deal," *Wall Street Journal*, Feb. 16, 2022, available at https://www.wsj.com/articles/u-s-faults-china-for-failing-to-meet-purchase-targets-under-2020-trade-deal-11645019686.

use the agreement's enforcement mechanism and take appropriate action. That action should include the imposition of additional tariffs on Chinese imports.

The Section 301 tariffs imposed against China beginning in 2018 have led to a significant improvement in the terms of trade between the United States and China. The U.S. trade deficit in goods with China dropped from $375 billion in 2017 to $295 billion in 2024 – a reduction of over 21%.[42] China's overall share of U.S. imports has also fallen markedly, declining from 21.6% in 2017 to 13.7% in 2023.[43] The Section 301 tariffs have proven particularly effective in reducing imports of advanced technology products from China. The focus of the Section 301 tariffs was on products covered by China's industrial plans such as the Made in China 2025 plan,[44] and the U.S. International Trade Commission has found that U.S. imports of the products subject to the Section 301 tariffs fell from $345 billion in 2017 to $265 billion in 2021.[45] In particular, a recent report found that since the tariffs were imposed, U.S. imports of IT hardware and consumer electronics from China were down 62% and U.S. imports of semiconductors from China had declined by 26%.[46] Furthermore, the USTR found in its report on the four-year review of the Section 301 tariffs that the tariffs disincentivized foreign direct investment into China and led to U.S. firms shifting production out of China, which in turn reduced the exposure of American intellectual property to China.[47]

The Section 301 tariffs imposed thus far on Chinese imports have been highly effective in improving our trade relationship with China, reducing U.S. imports of advanced technology and other products from China and our reliance on China for such products, and otherwise providing important benefits to U.S. companies, the U.S. economy, and U.S. strategic interests. Additional tariffs on Chinese imports would not only represent an appropriate remedy for China's breaches of the Phase One Trade Agreement but also provide similar benefits for the United States.

V. Conclusion

The Phase One Trade Agreement was an historic agreement in which China for the first time agreed to binding and enforceable commitments to make critically important structural reforms in the areas of intellectual property, technology transfer, agricultural regulation and market access, financial services, and currency and exchange rate practices. It will be essential for Congress to ensure that the Trump Administration and any future administrations enforce these commitments and take appropriate action to address breaches of the agreement by China.

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42 U.S. Census Bureau, Trade in Goods with China, available at https://www.census.gov/foreign-trade/balance/c5700.html.

43 *Report on Four-Year Review of Section 301 Actions* at 52.

44 *See* Robert Lighthizer, *No Trade Is Free: Changing Course, Taking on China, and Helping America's Workers* (2023) at 148.

45 .U.S. International Trade Commission, *Economic Impact of Section 232 and 301 Tariffs on U.S. Industries* (May 2023) at 137.

46 Chad P. Bown, "Four years into the trade war, are the US and China decoupling?," Peterson Institute for International Economics (Oct. 20, 2022), available at https://www.piie.com/blogs/realtime-economics/four-years-trade-war-are-us-and-china-decoupling.

47 *See Report on Four-Year Review of Section 301 Actions* at 56-63.