

Reviewing China’s Phase One Purchases in 2020

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By Alison Schonberg

- *China met only 58 percent of its Phase One purchase commitment for 2020, coming closest to satisfying its target for agriculture purchases.*
- *While China fell short of its goal, its overall imports soared, rising 17 percent year over year.*
- *Strong US exports led to a 10 percent decline in the goods trade deficit with China, but the US deficit with the rest of the world increased.*

A year into the Phase One agreement, the Biden administration is mulling over the deal’s future. Last month, White House Press Secretary Jen Psaki [said](#) that the agreement, which is set to run for an additional year, is “under review” as part of a broader examination of Trump-era China policies. Treasury Secretary Janet Yellen [noted](#) in her written follow-up to her confirmation hearing that officials are “closely monitoring” China’s adherence to its commitments, “including both the purchase and structural commitments.”

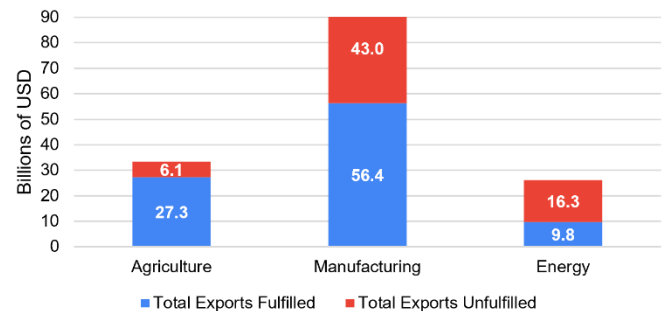
China’s performance on Phase One has been mixed. While China made [progress](#) on its structural commitments related to agriculture, financial services, and intellectual property, it satisfied only 58 percent of its purchase target for goods covered under Phase One in 2020.

The makeup of purchases to date

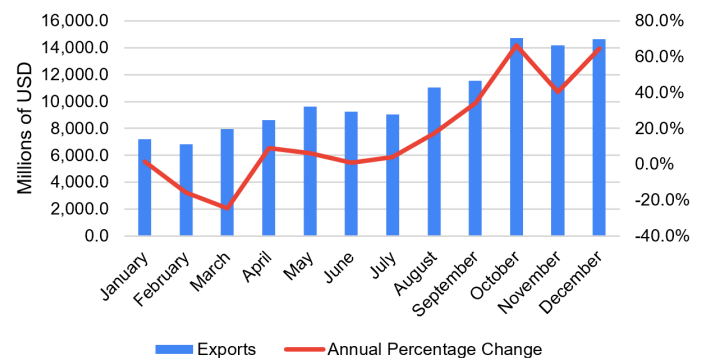
According to official US export data, China met 82 percent of its target for agricultural purchases, but only 57 percent of its manufacturing target, and a dismal 37 percent of its energy target.

The purchase commitments, which were set 60, 49, and 242 percent higher than the 2017 baseline levels for agriculture, manufacturing, and energy, respectively, were ambitious to begin with. Strong demand in China for corn, poultry, and pork managed to drive export growth in the US

Progress on Phase One Purchases (US Data)

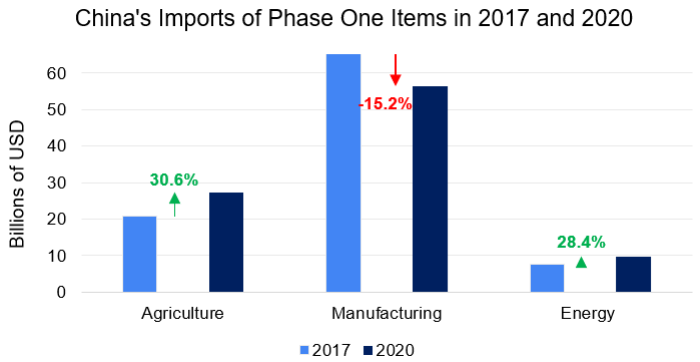


US Exports to China in 2020



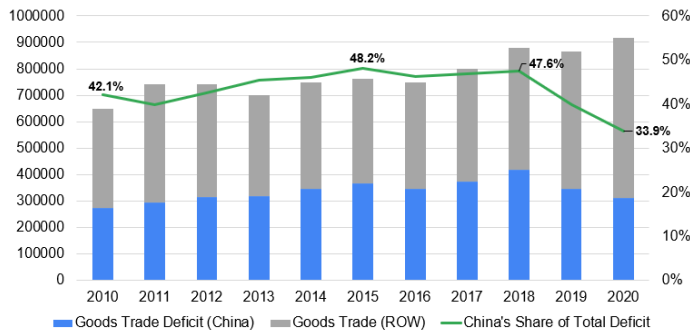
agriculture sector, but the economic downturn in 2020 as a result of the COVID-19 pandemic likely made the targets even more challenging to hit, particularly in the energy sector.

Exports of goods covered by the Phase One agreement still increased roughly 30 percent each in 2020 relative to 2017, with the exception of manufacturing.



While China fell well below its commitment for the year, its imports of US goods overall hit near record highs. According to data from the US Census Bureau, the United States exported more goods to China in 2020 than in any other previous year apart from 2017. Goods exports rose 17 percent year over year, with particularly high exports in Q4 as China made a concerted effort to meet targets and its economy showed stronger signs of recovery.

In Context: US Goods Trade Deficit with China and ROW



Impact on the trade deficit

One of the purported goals of the Phase One agreement was to reduce the goods trade deficit. By the end of 2020, the goods deficit with China had fallen 10 percent, led by strong US exports and a slow recovery in imports.

However, while the deficit with China declined, the deficit with the rest of the world rose substantially.

This trend has been particularly pronounced since 2018. Over the past 3 years, China's share of the US goods trade deficit has declined from nearly half of the total to only a third. The United States has not reduced its total deficit, but rather, substituted imports from China with those from other countries, including Mexico and alternative sources in Southeast Asia.

Find more US-China trade data [here](#).

Graphs of [Phase One Data](#) from the Peterson Institute for International Economics
 Graphs of [export data](#) from the US Census Bureau