

## China to buy more US goods, restates patent laws. But is it enough?

The China authority has issued a notice that it will penalise entities which violate patent laws. But this warning merely reiterates existing laws. Meanwhile, Chinese officials say they are preparing to restart imports of US soybeans and energy. Will this be enough to satisfy the US?



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### China tries to calm US concerns over intellectual property

China issued [a notice on 4 December](#) publicising its patent laws. In this statement, China noted that there are collaborative efforts among different government entities to penalise behaviour which violates patent rights.

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*China is giving a very Chinese style answer to requests from the western world on protecting intellectual property rights.*

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At first glance, this seems to be a swift response to the US's concerns over intellectual property rights, which is one of the key topics in trade negotiations. The trade dispute is not just about narrowing the US-China trade deficit, but also, and more importantly, about protecting intellectual property rights and the channels to transfer advanced technology.

But looking at the detail, we find that China has only listed a long table of all the *existing* laws relating to violations on patents. To us, it seems China is signalling that it already has the necessary laws to guard against such violations.

## How will the US perceive China's action?

We believe the US will not be satisfied with a mere reiteration of the existing laws and the notice won't convince President Trump that China is taking a serious stance on the matter.

*Enforcement* of existing laws is far more important than drafting new ones. China is aware that enforcement isn't as strong as it should be and this is why the authority issued the notice to government entities.

## Court cases and penalties

China may need to demonstrate its seriousness on protecting intellectual property rights by taking cases to court. It will be important to see the extent to which violations are penalised. Until then, we don't believe this important topic in trade talks will be perceived by the US as a box ticked.

## Will more US goods imports satisfy the US?

While China may not be doing a lot on intellectual property rights, it does plan to import more US goods.

China officials say they're preparing to restart imports of US soybeans and liquefied natural gas (LNG) though there are no details on the amount as yet. Moreover, it's unclear if the tariffs on these items will be lifted in China. If tariffs aren't lifted, the Chinese government can pay back the tariffs to Chinese importers, as we expect those importers are state-owned enterprises.

This is very different from lifting the tariffs. We don't expect the Chinese to lift tariffs on US goods unless they have an agreement with the US to lift tariffs on Chinese goods at the same time.

### **There is progress but it is hard to be optimistic**

It is difficult to be optimistic about the trade talks even though there are signs of progress, with China importing more from the US. The key issues, intellectual property and advanced technology, are yet to be solved.

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