



## Trade Update

### November 12, 2019

Provided by the [Corn Refiners Association](#)

### Highlights

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- **USMCA:** Organized labor opposition to USMCA has become more vocal, as all eyes are on Washington as the Congressional recess ends and the next date USTR could submit the implementing language to trigger a vote, November 12th, approaches.
- **China Tariffs:** As the U.S. and China continue searching for a new place to sign the Phase 1 deal, China has increased its demands for conditions prior to the signing of the deal, asking the U.S. to eliminate several rounds of tariffs already imposed or that are planned to be imposed.
- **WTO:** Meetings took place between the WTO Director-General, Roberto Azevêdo, and Amb. Lighthizer and Senate Finance Chairman Chuck Grassley in Washington last week as concerns deepen over the impending Appellate Body shutdown

# USMCA

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- Affiliate members of the AFL-CIO Industrial Union Council sent a letter on Tuesday reaffirming their opposition to USMCA, due to their view of the labor provisions as being less than adequate, and stating that the groups will oppose the agreement if it is brought to a vote before these provisions are improved according to the group's recommendations. The letter urges lawmakers not to "waste this rare opportunity" to fix issues in U.S. trade policy and correct the "disastrous consequences of NAFTA."
- House Ways and Means Committee Chairman Richard Neal, who was leading a delegation to Canada at the time the AFL-CIO letter was received, responding by saying "I particularly stressed the importance of meaningful enforcement mechanisms that ensure the protection of workers in all three nations and of our shared environment. I'm pleased that our neighbors to the north also have a strong desire for an agreement that benefits our economies while also lifting up our people."
- Collin Peterson, House Agriculture Committee Chairman, believes the USMCA could "move" as soon as this week. Peterson reported that Rep. Neal recently told him "he is going to try to move it when we get back next week, or the week after, so he's pushing hard." There are 16 legislative days left in 2019 that both chambers are in session, with just eight before Thanksgiving. The last House votes of 2019 are scheduled for Dec. 12. "It's going to get done. The question is, is it going to get done in those two weeks or is it going to get done in December?" Peterson said.



*(Collin Peterson, Chairman, House Agriculture Committee)*

- Rep. Neal said during the trip to Canada that that the House working group and USTR are “very close” to being done with discussions, “but we need some guarantees as it relates not just in Canada, but also their help with labor enforcement as it relates to Mexico.”
- Mixed signals continue from officials in Washington and lawmakers in recent weeks, as perspectives on the status of USMCA continue to vary. After the news that the Democrats will hold public hearings for the impeachment inquiry this week, White House trade advisor Peter Navarro said he is concerned about the chance of USMCA passing this year, noting that the number of days in the legislative calendar is dwindling and that the impeachment inquiry has detracted from the passage of the deal.



*(White House Advisor Peter Navarro)*

- Last week, Rep. Debbie Dingell struck a positive tone on USMCA saying, “Some think the deal can be done by the end of this year. Others are more cautious,” She noted that enforcement of the agreement remains the prominent sticking point for Democrats. Despite this hurdle, she stated, “I do believe we will get this done.” It might not be until early next year, “but we will get this done.”
- The soonest USTR could deliver the implementing language to House leadership is now November 12th, the next time that both the House and the Senate are back in session, a requirement defined under the Trade Promotion Authority.

## Section 232 Tariff Actions

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### *Auto Tariffs*

- The rapidly approaching expiration of the 180-day extension of President Trump’s decision on 232 auto tariffs (est. Nov. 13) has ignited intense commentary and speculation on potential outcomes. Departing European Commission President Jean-Claude Juncker expressed confidence that President Trump will not impose any U.S. tariffs on EU automobiles under section 232 authority. In an [interview with German newspaper Süddeutsche Zeitung](#) Juncker stated, “He will not do it. You’re talking to a well-informed man.” “Trump will go around grumbling a bit, but there won’t be any car tariffs.”
- Senate Finance Committee Chairman Rep. Chuck Grassley is continuing his push to develop legislature limiting the Presidential authority to impose Section 232 tariffs and expects the bill to be marked up this month, although Sen. Portman expressed last week that he still does not expect the markup will occur before the auto tariffs deadline in mid-November.

## Section 301 Tariff Actions

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- In the past several days the White House has sent conflicting signals regarding removal or suspension of the tariffs on China in a phase 1 deal. Speaking to reporters on Friday, President Trump stated, “They’d like to have a rollback, I haven’t agreed to anything.” “China would like to get somewhat of a rollback -- not a complete rollback, because they know I won’t do it.” President Trump already shelved an Oct. 15 tariff increase from 10% to 15% on \$110 billion in imports from China (list 4a), yet it’s unclear if an elimination or a delay on the expected Dec. 15 threat for 15% tariffs on the remaining \$160 billion in goods from China (list 4b), which includes many consumers electronics such as smartphones, is part of the Phase 1 deal with China.

- China raised its demands ahead of a Phase 1 deal, seeking elimination of another round of tariffs set to take effect on Dec. 15th and lift duties that were imposed in September before the two nations can sign a partial trade agreement in the coming weeks. Observers suggest that signing the "phase one" deal will likely eliminate a 15 percent tariff that's scheduled to hit about \$160 billion worth of Chinese goods, mostly consumer goods including laptops and smartphones. Another possible outcome to China's request would be for the U.S. to remove a 15 percent tariff that was imposed on roughly \$112 billion worth of Chinese goods on Sept. 1, but no decision has been made yet. Finally, China has also requested elimination of 25% tariff (or at least cut in half) on an additional \$250 billion in Chinese products, which most observers view as highly unlikely.
- An administration official reported last Wednesday that the signing of the Phase 1 deal may take place in December, as opposed to as originally planned in November, due to the pending decision regarding the location of the signing. The official cited London, Sweden, and Switzerland as possible signing sites. President Trump has also stated that Iowa or other U.S. agriculture areas are under consideration. President Trump and President Xi have agreed to rollback existing additional tariffs once the Phase 1 deal is signed.



*(Sonny Perdue, USDA Secretary)*

- Despite indication that the U.S. and China are closing in on a partial trade deal, USDA Secretary Perdue announced a second tranche of trade relief payments to farmers and ranchers burned by retaliatory tariffs. Secretary Perdue stated, "We just have gotten authorization on the second tranche," Secretary Perdue told reporters on a conference call. "We'll be getting it ready hopefully at the end of this month or early December." To date USDA has paid farmers \$6.7 billion for their 2019 production, on top of \$8.6 million that was provided for last year's production. The department has promised up to \$14.5 billion in payments for 2019, divided in three batches, according to a USDA spokesperson.

## **U.S. - Japan Trade Agreement**

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- Anticipation over the completion of the U.S.-Japan Phase 1 deal continues as the Japanese Diet special session, called in order to move the trade pact to ratification, continues its considerations. The extraordinary session will conclude on December 9th.

## **U.S. - EU Trade**

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- New EU Trade Commissioner, Phi Hogan, officially entered the position on November 1st. Leading up to the transition date, Hogan was an outspoken critic of U.S. trade policies, describing the U.S. tariff actions as "reckless."
- As reported earlier, the announced 10% or 25% tariffs of \$7.5 billion of EU goods, resulting from the WTO's ruling of illegal launch aid to Airbus, went into effect on October 18th. According to the [final list](#) released by the White House, products subject to additional 25% duties include a wide range of agriculture and manufactured goods, notably cheeses, yogurt, butter, fruits, whiskey, and certain textile and apparel items. The 10% duties comprise solely of non-military aircraft and parts.

## **U.S.-U.K Trade Agreement**

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- The prospects for a U.S.-U.K. trade deal have become more complicated after President Trump said on October 31st said that a U.S.-U.K. deal would not be possible under Prime Minister Johnson's current Brexit plan. "To be honest with you, this deal, under certain aspects of the deal, you can't do it. You can't trade. We can't make a trade deal with the U.K." he stated. Prime Minister Johnson's administration pushed back against Trump's statement the following day, saying that the Brexit plan "enables us to secure deals with a range of growing economies (and) we'll be setting out to do that."
- President Trump and Prime Minister Johnson previously expressed a common goal to have a U.S.-UK free trade agreement concluded quickly after the exit of Britain from the European Union. According to Bloomberg Economics, about 0.9% of global GDP is exposed to Brexit trade risk. For some context, EU-UK trade is about 3.1% of world trade.

## **Suspension Agreements**

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### *Tomato Suspension Agreement*

- As noted earlier, the Commerce Department has re-instituted the antidumping investigation (AD) on fresh tomatoes from Mexico at the request of some U.S. tomato producers. Signed on September 19th, the Suspension Agreement removed the preliminary AD duties and enacted additional enforcement measures (i.e. increased inspections) on fresh tomatoes imports from Mexico. However, last week, the Florida Tomato Exchange, which successfully petitioned Commerce to withdraw from a previous suspension agreement, requested resumption of the AD investigation.
- The ITC is expected to render a decision on Nov. 22nd. Should the ITC find in the affirmative (i.e. injury to domestic tomato industry) the Suspension Agreement will remain in place and the antidumping duties will be suspended. Under a negative ITC determination, the Suspension Agreement "will have no force or effect, allowing tomatoes from Mexico to enter the United States free of antidumping duties," according to Commerce.

### *Sugar Suspension Agreement*

- The Department of Commerce [announced](#) that in compliance with the US Court of International Trade (CIT) decision voiding Administration's present Sugar Suspension agreement with Mexico, the Agreement will revert to the terms of the 2017 agreement on November 18th. Dept. of Commerce has not provided further information beyond that it's "reviewing" the CIT's decision.
- As noted previously, the CIT agreed with CSC Sugar LLC, a Connecticut-based sugar refiner and trader, that argued that the Dept. of Commerce failed to adequately document and make public records of meetings with outside parties, as required by law, in the negotiations of the Sugar Suspension Agreement. The decision voids the Commerce Department's amendments to the Agreement secured with Mexico in 2017 and reverts the suspension agreement back to its 2014 version, which suspended anti-dumping and countervailing duties against sugar imports from Mexico.

## **U.S. - India Trade Developments**

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- The U.S. recently won a case at the WTO against India regarding illegal export subsidies valued around \$7 billion, requiring India to terminate the subsidies. India attempted to argue that the subsidies were legal according to provisions in the Agreement on Subsidies and Countervailing Measures allowing special and differential treatment for developing countries, but the Dispute Settlement panel determined that India has graduated from the "developing" category and is not eligible for a grace period to transition from the subsidies. The timeline requires India to end the subsidies within 90 to 180 days from the date that the report on India is adopted.
- Sources report that a limited U.S.- India trade pact could include limited restoration of Generalized System of Preferences (GSP) for India. Amb. Lighthizer is reportedly exploring aligning GSP benefits

to reciprocal Indian market-access concessions. For example, the amount of GSP benefits reestablished would equal the amount of new market access India provided the U.S. on a dollar-by-dollar basis. Source familiar with the issue indicate, "They are trying to quantify the concessions and then figure out which products in essence they would allow back under GSP and try and match up that sort of benefit to the concession benefit. "So, they are trying to figure out a subset of products and line it up so the benefits are co-equal."

## U.S. - Brazil Trade Developments

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- Another day, another trade deal? An official from the Brazilian Embassy said Tuesday that the Brazilian government hopes to negotiate "a USMCA-like...agreement" with the U.S. Another Embassy official described the recent pace of trade discussions between the two governments, saying "Things are going fast, but some things are happening, and you don't see them happening because they are happening at the technical level. We will see things happen very, very soon." Some analysts in Washington have predicted that if a trade agreement is concluded between Brazil and the U.S. before the 2020 elections, they expect that it will be a "mini-deal" similar to the current Japan or China Phase 1 deals, as opposed to a comprehensive agreement like USMCA.

## General Trade Cooperation/WTO Reform

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*(Alan Wolff, WTO Deputy Director-General)*

- The World Trade Organization's deputy director-general, Alan Wolff last week said dissolution of Geneva's appeals system, expected next month, could spark "pure chaos," but he believes that members "will work through this." "I think Armageddon is not going to be upon us." Wolff said speaking at the 2019 World Trade Symposium. He continued saying that, "in terms of restoring an appellate function, that gap has not been totally closed" -- and members will be "muddling through" until the issue is resolved. Wolff expressed optimism regarding the recent proposal advanced by New Zealand Ambassador David Walker, which addresses seven issues and suggests solutions for how the Appellate Body should operate, as a promising way to "find a middle ground, a consensus to move forward with an appellate system."
- The WTO Director-General, Roberto Azevêdo, met with Amb. Lighthizer and Senate Finance Chairman Chuck Grassley in Washington last Thursday. Ahead of the meeting, Senator Grassley commented on the Appellate Body issue, saying, "WTO's got to be useful, and that means it's got to be efficient. It's got to be predictable. I support negotiations to address blockage, and I support our being in the WTO, but there's got to be changes made."



*(Roberto Azevêdo, WTO Director-General)*

- The WTO awarded China with \$3.579 billion retaliation against the U.S. as a result of a dispute brought to the WTO in 2013 related to the U.S.'s antidumping duties on Chinese goods, which China alleged were improperly determined following improperly conducted investigations. The U.S. on Friday said

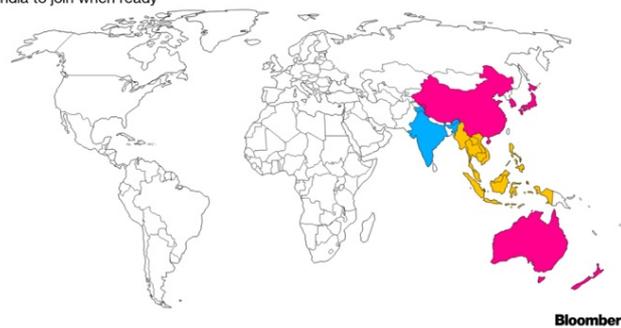
that it was “disappointed” with the WTO’s latest decision, calling it “another flawed Appellate Body report seeking to weaken trade remedies against Chinese dumped imports.”

- Fifteen countries are moving closer to finalizing a free trade agreement that would encompass a third of global gross domestic product. The ten Association of Southeast Asian Nations (ASEAN) member countries (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam) and five other countries in the region—China, Japan, South Korea, Australia, and New Zealand—are working to complete the Regional Comprehensive Economic Partnership (RCEP), progress on which is accelerating due to the ongoing trade war between the U.S. and China. Many analysts see the RCEP as China’s alternative to the Comprehensive and Progressive Treatment for Trans-Pacific Partnership (CPTPP), which includes Australia, Brunei, Japan, Malaysia, Singapore, Vietnam, and New Zealand as members.

#### Mega Trade Deal

Asian leaders plan to sign the world's largest regional trade deal next year

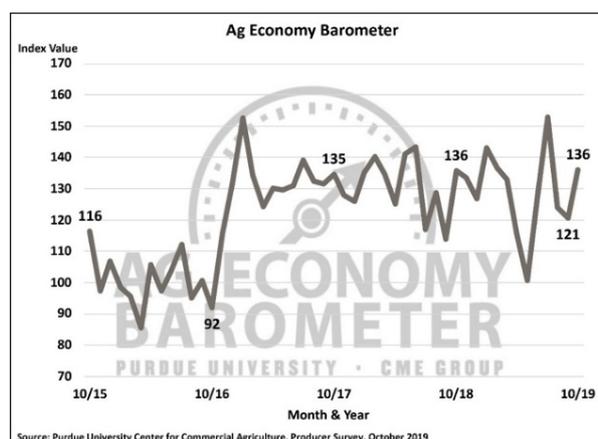
■ Asean ■ Other Regional Comprehensive Economic Partnership negotiators  
■ India to join when ready



- The U.S., Canada, Brazil, Norway, Switzerland, Argentina, Australia, New Zealand, Costa Rica, Singapore, and Taiwan released a joint statement in late October urging fellow WTO members to increase transparency in dispute settlement procedures at the WTO through the publicization of written submissions, statements to both other WTO members and to the public. The EU, which did not co-sponsor the statement, has agreed with the U.S. on this subject in the past, but has been made clear that this is conditional on the existence of a functioning dispute settlement system, referring to the impending paralysis of the AB in December when two of the remaining three panelists’ terms expire.

## Ag Economy Barometer

- The Ag Economy Barometer made gains in October as fall harvest commenced, climbing 15 points from its September reading and hitting the same level as October 2018.
- Farmer and ag producers improved in their optimism of both current and future farm and agriculture related conditions, as reflected in the Index of Current Conditions increasing 100 points and the Index of Futures Expectations rising 15 points in October.





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