TRADE UPDATE
Food & Agriculture

November 17, 2020

Provided by CRA

HIGHLIGHTS

- **U.S. – China:** China and 14 other Asian countries signed the Regional Comprehensive Economic Partnership (RECP) last week creating the world's largest trading block (i.e. 15 countries, 2.2 billion people and combined GDP of $26.2 trillion).
- **WTO:** At the WTO's Committee on Agriculture session meeting, the U.S. said that an outcome on transparency is the most achievable, given that members' positions remain unchanged on other issues in the negotiations.
- **USMCA:** Mexico is taking steps to comply with the environmental provisions of USMCA by introducing an initiative to mitigate marine litter and is posed to respond to U.S. labor implementation concerns.
- **U.S. – EU:** The EU refuted USDA's study projecting the "Farm to Fork" strategy could increase food insecurity and raise food prices among already vulnerable populations globally.

Quote of the week: "A strong case can be made that serious progress on WTO reform, long overdue, should -- perhaps must -- be made during the COVID 19 crisis." *(WTO Deputy Director-General Alan Wolff)*

China Trade

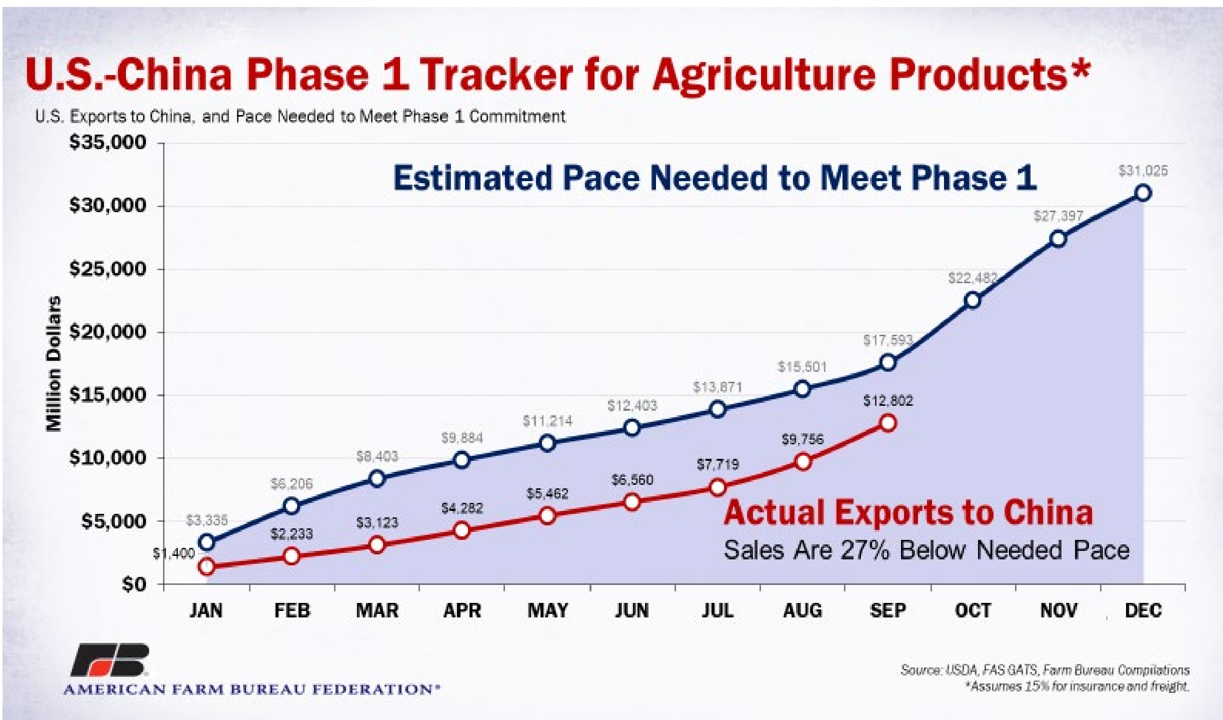
- China, with 14 other Asian countries, signed the Regional Comprehensive Economic Partnership (RECP) last week creating the world's largest trading block (i.e. 15 countries, 2.2 billion people and combined GDP of $26.2 trillion). The RECP builds on the 2012 tariff harmonizing agreement between members of the Association of Southeast Asian Nations (ASEAN), lowering tariffs. The RECP eliminates tariffs mainly for goods that already qualify for duty-free treatment under existing free trade agreements. It allows countries to keep tariffs for imports in sectors they regard as especially important or sensitive and includes rules of origins but does not include provisions on labor and environment. The RECP includes 10 Southeast Asian countries, as well as South Korea, China, Japan, Australia and New Zealand and according to several observers is illustrative of China's growing influence in the region.
- Some trade experts suggested the RECP signals that other countries are moving forward signing trade deals without the U.S., especially after its withdrawal from the TPP. Jennifer Hillman, a senior fellow for trade and international political economy at the Council on Foreign Relations said, "While the United States is currently focused on domestic concerns, including the need to fight the pandemic and rebuild its economy and infrastructure, I'm not sure the rest of the world is going to wait until America gets its house in order." Hillman continued, "I think there are going to have to be some responsive actions to what China is doing."
- Another trade observer suggested RECP's lower trade barriers would blunt the Trump China tariffs as companies may keep work in Asia rather than shift it to North America. Mary Lovely, a senior fellow at the Peterson Institute for International Economics said, "RECP gives foreign companies enhanced flexibility in navigating between the two giants." "Lower tariffs within the region increases the value of operating within the Asian region, while the uniform rules of origin make it easier to pull production away from the Chinese mainland while retaining that access."
- China's State Council issued guidelines instructing state agencies to increase domestic innovation in order to increase exports high-tech goods. The guidelines recommend adhering to China's new dual-circulation strategy and say China will "unswervingly expand opening to the outside world, stabilize foreign trade and foreign investment, stabilize the industrial supply chain, and further deepen technological innovation, institutional innovation, [and] model and business model innovation." China has also

positioned itself as an advocate of the multilateral trading system and promised to "resolutely safeguard the multilateral trading system with the World Trade Organization at its core, resolutely oppose unilateralism and protectionism, support necessary reforms of the World Trade Organization, and actively participate in the formulation of international trade rules."

- U.S.-China Business Council President Craig Allen said he did not believe Biden's trade team would be strictly "pro-China" or "anti-China," but rather composed of pragmatic officials who will "not seek gratuitous confrontation with China." As reported by *Inside Trade*, Allen added that the next U.S. Trade Representative should continue to implement the phase-one deal with China. A phase-two agreement should not be expected to lead to a "trade nirvana" Allen warned, but should include incremental structural reforms.

Phase One Agreement

- China's year-to-date U.S. agricultural product purchases continue to accelerate yet are 27% off the pace needed to meet the overall purchase level in the phase one deal. The gap in purchase levels continued to shrink in September, narrowing 10 percentage points, from a 37% lag in the prior month. China's 2020 agriculture purchases through September totaled $12.8 billion and remain below the $13.8 billion year-to-date level that is needed to meet the phase one commitments based on the target value, the historical pace, and the baseline year set out in the agreement. *(For further details on tracking select agriculture sectors and U.S. exports to China under the phase one deal see last page).*



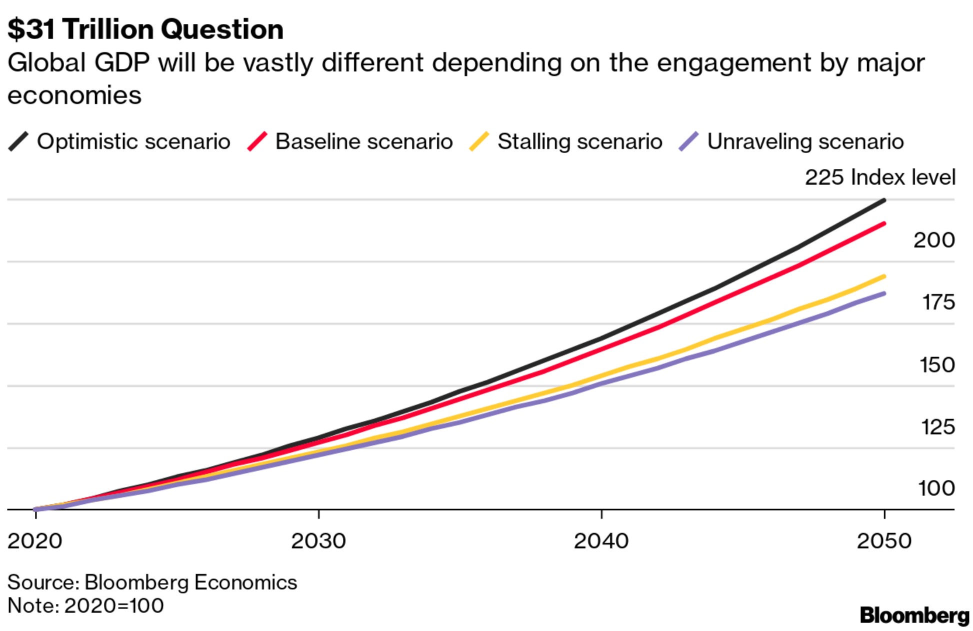
- Prior analysis by USTR and USDA indicated China had bought about $23 billion in U.S. agriculture goods in 2020 equating to around 71% of the target amount set out in the Phase One Agreement. USTR stated, "Since the Agreement entered into force eight months ago, we have seen remarkable improvements in our agricultural trade relationship with China, which will benefit our farmers and ranchers for years to come." The joint report further touted that under the deal the U.S. has successfully addressed 50 of the 57 technical commitments regarding structural barriers in China that had been impeding exports of U.S. food and agricultural products.
- The report noted that "it is still to be seen whether they meet their target but particularly given the COVID-19 effects on the global economy they are making substantial progress." "It is worth noting that the Phase One Agreement did not go into effect until February 14, 2020, and March is the first full month of its effect. That means that we have seen seven months of agreement sales," the report said.

U.S.-U.K. Trade Agreement

- The U.S. and U.K. concluded their fifth round of talks. The most recent round covered digital and environmental issues, as well as a state to state dispute settlement mechanism. U.K. Trade Secretary Liz Truss called the fifth round of talks "the most intensive" as it covered 38 sessions on 19 different chapter areas of the trade deal. British negotiators sought to reach advanced stages prior to the U.S. election to guarantee a smooth transition in a Biden transition. No further word on scheduling for the next round of negotiations.
- One trade observer opined that negotiations over the U.S.-U.K. trade pact may near completion in early 2021 yet a Biden Administration will have to decide what to do with it. "My expectation is that Biden is going to want to put his own stamp on this. There may be some slight disagreement, even if it's done [and] fully baked come Jan. 20," said Nasim Fussell, a former chief trade counsel for Senate Finance Committee Chairman Chuck Grassley's (R-IA). However, Biden may not have time to make a mark prior to the expiration of the Trade Promotion Authority. Analysts have suggested that TPA could be extended only for the U.S.-U.K. trade deal.

COVID-19 Developments

- Analysis by Bloomberg Economics forecasts that by 2050, global GDP would be $31 trillion smaller in a scenario that sees much lower engagement by major world economies, or a return to conditions prior to China joining the WTO versus one where the U.S. and other major economies commit to globalization. That amount equals the entire annual output of the U.S., Japan and Germany.



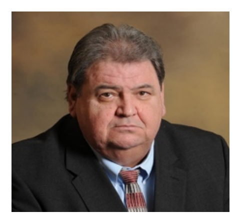
USMCA

- Mexico is taking steps to comply with the environmental provisions of USMCA by introducing an initiative to mitigate marine litter. USMCA's environmental chapter includes language on marine protections. In a Nov. 11 statement, the Mexican Economy Ministry said, "Recognizing the severity of the problem, the governments of Mexico, the United States and Canada incorporated in the Environment Chapter of the T-MEC a specific commitment to take measures to prevent and reduce marine litter." "Mexico's adhesion to the GGGI reflects the will of our country to protect our oceans, as well as the intention to comply with the environmental obligations assumed in the T-MEC." Democrats in the House Ways & Means Committee have closely monitored Mexico's enforcement of its environmental laws.

- A CBP official said the informed compliance terms of USMCA enforcement provisions could still be extended according *Inside U.S. Trade*. The CBP has given the auto industry until July 1, 2021 to operate under informed compliance while all other industries have until Jan. 1, 2021. "Right now, I would say it's etched [instead of set in stone]," the director of the CBP USMCA Center Queena Fan said. "Our mission is to make sure we give the greatest amount of flexibility to the trade as possible and really hear what is the art of the possible. These are all things into play but as of right now the plan is still Jan. 1. I'm not saying it's set in stone if other considerations come into play here so that's why we want to hear from the trade community."
- As reported earlier, House Ways and Means Committee Democrats added their voice to the mounting criticisms over the administration's handling of USMCA implementation and enforcement. Committee Chairman Richard Neal (D-Mass) said, "The Trump Administration's lackadaisical approach to implementing and enforcing the USMCA is an affront to American workers, threat to the health of our hemisphere's environment, and disservice to the US economy." The Ways and Means group indicated specific concerns with the administration's failure to enforce USMCA's labor and environmental standards. They also plan to closely monitor the USMCA's provisions on autos and Canada's actions that could disadvantage U.S. dairy farmers.
- The Democrats recently issued a report card on the Trump Administration's USMCA Implementation outlining the list of USMCA concerns including:
  - Delayed establishment of the Forced Labor Enforcement Task Force and the Task Force's failure to issue its first report, which is now two months overdue;
  - Slow disbursement of funds designated to promote labor reforms and worker rights in Mexico;
  - Failure to proactively monitor and enforce the USMCA's new labor standards; and
  - Lack of utilization of resources intended to enforce the USMCA's environmental obligations.

  The Report Card goes into detail on grave concerns, and specific issues, including labor enforcement, labor funding in Mexico, auto rules, and dairy provisions.

U.S.-Vietnam


Thomas Conway, USW President

- The federal Labor Advisory Committee expressed its support for USTR's decision to launch a Section 301 investigation into Vietnam's currency practices. The Committee also urged USTR to impose an 8.4% tariff on Vietnamese goods, estimated to equal to the amount of currency undervaluation found by the International Monetary Fund in 2018. Committee Chair, and USW President Thomas Conway said on behalf of the Committee, "Vietnam's currency manipulation is the result of deliberate government policies that have been in place for many years and are designed to gain a competitive advantage for its exports." "The harm to U.S. producers from these policies has grown substantially because of the shifting of supply chains from China to Vietnam in response to the imposition of tariffs by the U.S," Conway continued.
- Other U.S. business groups oppose the currency investigation. The American Chamber of Commerce in Hanoi expressed to USTR that, "Currency manipulation has not been an issue for our membership." U.S. Chamber of Commerce in Washington also expressed objections writing, "This new Section 301 investigation, with the inherent possibility that the United States will impose tariffs on goods from Vietnam, is at odds with the oft-stated goal of the Trump administration to favor diversification of supply chains in the Asia-Pacific in a manner favoring countries such as Vietnam rather than China."
- As the period for public comments has ended, the next step in the Section 301 investigation is a formal finding by USTR. USTR could issue its report and impose a trade remedy prior to the Trump administration leaving office on Jan. 20.
- The U.S. Commerce Department, for the first time ever, has imposed countervailing duties on goods in response to a country's currency practices. In the particular case, the U.S. said Vietnam unfairly subsidized tire producers. A Nov. 4 statement read, "The Commerce Department preliminarily

determined that exporters and producers from Vietnam received [countervailable] subsidies with rates ranging from 6.23 percent to 10.08 percent." "Among the subsidies preliminarily countervailed is Vietnam's undervalued currency -- making this the first time that Commerce has ever made an affirmative CVD determination regarding a foreign currency with a unitary exchange rate." The decision will likely set a precedent and the U.S. may file more currency-related trade cases in the future.

- If the Commerce Department investigation finds Vietnam undervalues its currency, it could lead to U.S. duties on a wide range of Vietnam exports to the U.S. The public comment period will close next week, and a final duty determination will be announced around March 16, 2021.

Section 232 Investigations

- As noted earlier, the Trump Administration is poised to impose Section 232 trade remedies on transformer parts, according the steel company behind the petition for the Section 232 investigation. Cleveland-Cliffs Inc., the parent company of AK Steel, reported last week in a press release, "President Trump's Administration will be moving forward with a Section 232 action implementing a remedy covering imported laminations and cores of Grain Oriented Electrical Steel (GOES)." No official announcement from the administration to date, yet sources indicated that "things are moving in the right direction."
- Mexico will avoid any Section 232 tariffs for grain oriented electrical steel (GOES) related to the transformer parts investigation. Amb. Lighthizer reported that Mexico agreed to create a "strict monitoring regime" for those exports composed of GOES to avoid Section 232 tariffs. In a statement, USTR reported that the U.S. and Mexico concluded consultations via a mechanism established in a May 2019 agreement to "address the transshipment" of GOES "from outside the North American region into the United States through GOES-containing downstream products." Under the agreement, Mexico will promptly create a monitoring regime and starting in fourth quarter, that regime will "closely monitor shipments of these products to the United States," according to the statement.
- Under Section 232, the President must render a decision no later than 90 days after receiving the Commerce report to impose Commerce's recommendation on trade restrictions or craft a different set of tariff or trade restrictions. Then the President has 15 days to implement any trade actions and 30 days to submit a report to Congress explaining the President's action or inaction.

U.S.-Japan Trade Developments


Wendy Cutler, Vice President, The Asia Society Policy Institute

- Wendy Cutler, vice president at the Asia Society Policy Institute and a former acting deputy U.S. Trade Representative and Kurt Tong, a former Asia-Pacific Economic Cooperation ambassador and deputy chief of mission at the U.S. Embassy in Tokyo, wrote an op-ed urging U.S. and Japan to collaborate in areas such as digital rules, technology restrictions and the WTO. As the prospect of a phase-two agreement remains uncertain, "We should avoid the rabbit hole of comprehensive phase two talks, and instead get to work on the above-mentioned priorities even before the shadow of the coronavirus has dissipated," Cutler and Tong wrote. Addressing the stagnating phase two talks, the op-ed continues, "[I]t is no longer clear that this second phase of bilateral trade talks should rank high on the list of U.S.-Japan economic priorities."
- As reported earlier Rep. Ron Kind (D-WI) confirmed the paucity of dialogue or action on a potential phase two U.S. – Japan trade agreement. Rep. Kind said USTR has not provided the House Ways and Means Committee members significant "follow-up" information about a potential deal and noted that earlier in the year Amb. Lighthizer told lawmakers initiation of phase-two negotiations had been delayed by COVID-19 and that the administration hoped to start those talks in a "few months." "The administration promised to go back to Japan for things that were left out such as dairy," Kind said. "There has been very little, if any, follow-up in that regard, which has been extremely disappointing to my farmers here in Wisconsin."

U.S. – EU Trade

- With an anticipated Biden Administration, the EU has reaffirmed support for the trade deal on lobsters with the U.S. The agreement, negotiated back in August, is worth about $200 million in annual trade. The EU plans to remove 8% to 12% on lobster imports while the U.S. will halve duties on imports of glassware, ceramics, disposable lighters and prepared meals according to *Reuters*. The EU parliament international trade committee voted in favor of the agreement by 40-2 and will head to a vote in the full European Parliament in late November.
- Germany has indicated its support for refreshed trade relations with the U.S. Germany Economy Minister Peter Altmaier said this week that it had, "become clear that a very broad majority of member states see the U.S. presidential election as an opportunity to realign trade relations, to resolve trade conflicts … and to contribute to a more rule-based, multilateral, anti-protectionist global trade relationship," according to a report by *Politico*. Altmaier also noted Europe's welcoming response to an incoming Biden Administration was based on the expectation that the U.S. would remove its tariffs on EU goods. "With the new administration … we are striving for a situation in which it is no longer necessary to impose special tariffs for individual product groups, because we are prepared to reach a comprehensive trade policy agreement with the U.S.," Altmaier stated. German Chancellor Angel Merkel said Germany and Europe are prepared to contribute more to the transatlantic relationship, naming free trade as a key priority of the U.S. and Germany.

Peter Altmaier, Germany Economy Minister

- In a recent speech, European Commission President Ursula von der Leyen advocated for a new transatlantic partnership. She stated, the EU Commission "stands ready to intensify cooperation" with the new U.S. administration on "everything from security to sustainability, from tech regulation to trade, from leveling the global economic playing field to strengthening global institutions."

EU Farm-to-Fork Plan

- The EU refuted USDA's study that projected the "Farm to Fork" strategy could increase food insecurity and raise food prices among already vulnerable populations globally. "We think it doesn't take account of everything that's in the farm support strategy," said Claire Bury, the European Commission's Deputy Director General for Food Policy. "Specifically, it doesn't take account of any research and innovation in new technologies" that are expected to maintain or increase agricultural output. Bury pointed to recent statistics to defend the EU policy stating, "From 2012 to 2017, we managed to reduce the risk from pesticide use by 20 percent and similarly anti-microbial use was reduced by 33 percent during the same period ... So I think the targets we set are reasonably when you look at the performance in the past."

Claire Bury, EU Deputy Director General, Food Policy

- Under the farm-to-fork strategy, part of the broader "EU Green Deal," to achieve climate neutral by 2050 on the continent, the policy sets 10-year targets to reduce the use and risk of pesticides by 50%, cut fertilizer use by at least 20%, curb sales of antimicrobials used for farmed animals and aquaculture by 50% and boost agricultural land under organic farming to 25%.
- The USDA study by the Economic Research Service projected a 7% decline in EU agricultural production under the EU-only scenario and a 12 percent decline in EU agricultural production under the global adoption scenario. The study forecast EU food prices to rise 17% to 60%. Global food prices would rise 89% if every country adopted the EU targets, the report said.
- The study stated, "The decline in agricultural production would tighten the EU food supply, resulting in price increases that impact consumer budgets," USDA said. "Prices and per capita food costs would increase the most for the EU, across each of the three scenarios. However, price and food cost increases would be significant for most regions if [the targets] are adopted globally. For the United States, price and food costs would remain relatively unchanged except in the case of global adoption." Further, "By 2030, the number of food-insecure people in the case of EU-only adoption would increase by an additional 22

million more than projected without the EC's proposed Strategies. The number would climb to 103 million under the middle scenario and 185 million under global adoption."

Civil Aircraft Disputes

- USTR Robert Lighthizer commented on the EU action to impose retaliatory tariffs in a statement. "The United States is disappointed by the action taken by the EU today," wrote Lighthizer. "The alleged subsidy to Boeing was repealed seven months ago. The EU has long proclaimed its commitment to following WTO rules, but today's announcement shows they do so only when convenient to them." Notably, Lighthizer did not threaten to impose further tariffs on EU products.
- Last week the EU imposed tariffs of 15% on U.S. aircraft and 25% on agricultural goods, totaling $4 billion under the WTO ruling on U.S. subsidies for Boeing civil aircraft. Commission Vice President Valdis Dombrovskis said insisted the EU was merely aiming level the playing field and not escalating the trade tensions, as the U.S. has already imposed tariffs of 15% on EU aircraft and 25% on EU agricultural goods following the WTO ruling last year on illegal launch aid for Airbus. Dombrovskis said that "both in tariff rates applied and the composition" of products, the EU would "mirror the U.S. approach … Apart of aircraft tariffs there are also going to be tariffs on agricultural, processed agricultural and industrial goods." Mr. Dombrovskis continued, "I want to underline that we are not escalating anything, we are exercising our rights as awarded by the WTO… I would like to remind that U.S. is applying their tariffs already for a year… we are ready to withdraw or suspend our tariffs any time when the U.S. is ready to do so on their side, whether it be under the current or next administration."
- Last month, the WTO granted the EU the green light to move froward with $4 billion in retaliatory tariffs against U.S. products under the civil aircraft dispute regarding Boeing. The U.S. countered immediately stating the EU has no legal basis to impose aircraft tariffs in in conjunction with recent WTO's arbitrator's announced award level of $4 billion on U.S. products.

French Digital Services Tax

- European Commission President Ursula von der Leyen said she hopes a global deal on digital services tax can be reached within the OECD framework with U.S. approval. Von der Leyen indicated the new "final deadline" of mid-2021 and reemphasized that "Europe will act" with its own digital tax "should an agreement fall short of a fair tax system that provides long-term sustainable revenues." It is unclear how a Biden administration will approach the issue of digital services tax.
- Negotiations at the OECD on a digital services tax agreement will extend into June 2021. The OECD published updated proposals for the two areas of its digital tax which will be provided to ministers at the G-20 meeting in October before being released to the public, sometime before January. In total, the two pillars are expected to generate $100 billion in tax revenues. OECD officials believe that the COVID-19 pandemic and the upcoming U.S. Presidential election have severely hampered efforts in reaching an agreement by the end of this year, as originally planned.

U.S.-Brazil

- On Nov. 4, Brazil's agriculture ministry implemented a new regulation facilitating imports of GMO soybeans from the U.S., according to *Reuters*. In a statement, Brazil recognizes "the equivalence of genetically modified events approved in the United States and in Brazil." This regulation follows a lack of supply of soybeans in the Brazilian market that had led to increasing prices for animal feed and contributed to food price inflation. To mitigate the rising prices, in October, Brazil temporarily suspended import tariffs on corn, soybeans, soymeal, and soy oil from countries outside the Mercosur trade bloc. Brazil plans to import 1 million tons of soybeans this year, according to a forecast by Brazil's Above, the highest volume since 2008.
- Prospects for a broad Brazil FTA were summarily dismissed by Amb. Lighthizer shortly after the mini-trade was announced with Brazil. Lighthizer stated, "The reality is there is no support for an FTA in the Democratic Party. I would say an FTA right now is probably not in the cards." Lighthizer also stated there are negotiations with Brazil over ethanol and sugar market access, among other agricultural concerns.

This week, House Ways and Means Chair Richard Neal (D-Mass.) delineated Democrats' concerns saying the Trump administration rewarded "a Brazilian administration that lacks respect for basic human rights, the environment, and its own workers."

- The U.S. and Brazil recently reached an agreement on a mini trade deal. The agreement or U.S.-Brazil trade protocols includes trade facilitation, regulatory practices, and anti-corruption measures. Brazilian President Bolsonaro announced on Monday, "This triple package will be able to slash red tape and bring about even more growth to our bilateral trade with beneficial effects to the flow of investments as well." Observers cautioned that in spite of both sides committing to continue negotiations on a comprehensive bilateral trade agreement, U.S. House Democrats will likely oppose such a deal over concerns of Bolsonaro's record of abusing civil, human, environment, and labor rights.

U.S. – Kenya Trade Negotiations

- The second round of U.S. - Kenya trade negotiations concluded last week. According to the American Chamber of Commerce in Kenya, Nairobi prepared text for several chapters for the round on legal and transparency issues; market access for goods; sanitary and phytosanitary measures; textiles and apparel; customs and trade facilitation; technical barriers to trade; services and investment; digital trade; intellectual property; small and medium-sized enterprises; government procurement; state-owned enterprises; and labor and environment. USTR aims to negotiate a comprehensive deal with Kenya prior to TPA's expiration.

Section 201 Investigations

Seasonal Produce

- The USITC is conducting separate "monitoring" investigations on imports of strawberries and bell peppers, respectively, as requested by USTR as part of the seasonal produce plan. In a letter to the USITC dated Nov. 3rd, Amb. Lighthizer requested "the collection and analysis of information that would expedite investigations" into fresh or chilled strawberries and bell peppers. The information may form the basis for launching section 201 global safeguard investigations in the near future. The USTR's Seasonal Produce Plan outlined the monitoring investigation stating, "USTR will work with domestic producers to commence an investigation by the International Trade Commission to monitor and investigate imports of strawberries and bell peppers, which could enable an expedited Section 201 global safeguard investigation later this year."
- USTR action stems from Oct. 6th letters from the Florida strawberry and bell pepper groups to Amb. Robert Lighthizer requesting USTR to initiate import monitoring investigations as part of the seasonal produce action plan. The Florida Fruit and Vegetable Association (FFVA), Florida Strawberry Growers Association (FSGA), and Florida Farm Bureau requested USTR to formally request the USITC to "monitor and investigate imports of strawberries, which could enable an expedited Section 201 global safeguard investigation later this year." The FFVA, Florida Farm Bureau sent a comparable letter regarding bell peppers requesting a similar investigation.
- The Section 201 blueberry investigation by the USITC is underway and key milestone dates include the deadline for an injury decision on Feb. 11, 2021 and USITC injury report due to the President by March 29, 2021. Key dates in the Section 201 investigative process are noted in a USITC fact sheet:
  - **January 12, 2021:** Hearing on injury
  - **February 11, 2021:** Vote on injury (Statute requires vote by 180 days (Feb. 26, 2020), but USITC invoked 15-day extension under "extraordinarily complicated" provision).
  - **February 25, 2021:** Hearing on remedy (if affirmative injury vote)
  - **March 19, 2021:** Vote on remedy recommendation (if affirmative injury vote)
  - **March 29, 2021:** USITC report and recommendation to the President (if affirmative injury vote).
  - **May 28, 2021:** Presidential announcement on action – (e.g. adopt USITC remedy recommendation, develop different remedy, decline to take any remedy action).

WTO

- The U.S. urged WTO members involved in the Agriculture negotiations to focus on realistic outcomes, including transparency. At the WTO's Committee on Agriculture session meeting, the U.S. said that an outcome on transparency is the most achievable, given that members' positions remain unchanged on other issues in the negotiations. The U.S. noted that for the 12th Ministerial in 2021 regarding Agriculture an agreement on transparency would facilitating a path to achieving outcomes in other areas. The EU concurred with the U.S. recommendation that transparency should be a priority, urging members to avoid repeating intractable positions that slowed prior negotiations. Both the EU and U.S. said they support the new facilitator-led process for the agriculture negotiations.
- Honduran Ambassador Dacio Castillo, told members that the Nov. 27 Dispute Settlement Body meeting will be canceled after Geneva re-imposed restrictions on in-person gatherings. The next DSB meeting is scheduled for Dec. 18. Negotiations on curbing harmful fisheries subsides have continued to occur virtually.

WTO Leadership

- The WTO Director-General selection is likely stalled until early in the new year with local COVID restrictions in Geneva and an impasse over a consensus candidate. The WTO General Council chair, David Walker recently postponed a meeting to discuss the DG selection. Ambassador David Walker cited "the health situation and current events" in announcing he was postponing the meeting "until further notice." "It has come to my attention that for reasons including the health situation and current events, delegations will not be in a position to take a formal decision on 9 November," Walker said in his communication to members on Friday. "I am therefore postponing this meeting until further notice during which period I will continue to undertake consultations with delegations." Swiss authorities in Geneva, Switzerland, announced strict new lockdown measures amid a surge in infections and hospitalizations in the Swiss city. From Nov. 2 until Nov. 29, the area will prohibit public and private events of more than five people.
- The postponement indefinitely extends resolution to the DG selection and likely leading candidate Ngozi Okonjo-Iweala's recommendation to achieve consensus. The impasse was created recently when the U.S. staunchly supported the other DG finalist, Korean Trade Minister Yoo Myung-hee, who has not been withdrawn from the race by South Korea and indicated it would block the appointment of Okonjo-Iweala. USTR supported its position in the following statement:

  "The United States supports the selection of Korean Trade Minister Yoo Myung-hee as the next WTO Director-General. Minister Yoo is a bona fide trade expert who has distinguished herself during a 25-year career as a successful trade negotiator and trade policy maker. She has all the skills necessary to be an effective leader of the organization."

  "This is a very difficult time for the WTO and international trade. There have been no multilateral tariff negotiations in 25 years, the dispute settlement system has gotten out of control, and too few members fulfill basic transparency obligations. The WTO is badly in need of major reform. It must be led by someone with real, hands-on experience in the field."

WTO Reform

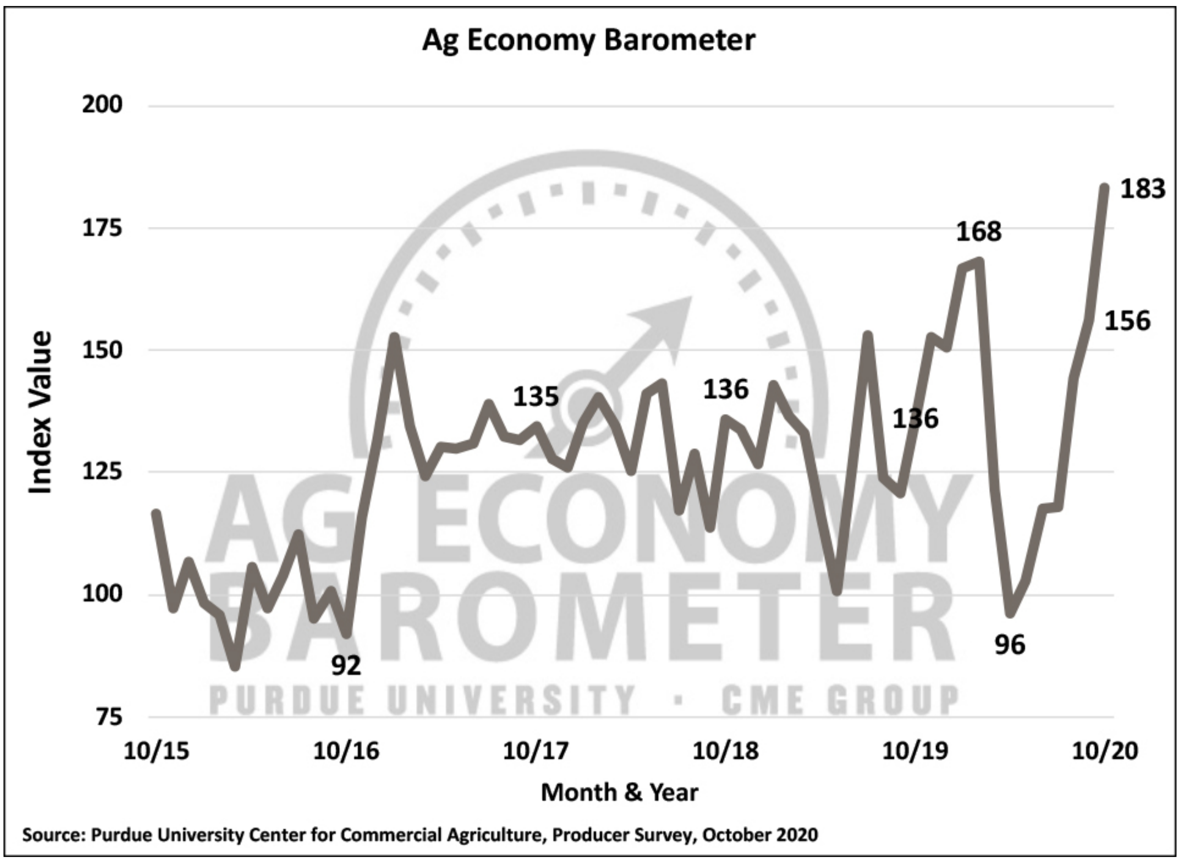
- WTO Deputy Director-General Alan Wolff said the pandemic offers an opportunity for the WTO to present itself capable to manage crises and increase trust among members. In a webinar Wolff stated, "A strong case can be made that serious progress on WTO reform, long overdue, should -- perhaps must -- be made during the COVID 19 crisis." Wolff also argued that deliberation is a key component to WTO reform. "What we need is a beginning of deliberations," he said. "We're not talking about the broad range of things that make us relevant.... We have to, I think, broaden the discussion. It doesn't mean everything has to move forward at the same speed." Wolff also emphasized the dire need of WTO reform, "Corrective

Alan Wolff, WTO Deputy Director-General action is long overdue at the WTO" and urged members to "convene one of more working parties (or joint initiatives) to begin a serious discussion on specific reforms," either for "continuous improvements in the functioning of the organization, or, if need be, a package of agreements."

- Earlier, U.S. Ambassador to the WTO, Dennis Shea commented on WTO reform stating, "The institutional paralysis of the negotiating function should be at the center of our reform efforts. It is clear to us that piecemeal reforms will not suffice to pull the WTO from its current rut. Consequential reform of the negotiating function needs to begin with a shared commitment to the foundational principles of the WTO."

Ag Economy Barometer

- The Ag Economy Barometer continued to rise reaching the highest level the since survey began in 2015. Farmer sentiment reached a record high index of 183 in October, was up 27 points from September. The surging positive sentiment over the past several months was propelled by dissipating concerns over COVID-19's impact on farm, robust crop yields, increasing prices for in key commodities, government payment programs (e.g. CFAP 2) and optimism for higher farmland values and cash rental rates for farmland in 2021. The barometer index has nearly doubled, increasing 87 points since the COVID-19 low earlier this year of 96 points.



China Phase One Tracker – Select Agriculture Products