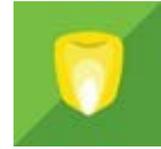


TRADE UPDATE Food & Agriculture



Provided by CRA

January 12, 2021

HIGHLIGHTS

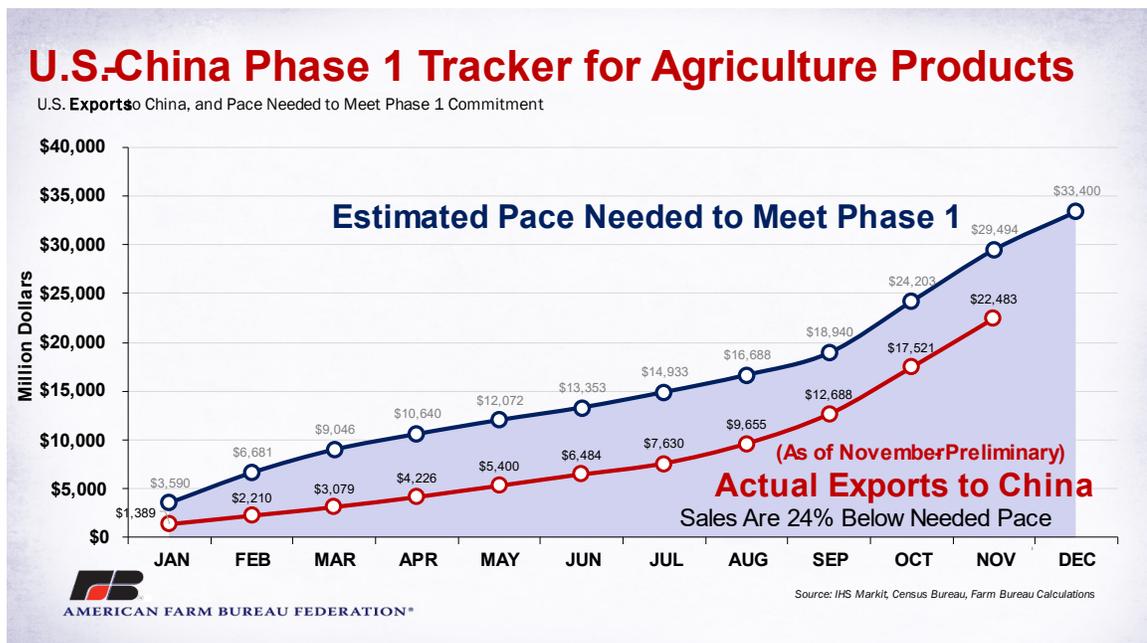
- **U.S. – China:** The latest U.S. trade data suggest China’s gap in agriculture purchase commitments under the phase one deal continues to narrow at 24% in November. U.S. soybean export sales are unusually strong in January for both the current 2020-21 marketing year and the 2021-22 marketing year.
- **U.S. – U.K.:** While details of the U.S.- U.K. negotiations remain scarce, officials say that none of the sanitary, phytosanitary and food safety issues that separate the two governments have been resolved.
- **U.S.-Vietnam:** More than 200 companies and trade associations are urging the Trump administration through a letter to avoid imposing Section 301 tariffs on goods from Vietnam.
- **WTO:** The U.S. and EU contended at the WTO that India’s intellectual property protections are insufficiently enforced, and the country is enacting additional trade barriers.

China Trade

- U.S. soybean export sales are unusually strong in January for both the current 2020-21 marketing year and the upcoming 2021-22 marketing year. *Agri-Pulse* reports that the increase in U.S. soybean exports results from a rise in Chinese imports to feed its growing swine herd and replenish stocks to rebuild its swine herd after the devastating African swine fever. Mac Marshall, vice president of market intelligence for the United Soybean Board and the U.S. Soybean Export Council said, “While the levels now being reported are not unprecedented, they are higher than they have been in the past four years.”

Phase One Agreement

- China’s year-to-date U.S. agricultural product purchases continue to increase as the gap on the lagging pace of agriculture purchase commitments narrows. Based on November trade data, purchases are approximately 24% under the level needed to meet the Phase One deal commitments. *(For further details on tracking select agriculture sectors and U.S. exports to China under the phase one deal see last page).*



U.S. - U.K. Trade

- While the U.S.-U.K. deal remains unfinished, the U.S. agriculture sector continues to push the U.K. to avoid agreeing to European protections for food names and dismiss the EU’s anti-biotech stance as well as other policies that restrict agriculture trade. While details of the agreement remain scarce, officials tell *Agri-Pulse* that none of the sanitary, phytosanitary and food safety issues that separate the two governments have been resolved. Senate Finance Committee Chairman Chuck Grassley commented on the progress of the negotiations saying, “It’s probably more needed by the UK than it is by the United States,” he added “but it would be nice if both of them got it done. I want to get it done.”
- Remaining optimistic of a U.S.-U.K. trade deal in 2021, U.K. ambassador to the U.S., Karen Pierce said “I don’t want to be presumptuous about the Biden administration’s policies and priorities, but we believe this deal can be done, it can be done in 2021,” adding that the U.K. did not want to set a “hard deadline” for an agreement. To achieve a deal in 2021, the U.K. is willing to address labor and climate-related issues in talks with the Biden administration according to Pierce. “It wouldn’t take too much bandwidth to get it through Congress, and we’d be delighted to work with the Biden administration if there were particular angles – some people have mentioned labor, some people have mentioned climate – that they would like to see included.”
- The scheduling of another formal round of bilateral talks is unlikely until after the January 20th inauguration and the Senate confirmation of a new USTR. Critical to timing of any U.S. – U.K. trade deal in 2021 is the expiration of Trade Promotion Authority (TPA) in June 2021, historically key to timely Congressional consideration of trade agreements. Under TPA or previously known as “fast track” authority, USTR would need to submit the signed U.S-U.K. trade agreement to Congress by April 2021 to receive consideration under TPA.

COVID-19 Developments

- The [Commerce Department reported](#) the U.S. trade deficit increased 8 percent in November, reaching its highest level since August 2006. Imports of consumer goods reached a record high prior to the holiday season as imports of capital goods used by manufacturers were the highest in two years. The combined deficit for goods and services was \$68.1 billion, while the deficit for only goods was a record \$86.4 billion.
- The WTO reported a rebound in global merchandise trade volumes in the third quarter of 2020 following the deep second quarter slump brought on by the COVID-19 crisis. In a release, the WTO stated, “In the third quarter, the volume of merchandise trade rose 11.6% compared with the previous quarter after falling 12.7% in the second quarter (revised up from an initially estimated decline of 14.3%). Despite the rebound, the volume of trade between July and September was still 5.6% lower than in the same period last year.”



USMCA

- Canada has requested that the U.S. remove the "safeguard" tariffs on its solar products, which it said violate the new USMCA. "Canada has requested consultations with the United States on its continued tariffs on solar products, as first steps in the CUSMA dispute settlement process," Canadian Trade Minister Mary Ng said in a statement. "These tariffs are unwarranted and clearly violate the provisions and the spirit of CUSMA."
- According to Canadian officials, Canada's exports of solar products to the U.S. have declined by as much as 82 percent under the global safeguard duties. Should the consultative mechanism fail, Canada can request a USMCA dispute settlement panel within the next 30 days. The request by Canada adds to the growing list of trade issues facing the new the Biden administration and the next USTR.
- Senate Majority Leader Mitch McConnell has named the last two members of the 12-member Independent Mexico Labor Expert Board required by the USMCA implementing bill. The two members are Kyle Fortson, a former labor policy staff member for the Senate Health, Education, Labor and Pensions Committee, and Charlotte Ponticelli, a former Labor Department official. The board is designed to advise an interagency labor enforcement committee on "capacity-building activities needed to support such implementation and compliance," according to the USMCA implementing bill.
- As reported earlier, USTR filed the first-ever USMAC enforcement action against Canada for failing to implement dairy tariff-rate quotas (TRQs) and other market-opening provisions that Canada established for its dairy industry that took effect on July 1. USTR says the provisions unfairly shield Canadian firms in violation of the USMCA, which was supposed to open the protected market to American producers. "By setting aside and reserving a percentage of each dairy TRQ exclusively for processors, Canada has undermined the ability of American dairy farmers to utilize the agreed-upon TRQs and sell a wide range of dairy products to Canadian consumers," the USTR press release stated.



*Mary Ng, Canadian
Minister of
International Trade*

U.S. – India Trade

- No updates on a U.S.-India limited trade deal. Earlier Amb. Lighthizer said the U.S. and India are not "far away" from concluding a limited market-access deal that will like carry into the next administration. Speaking at a [webinar](#) conducted by the Confederation of Indian Industry, Lighthizer said "We need a large, free trade-like agreement between the United States and India and that will cement this relationship in a way that other things won't and that will be good for the economics as well as the security, I think, of both countries and help us ... write the rules for trade going forward."
- Lighthizer acknowledge that both countries have been working on a trade deal since 2019, following U.S. revocation of GSP for India and conceded finalizing a trade by next month is unlikely. "We had talked about doing a smallish GSP deal but both of us really think that what's ultimately needed is a big deal," Lighthizer said, and emphasized "A deal with the U.S. can happen only if India reduces tariffs substantially in a variety of areas."
- Earlier in the year, India's Commerce Minister Piyush Goyal said, "India is open to signing on what we have agreed on." "I've left it to [Lighthizer] to make the final call," he added. Goyal had previously noted that after two years of negotiations a deal is in reach. "We are almost there," Minister Goyal said at an event hosted by the U.S.-India Business council in July. Goyal emphasized that the U.S. and Indian leaders should also look at a preferential trade pact with 50 to 100 products and move to a comprehensive free trade pact in the long term.

U.S. – Vietnam

- More than 200 companies and trade associations are urging the Trump administration through a letter to avoid imposing Section 301 tariffs on goods from Vietnam. The letter states, "Responding with tariffs would undermine American global competitiveness and harm American businesses and consumers at a time when they can least afford it, as they are struggling from the impacts of COVID-19." It continues,

“Many companies shifted sourcing to Vietnam as a direct result of the China 301 tariffs and supply chain diversification efforts. Placing tariffs on imports from Vietnam would punish those companies who made the sourcing shift as the administration had asked.” Signatories of the letter include: the American Apparel & Footwear Association, the U.S. Fashion Industry Association, the National Foreign Trade Council, Adidas, Dr. Martens, and FILA.

- A source familiar with USTR’s Vietnam investigations said the U.S. and Vietnam are working to resolve trade issues to prevent the imposition of Section 301 tariffs. “Both sides are working closely to solve the trade issues through consultation and cooperation,” the source said. “High-level dialogues have been conducted recently with positive commitments.”
- During a webinar hosted by the Washington International Trade Association, Schagrin Associates founder and President Roger Schagrin predicted no action as a result of the Section 301 investigation saying, “I don’t think in the waning days -- because it really is a decision that has to go through the president -- that they are likely to take any action.” President and CEO of Bay Global Strategies in Hanoi, Virginia Foote was less confident, stating, “The wild card is what is the tariff level -- is it recommended or is it implemented? The concern is, if it’s implemented, obviously Vietnam is too small a market for it to be the first thing on the new administration’s trade agenda to come in and say ‘8-10 percent added on to Vietnam should be lifted.’” Foote added, “If it’s 25 percent, then maybe we do get the attention of the new administration. But if it’s not that big, then how quick are we going to get on the attention list?”
- The Vietnamese government is attempting to avert potential U.S. tariffs by issuing a background paper and aiming to orchestrate high-level calls with Secretary of State Pompeo and USTR Robert Lighthizer, according to press reports. The background paper said Vietnam hopes USTR’s concerns can be resolved through consultations, rather than tariffs and did not explicitly address potential retaliatory tariffs by Vietnam. “Vietnam is willing to negotiate with the USTR to upgrade the current bilateral trade action plan towards a more balanced, sustainable and mutually beneficial trade relations,” the paper said. The paper further noted that, “the government and relevant agencies of Vietnam are taking very strong and decisive measures to purchase more U.S. products and services, including airplanes, LNG [and] agricultural products.” After USTR announced the section 301 investigations on currency manipulation and illegal lumber trading, Vietnam’s Prime Minister Nguyen Xuan Phuc sent two letters to Trump urging a non-tariff resolution to the investigations. The recent background paper confirmed that U.S. and senior Vietnamese officials previously had “a very positive and fruitful call” on resolving the issue.
- Earlier in the month, the U.S. Treasury Department named Vietnam a currency manipulator along with Switzerland. Treasury said in the [report](#) that the U.S.’ goods trade deficit with Vietnam “reflects a large expansion of Vietnam’s export capacity in apparel and technology, and its growing global supply chain integration,” as well as tariff and non-tariff barriers hindering U.S. automotive and agricultural exports.

Section 232 Investigations

- No significant updates since the Commerce Department terminated the investigation into the national security implications of mobile crane imports at the petitioner’s request. The remaining two section 232 investigations involve transformer parts and vanadium. USTR has already indicated in the transformer parts case that Mexico will avoid any Section 232 tariffs. Amb. Lighthizer reported that Mexico agreed to create a “strict monitoring regime” for those exports composed of GOES to avoid Section 232 tariffs.
- 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. – EU Trade

- USTR Robert Lighthizer said the U.S. will not impose the 25% tariffs on French products, which would be valued at \$1.3 billion, expected to go into effect this week in retaliation for France’s digital services tax (DST). Lighthizer said he did not impose the tariffs because, “the ongoing investigation of similar DSTs

adopted or under consideration in 10 other jurisdictions." USTR's [press release](#) on the issue provided no timeframe for further action.

- Prior to the new year, Chair of the House Ways and Means Committee Richard Neal urged President-elect Joe Biden to pursue a trade deal with the EU saying, "Our partners across the Atlantic have shown a willingness to embark on a new, substantial trade relationship with the United States, and we should embrace this opportunity. A new U.S.-European trade arrangement will only enhance our ability to moderate China's intensifying pursuit of growth and prosperity, which threatens to subject the rest of the world to its economic and political dominance." This statement further emphasizes the likelihood of restoring trade relations with the EU under a Biden Administration.

Civil Aircraft Disputes

- The U.S. and EU remain deadlocked in the escalating WTO aircraft disputes since USTR [announced](#) it will impose tariffs on additional European goods. According to USTR, the EU took the wrong approach in calculating its WTO authorized tariffs as it used "trade data from a period in which trade volumes had been drastically reduced due to the horrific effects on the global economy from the COVID-19 virus." "Although the United States explained to the EU the distortive effect of its selected time period, the EU refused to change its approach," USTR claims. Moreover, USTR says the EU also calculated the amount of trade "using EU-27 trade volume," excluding United Kingdom trade. "The effect of this was to unfairly increase the retaliation for the 52 days in which the UK remained within the EU for tariff purposes," and the EU "needs to take some measure to compensate for this unfairness."
- Following the additional tariffs by the U.S., the European Commission said it hopes to find a swift resolution with the incoming Biden administration on the civil aircraft dispute. "The EU will engage with the new U.S. administration at the earliest possible moment to continue these negotiations and find a lasting solution to the dispute," the EC wrote in a statement. "We're in close contact with the European Commission and all our partners to establish the adequate response that should be given to this American decision we deem illegitimate and that comes at a time where both our economies are already badly hit but the crisis we're all experiencing," said Frances government officials, including finance minister Bruno Le Maire. The Commission also stated that the U.S. action had "unilaterally" disrupted ongoing negotiations about respective state subsidies for Airbus and Boeing.
- On November 4, 2020 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. USTR Robert Lighthizer argued that the EU tariffs were no longer valid as regulations in Washington State regarding Boeing business activities now comport with the WTO rulings. In October the WTO granted the EU the green light to move forward 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 conjunction with recent WTO's arbitrator's announced award level of \$4 billion on U.S. products.

Transition 2020

- Last week President-elect Joe Biden announced the selection of Gina Raimondo to head the U.S. Department of Commerce. Ms. Raimondo, currently governor of Rhode Island, was the state's first woman governor and will oversee one of the largest federal agencies in terms of issues, including trade enforcement, export controls, economic development, the census, and national weather reporting. As Commerce Secretary, Mr. Biden said that Gov. Raimondo will "be a key player in helping position the United States as an exporter of 21st century products and leader in the clean energy economy."
- Mr. Biden also announced selecting Don Graves to be Deputy Commerce Secretary, to serve under Ms. Raimondo. As a former Biden economic adviser under the Obama Administration, Mr. Graves adds to the growing list of Biden appointees with close ties during Biden's tenure as Vice President. Mr. Graves currently leads the Biden-Harris Transition's Treasury Agency Review Team and previously was as an executive at KeyBank in Cleveland.



*Gina Raimondo,
Commerce Secretary
nominee*

- With a democratic majority in the Senate, Senator Wyden is now set to chair the Finance Committee. Wyden told reporters, “A new sheriff’s in town.” The first priority remains in ameliorating the coronavirus pandemic and “Given the spike in numbers where every night we turn on the television and we see ambulances going around in circles because they can’t get access for desperately ill people, I think it’s going to be very hard for Republicans to say, ‘Nope, we’re not interested.’” Senator Wyden has long championed changing tax laws to narrow wealth differences among Americans and may take up such issues in the long term.



*Senator Wyden,
Future Finance
Committee Chair*

U.S. – Kenya Trade Negotiations

- No significant updates since the recent conclusion of the second round of U.S.-Kenya trade negotiations. 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 U.S. International Trade Commission (USITC) officially announced the factfinding investigations on imports of cucumbers and squash as requested by USTR as a component of the Trump Administration’s seasonal produce plan. In a [press release](#) the USITC outlined the investigations would include:
 - descriptions of the effects of imports on the domestic seasonal markets of the products in question, with particular focus on production and the competitiveness of cucumbers and squash grown in the Southeastern United States;
 - information on recent trends in trade in these products between the United States and its trading partners, including information on seasonal patterns of trade; and
 - descriptions of monthly price trends for these products in the United States, including an analysis and comparison of the prices of domestically produced and imported products in the U.S. market, with a focus on the 2015-2020 time period.

The agency will conduct concurrent investigations on cucumber and squash imports with a focus on the U.S. southwest market. The agency expects to submit both reports to USTR by December 7, 2021.
- At present, the USITC is conducting four “monitoring” investigations on imports of strawberries, bell peppers, cucumbers and squash, respectively, in concert with USTR’s [Seasonal Produce Plan](#) which 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.” According to observers, the information obtained in the monitoring investigations may form the basis for launching section 201 global safeguard investigations in the near future.
- The Section 201 blueberry investigation hearing by the USITC is today, with an injury decision expected 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. and EU have argued at the WTO that India’s intellectual property protections are insufficiently enforced, and the country is enacting more trade barriers. U.S. Ambassador to the WTO Dennis Shea said, “While we are encouraged by the Indian government’s efforts to attract additional foreign investment and its pursuit of a number of economic reforms, it is disappointing to see recent actions taken by India that appear to chart a different course and actually restrict trade.” Shea noted that India’s average applied tariff rate has increased from 13.5 percent in 2015 to 17.6 percent in 2020 and that India’s agricultural sector “remains particularly closed to many foreign products.” European Ambassador João Aguiar echoed the U.S. criticisms stating, “Very little progress has been made by India in the last years on eliminating barriers to trade, many of which are long-standing.”
- As reported earlier, the WTO ministerial postponed to June 2021 appears likely to slip to December 2021 as members countries contemplate the ongoing challenges in arresting the spreading COVID-19 and delayed selection of a new director-general. The WTO’s 12th ministerial conference was originally scheduled for June 2020 in Nur-Sultan, Kazakhstan. WTO spokesman Keith Rockwell said there was a “growing consensus” that June of 2021 was increasingly unrealistic. Rockwell noted that most countries, including the U.S., were strongly supporting a further delay, recognizing the reality that distribution of COVID-19 vaccine, particularly for developing countries, could extend into June or beyond and most members prefer to avoid a virtual conference.



*Dennis Shea, USTR
Ambassador to WTO*

WTO Leadership

- Progress on breaking the deadlock on the new WTO leader remains stalled as Amb. Lighthizer reaffirmed the Trump Administration’s support of Korean Trade Minister Yoo Myung-hee for the Director-General position, again rejecting Nigerian candidate Ngozi Okonjo-Iweala who has widespread support from other WTO member countries. In [BBC interview](#) last week, Lighthizer said, “The United States’ view is that we need someone with real experience in trade, not someone from the World Bank or a development person. We need a real trade expert,” signaling a hardening U.S. stance further delaying the WTO consensus on a new leader.
- The WTO Director-General selection is further complicated by COVID restrictions in Geneva. The WTO General Council chair, David Walker in December 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.

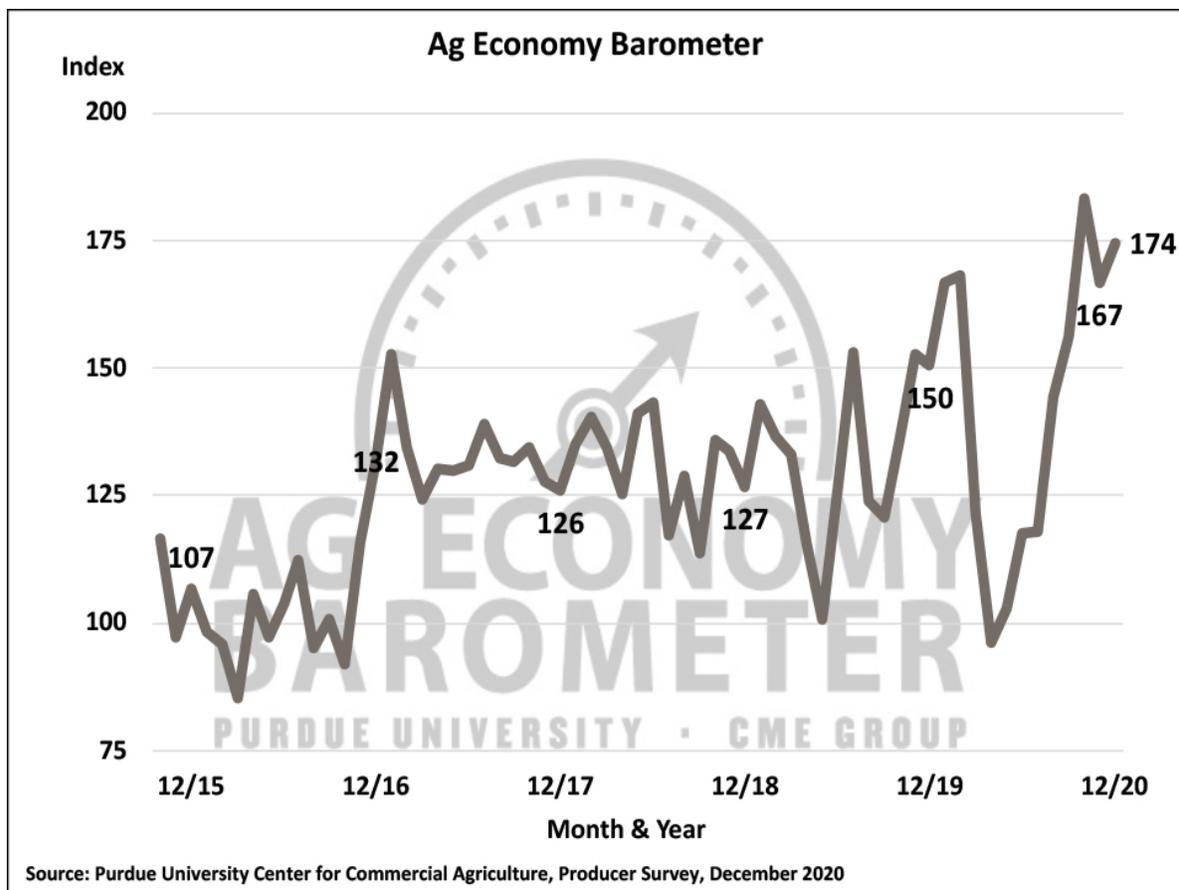
WTO Reform

- The U.S. proposed that the WTO should treat a country’s failure to uphold basic environmental standards as a subsidy and allow other members to impose countervailing duties to offset the benefit received by an industry that does not meet “a threshold of fundamental standards.” The proposal is called “Advancing Sustainability Goals through Trade Rules to Level the Playing Field” and will be put forward as a part of planned discussions on sustainability. The proposal marks the first signal from the Trump administration that it is open to WTO talks on sustainability. The first meetings of the discussions on sustainability will be held in early 2021.
- The global pandemic and dissolution of the Appellate Body likely led to a record low five WTO dispute settlement cases in 2020, according to recent reports. Historically, the WTO has averaged just over 20 disputes per (1995-2019), with the highest volumes occurring in the WTO’s early years. The previous lowest case count came in 2011 with eight disputes. The U.S. is involved in just one of the five cases in 2020 – a challenge from Hong Kong on a U.S. rule to designate the former’s goods as “made in China.”

- While the EU, China and several other WTO members have agreed to an alternate appeals system in the interim until the AB impasse is resolved, the U.S. has refused to join and criticized the action. Shortly after its creation, the U.S. expressed opposition for WTO funding to support the 20-member interim appellate body arrangement known as the led Multi-Party Interim Appeal Arbitration Arrangement (MPIA). The [EU-led MPIA](#) was created by some WTO members to fill the void of the defunct Appellate Body. Amb. Lighthizer dismissed the alternate appeals system as "an appellate body after you have a couple of cocktails".

Ag Economy Barometer

- The Ag Economy Barometer increased 7 points to an index level of 174. December's increase in sentiment remains 9 points lower than the Barometer's peak in October at 183. December's index of 174 reflects a higher sentiment than the pre-pandemic high set back in February. The rebound in positive sentiment the past few months is tied to optimism for the ongoing rally in crop prices, and expectations for higher farmland values, and farmland rental rates in 2021. The Ag Economy Barometer is calculated each month based on survey of 400 U.S. agricultural producers.



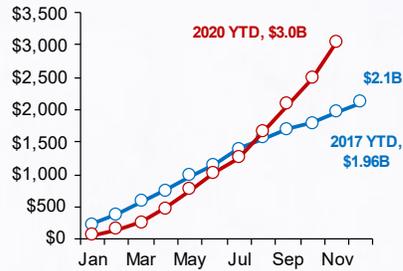
Agricultural Exports to China for Selected Products

2020 Calendar Year Exports With Comparison to 2017
 'Baseline' Pace, Million Dollars

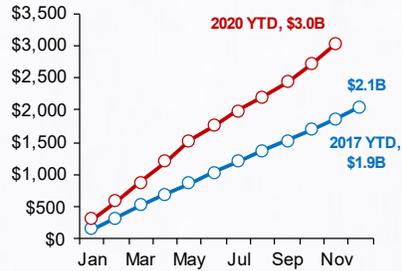
Oilseeds & Products



Grains & Feeds



Livestock & Meats



Cotton, Linters & Waste



Dairy & Products



Poultry & Products



Source: USDA, FAS GATS,
 Farm Bureau Compilations