TRADE UPDATE
Food & Agriculture

February 9, 2021

Provided by CRA

HIGHLIGHTS

- **U.S. – China:** The U.S. agriculture community is urging stability in the U.S.-China relations as the industry awaits the Biden Administration's approach.
- **U.S. – U.K.:** The U.K. has officially submitted a formal request for membership to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The U.K. hopes the U.S. will join the CPTPP in the future and that the CPTPP can be used to rebuild trade ties.
- **USMCA:** The Teamsters and several farm groups are opposing the USMCA dairy enforcement case regarding Canada. In a letter signed by 18 organization addressed to Biden nominees Tom Vilsack (USDA Secretary) and Katherine Tai (USTR), respectively – the group argues that the enforcement action is "exacerbating" challenges for dairy farms and workers.
- **WTO:** The WTO is poised to select its first woman and African leader, Dr. Ngozi Okonjo-Iweala (Nigeria). The South Korean candidate Yoo Myung-hee withdrew her bid for Director-General of the WTO, and the Biden Administration announced is support for Ngozi Okonjo-Iweala.

- **Quote:** Dr. Okonjo-Iweala "is widely respected for her effective leadership and has proven experience managing a large international organization with a diverse membership." (*Office of USTR)*

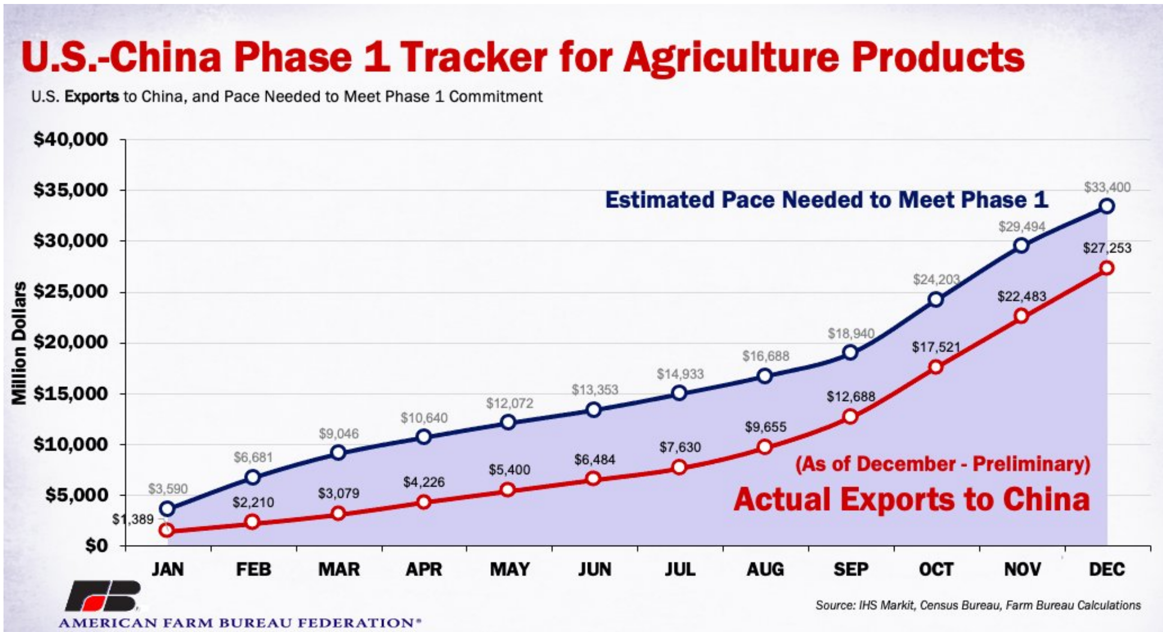
China Trade

- The U.S. agriculture community is urging stability in the U.S.-China relations as the industry awaits how the Biden Administration will approach the relationship. Lesly McNitt, director of public policy and trade for the National Corn Growers Association told *Agri-pulse* regarding the recent large increases in corn and soybean purchases, "We're encouraged by the numbers that we're seeing, but we haven't taken an eye off the long-term stability of the relationship." "Long-term certainty and stability is a priority that we would like to see the U.S. and Chinese governments work toward," McNitt added.
- As reported earlier, President Biden will keep current tariffs on China to provide the Biden Administration time to work with U.S. allies and review all the trade policies toward China of his predecessor, said Treasury Secretary Janet Yellen. "He is going to consult with allies to galvanize collective pressure. We need a different approach that actually brings meaningful pressure on China." She noted that the Biden Administration is "closely monitoring China's adherence to all of its Phase One commitments, including both the purchase commitments and structural commitments." "The Biden Administration will make use of the full array of tools to counter China's abusive economic practices and hold Beijing accountable," Yellen continued. She emphasized that President Biden also wants to work with allies on how best to engage China. Ms. Yellen's comments were contained in written questions and answers connected with her Senate Finance confirmation hearing for Treasury Secretary.

Phase One Agreement

- Although Biden has indicated he does not plan on immediately lifting tariffs on China, the future of the Phase One agreement remains unclear. Gary Marshall, Missouri Corn Growers Association CEO, told *Agri-Pulse*, "We're hoping that the Biden administration continues the second year of the China agreement. There's been no indication that they're not going to do that. We think it's going to be a fantastic year for corn exports, not only to China, but around the world." Echoing hopes for upholding the agreement, Jim Mulhern, CEO of the National Milk Producers Federation, says dairy farmers are urging the Biden administration to carry out the "full implementation of the phase one U.S.-China trade agreement," but stressed that he would like to see an end to the "market-damaging retaliatory tariffs on U.S. dairy exports to China."

- China's year-to-date increasing U.S. agricultural product purchases reached $27.2 billion (preliminary) during 2020, completing the first year of the Phase One deal. Based on December trade data, purchases are approximately 19% under the level needed to meet the Phase One deal commitments, the narrowest level in 2020. *(For further details on particular ag sectoral U.S. exports to China under the Phase One deal see last page).*



U.S. - U.K. Trade

- The U.K. has officially submitted a formal request for membership to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). "Joining CPTPP will create enormous opportunities for U.K. businesses that simply weren't there as part of the EU and deepen our ties with some of the fastest-growing markets in the world," said U.K. Trade Minister Liz Truss. The U.K. will be the second-largest economy to joining the agreement, the largest being Japan. The U.K. hopes the U.S. will join the CPTPP in the future and that the CPTPP can be used to rebuild trade ties. A British official commented that, "We're hopeful the US shares our ambition to join CPTPP, which would mean closer trading ties via plurilateral means."
- While President Biden and U.K. Prime Minister Boris Johnson recently discussed the U.S.-U.K. trade agreement, British hopes of a quick U.S.-U.K. trade deal wane as President Biden prioritizes domestic economic recovery policies over free trade agreements. This was reaffirmed when White House Press Secretary Jen Psaki said, "I can't give you any timeline," on the U.S.-U.K. trade deal, adding that administration officials were "working to get the pandemic under control, provide economic relief to the American public." "We, of course, can do multiple things at the same time but those are our primary priorities at this point," Psaki continued, "everything we do must help advance working families and the American middle class. That certainly includes any trade agreements."
- Beyond the uncertainty of timing for the next formal round of bilateral talks for a U.S. – U.K. trade, the ticking clock on the expiration of Trade Promotion Authority (TPA), which expires in June 2021 could further complicate a U.S.-U.K. agreement. Providing for an up or down vote with strict Congressional timelines for action, TPA historically has been 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.

USMCA

- The Teamsters and several farm groups are opposing the USMCA dairy enforcement case regarding Canada. In a letter signed by 18 organization addressed to Biden nominees Tom Vilsack (USDA Secretary) and Katherine Tai (USTR), respectively – the group argues that the enforcement action is "exacerbating" challenges for dairy farms and workers. "Dairy farmers and farm workers are fighting for their survival, literally and figuratively, while U.S. trade and agriculture policy is being leveraged against them for the benefit of corporate interests," the letter says, citing COVID-19, low prices, increased debt and rising bankruptcies. "In the final days of 2020, the Trump administration exacerbated these challenges by filing the first petition for dispute settlement under NAFTA 2.0, or the U.S.-Mexico-Canada Trade Agreement (USMCA), aimed toward undermining Canada's dairy supply management system. This action, if implemented, would imperil the livelihoods of Canadian farmers and unionized dairy processing workers, pitting U.S. dairy farmers against working families across the border," the letter continues. The organizations emphasize they represent "farmer, worker, and civil society organizations in the dairy industry and broader U.S. food system, we are unified in opposition to the U.S. government petition against Canada, and we call on the Biden-Harris administration to rescind this action and instead advance strong worker rights protection and dairy policy reform policy in the U.S."
- The chargé d'affairs for the Mexican Office of the Deputy Secretary for North America, Roberto Velasco Álvarez, said that the Mexican government hopes to address USMCA energy disputes without utilizing the arbitration provisions within the agreement. Velasco Álvarez said, "There are some decisions that this government is making regarding the energy sector that I understand creates concern for some investors and some actors in the sector but, again, we have mechanisms in place if we get to a point where they feel there is a legal issue that has not been appropriately observed by the Mexican government." "In every case," Mexico wants "a friendly solution that is negotiated before getting to an actual arbitration," he added. This follows the actions by Mexico who recently implemented new energy-sector regulations which concerned U.S. officials who view the new laws as violating the USMCA.

Roberto Velasco Álvarez, chargé d'affairs for the Mexican Office of the Deputy Secretary for North America

Section 232 Investigations

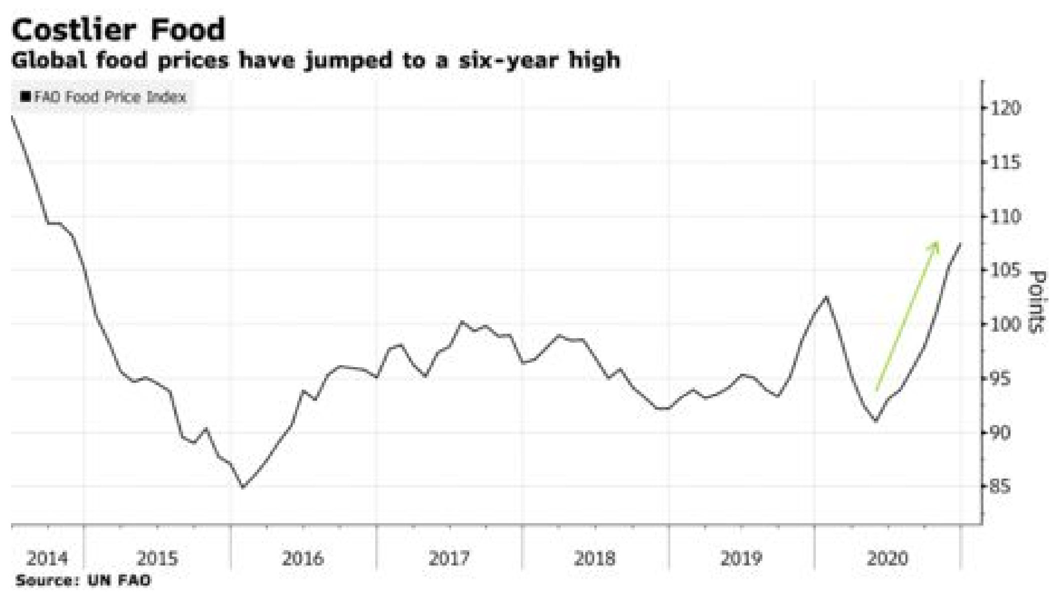
- Members of the Congressional Steel Caucus are urging the White House to leave in place the Section 232 tariffs on imports steel imposed by the Trump Administration. In a letter signed by 51 lawmakers sent to President Biden, the group requested "that the existing tariffs and quotas remain in place to ensure that imports do not take a significant share of the US market as the nation begins its economic recovery." "As the Biden-Harris Administration review the existing tariffs and quotas in place on certain steel products, we strongly encourage the continuation of a comprehensive program," the letter stated. "Steel is a critical components of the Build Back Better recovery plan and through continuation of the tariffs and quotas we can ensure that these companies and their workers can contribute to a robust economic recovery in our nation."
- President Biden reversed the Trump Administration's decision to lift Section 232 national security tariffs on aluminum imports from the United Arab Emirates. The move may portend that President Biden will retain the Section 232 tariffs imposed globally on aluminum and steel import, while the new Administration focusses on domestic priorities of overcoming the pandemic and economic recovery. In announcing the decision in a Presential Proclamation, President Biden cited continued national security concerns. "In my view, the available evidence indicates that imports from the UAE may still displace domestic production, and thereby threaten to impair our national security," in a proclamation. Biden noted there have been 33 exclusion requests for aluminum imported from the UAE, covering 587,007 metric tons of articles, and the Secretary of Commerce has denied 32 of those requests, covering 582,007 metric tons. "This indicates the large degree of overlap between imports from the UAE and what our domestic industry is capable of producing." "Since the tariff on aluminum imports was imposed, such

imports substantially decreased, including a 25 percent reduction from the UAE, and domestic aluminum production increased by 22 percent through 2019, before the coronavirus pandemic began," the President continued. President Biden concluded, "In light of that history, I believe that maintaining the tariff is likely to be more effective in protecting our national security than the untested quota."

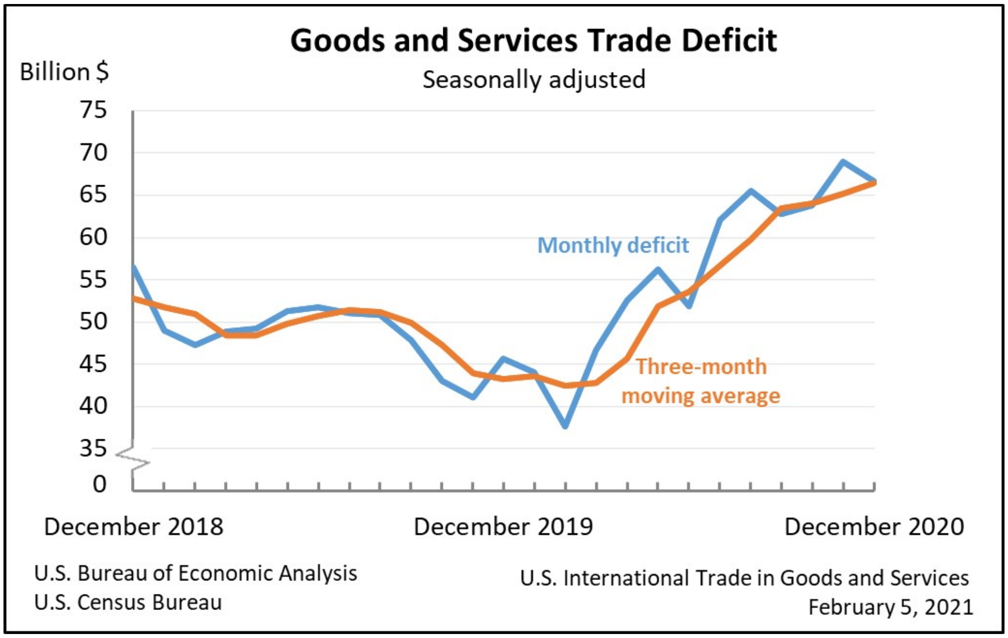
- As a parting tariff action, President Donald Trump lifted Section 232 national security tariffs on aluminum imports from the UAE. Effective February 3, the U.S. removed the 10 percent tariff because the UAE reached an agreement that will limit imports of aluminum from the UAE. At the time the UAE joined Argentina, Australia, Canada and Mexico as the only other countries exempt from the Section 232 aluminum tariffs.
- In 2018, President Trump imposed 25 percent tariffs and 10 percent tariffs on steel and aluminum, respectively, under national security concerns outlined in Section 232 of the Trade Expansion Act of 1962. Several steel and aluminum consuming U.S. industry groups (e.g., Business Roundtable and American Farm Bureau) earlier urged the incoming Biden Administration to remove China section 301 and section 232 tariffs, in part, to support national economic recovery in the wake of the global pandemic. On the international front, the EU, China and other countries challenged the U.S. tariff action at the WTO. A WTO ruling on the case is expected in 2021.

COVID-19 Developments

- The FAO Food Price Index rose to six-year high and driven in part by large Chinese crop purchases and adverse weather in certain markets. The soaring prices for food staples are overlayed with economic challenges, particularly in lesser developed countries. While costs remain below peaks seen in 2008 and 2011, the increased food prices come as economies grapple with the fallout from the coronavirus crisis, with millions out of work, low demand for certain services (travel, tourism, etc.), and several manufacturing sectors operating below historical levels.



- The international trade deficit in goods and services decreased to $66.6 billion in December from $69.0 billion in November (revised), as exports increased more than imports. December imports of goods ($217.7 billion) were the highest since October 2018 ($218.9 billion). December exports of foods, feeds, and beverages ($14.5 billion) were the highest on record, driven in part by China's accelerating grains and other agriculture purchases.
- Examining the overall trade balance during the last four years, the combined U.S. goods and services trade deficit increased to $679 billion in 2020, compared to $481 billion in 2016. The trade deficit in goods alone rose to $916 billion, a record high and an increase of about 21 percent from 2016.



U.S. – EU Trade

French President Emmanuel Macron

- French President Emmanuel Macron said that the EU and U.S. should not gang up on China at the risk of pushing Beijing to lower its cooperation and exacerbating its aggressive military actions in Asia. "A situation to join all together against China, this is a scenario of the highest possible conflictuality. This one, for me, is counterproductive," Macron stated. Rather than fighting against China, President Macron said, "I think we have to engage China in a bold and efficient climate agenda. And I think the reengagement of the U.S. is a good occasion, as well, to have a proactive and — a discussion on that."
- The U.S. Chamber of Commerce is urging the Biden Administration to embrace EU calls for a transatlantic Trade and Technology Council to work on China issues related to emerging technologies that could complicate the trade and investment relationship of the EU, U.S., and China. Marjorie Chorlins, senior vice president for European Affairs at the U.S. Chamber of Commerce, said, "It's our hope that this administration will pick up that idea, because we think there does need to be a platform like that with Cabinet-level participation to wrestle with some of these tough issues." Early plans suggested the council would be led by USTR and Commerce Department on the U.S. side.
- As noted earlier, the EU is urging President Bident to swiftly eliminate steel and aluminum on the EU imposed by the Trump Administration. "We very much hope this can be lifted immediately," EU Ambassador to the United States Stavros Lambrinidis said at a U.S. Chamber of Commerce event. Lambrinidis pledged to reciprocate stating, "And then we will of course immediately lift our own countermeasures. And that's going to be a very important boost to so many sectors in our economies, both sides."
- Lambrinidis also said that decoupling was not possible and that the U.S. and EU must out-innovate China in the technology race while protecting innovations. Lambrinidis argued that to counter China, the EU and U.S. should "run faster than China," by continuing U.S. and European leadership on "critical new technologies" and calling for "incentives and capabilities for investment" to maintain the U.S. and the EU as "the biggest innovation hubs in the world." Secondly, Lambrinidis urged the EU and U.S. to "protect the runners." He said, "In other words, you have to have the rules in place to ensure that the intellectual property theft [and] all these other things that risk the advantage that we get through that major investment in running fast to be taken away – you have those rules in place to stop it. And these are trade rules, trade defense rules, WTO rules." Lambrinidis contended that the U.S. and EU must cooperate

on digital technology and “setting the standards of the future” to prevent China from doing so, which is “is the biggest challenge we have.”

Digital Services Tax

- Treasury Secretary Janet Yellen and French Economy Minister Bruno Le Maire agreed on the need for a multilateral digital tax solution through OECD negotiations. The French Economy Ministry said in a statement that Le Maire welcomed Yellen’s “commitment to active U.S. participation in the ongoing OECD discussions on international taxation to forge a timely international accord” and that both leaders “agreed on the need to find multilateral solutions to many of the issues facing the global economy, including addressing the tax challenges of efficiently and equitably taxing the income of multinational firms.”
- At the same time, Italy and the U.K. defended their digital services tax, stating the tax will remain until a multilateral deal is reached. “Traditional businesses pay taxes on their profits in the markets they operate, while digital companies do not,” said U.K. Chancellor Rishi Sunak. “Without a [global] solution … we will not be able to remove the unilateral measures that many of us have taken,” he added.
- Late last year USTR declined to impose the 25% tariffs on French products, which would be valued at $1.3 billion for France’s digital services tax. Former USTR 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.

Civil Aircraft Disputes

- The EU continues to seek resolution to the long-running trans-Atlantic dispute over aircraft subsidies in the first six months of the Biden Administration, according to European Director-General for Trade Sabine Weyand. “Our objective here is to come to a situation where both sides hopefully would agree to suspend the tariffs, which have caught up a lot of people on both sides of the Atlantic that have nothing to do with the dispute … and create space for this negotiation,” Weyand said during a Center for Strategic and International Studies event. “And I think, then, within the space of, well not the first 100 days, but the first six months, I think we should be able to settle this issue,” she added. “That would certainly be our ambition, and we hope we can work with the incoming administration on that basis.”
- During the last month of the Trump Administration, USTR announced imposition of additional tariffs on European goods in the aircraft case based on alleged EU misapplication of WTO authorized tariffs in the Boeing subsidies dispute. USTR contended the EU 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.”
- 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 previously 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 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.

Section 201 Investigations

Seasonal Produce

- This week (Feb. 11th) USITC will vote in the section 201 blueberry investigation; determining whether imports are a cause of “serious injury” to the domestic industry as outlined in the statute. The USITC’s report is due to the President by March 29, 2021. Other key dates in the Section 201 investigative process are noted in a USITC fact sheet:

- **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).

- Separately, 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. The 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 investigations."

Transition 2020

- USTR announced that, Greta Peisch, is President's Biden's pick for USTR General Counsel. Peisch has served the past six years as international trade counsel with the Senate Finance Committee. Prior to joining Senate Finance staff, she served as chief counsel for negotiations, legislation and administrative law at USTR and as assistant general counsel and associate general counsel at USTR. Peisch would take USTR's top legal position, once confirmed, currently filled by Maria Pagan, the deputy general counsel, as acting USTR. Peisch would join Biden USTR nominees Katherine Tai (USTR) and Nora Todd (Chief of Staff). Tai's Senate confirmation hearing could occur the week of Feb 22 following the congressional Presidents' Day recess, according to observers.

Greta Peisch, USTR General Counsel

- USTR also announced a slew of other key USTR appointments early Monday morning to round out its political staff. In a press release, USTR stated the selections lead to creation of a "experienced and diverse team will partner with USTR's dedicated career civil servants to craft trade policy that benefits American workers and increases American competitiveness. This group will work tirelessly to strengthen relationships with our allies, respond to the COVID-19 pandemic, combat climate change, and create a more equitable and inclusive economy." Much of the incoming team previously served in the Obama Administration or are closely tied to the voices in the Democratic party seeking a greater enforcement and a worker-focused trade policy approach.

  - **Sirat Attapit, assistant U.S. trade representative for intergovernmental affairs** — Attapit most recently served as director of legislative affairs for California Attorney General Xavier Becerra. She previously served 12 years in various positions in the House of Representatives, Senate and the Illinois Legislature.

- **Jan Beukelman**, assistant U.S. trade representative for congressional affairs — Beukelman most recently was the legislative director for Sen. Tom Carper, D-Del.
- **Adam Hodge**, **assistant U.S. trade representative for media and public affairs** — Hodge served in the Obama-Biden administration as the deputy assistant secretary for public affairs at the Treasury Department, where he led the communications efforts for a range of domestic finance issues.
- **Nora Todd, chief of staff** — Todd was chief economic adviser for Sen. Sherrod Brown, D-Ohio. She previously served as legislative director for Rep. Mike Michaud, D-Maine, senior policy adviser for then-Rep. Dennis Cardoza, D-Calif. and legislative assistant for Rep. Hank Johnson, D-Ga.
- **Ginna Lance, deputy chief of staff** — Recently, Lance was the associate operations manager for the Overdeck Family Foundation, leading operations for the organization, focused on hiring, finance, governance, and strategic planning. She previously worked in the Office of then-Vice President Joe Biden, where she served as the director of scheduling and deputy director of operations.
- **Samuel Negatu, director of congressional affairs** — Most recently Negatu was legislative director for Rep. Jimmy Gomez, D-Calif. He also served as a staff negotiator for the U.S.-Mexico-Canada Agreement working group, addressing labor issues in negotiations between USTR and House Democrats.
- **Ethan Holmes, special assistant to the U.S. Trade Representative** — Holmes previously served in the office of Rep. Ron Kind, D-Wis. in a variety of positions, most recently as Kind's economic policy adviser.
- **Mark Wu, senior adviser** — Wu most recently was the Henry L. Stimson professor and vice dean for the graduate program and international legal studies at Harvard Law School.
- **Brad Setser, counselor** — Most recently, Setser was a senior fellow for international economics at the Council on Foreign Relations, where his work covered global capital flows, financial vulnerability analysis, currency intervention, tax competition and trade imbalances.
- **Jamila Thompson, senior adviser** — A 19-year veteran of Capitol Hill, Thompson served as the chief of staff for the late Rep. John Lewis, D-Ga., a legislative assistant for Rep. Barbara Lee, D-Calif., and a volunteer coordinator and translator for various nonprofit organizations.
- **Maíra Ferranti Corrêa, digital media director** — Corrêa was a manager on the digital team for the Biden-Harris campaign where she oversaw the production of campaign videos.
- **Shantanu Tata, executive secretary** — Most recently Tata has been a senior policy adviser to Rep. Suzan DelBene, D-Wash., and served as her primary adviser for trade issues on the House Ways & Means Committee.

- The Senate Commerce Committee voted 21-3 to advance Gina Raimondo's nomination for Secretary of Commerce. The 3 no votes were from Republicans who were concerned of Raimondo's decline to commit to keep Huawei on the Commerce Department's blacklist. Raimondo has since recanted the statement. In written answers to Senator Ted Cruz (R-Texas), Raimondo said, "I currently have no reason to believe that entities on those [entity and military end user] lists should not be there." The confirmation vote by the full Senate has not yet been scheduled.
- *Agri-Pulse* reports that Agriculture Secretary Tom Vilsack is reassuring farmers and their allies in Congress that efforts by the Biden administration to address climate change will provide significant economic benefits without jeopardizing demand for biofuels. Vilsack affirmed the use of USDA's Commodity Credit Corp. spending to create an agricultural carbon bank saying, "It is a great tool for us to create the kind of structure that will inform future farm bills about what will encourage carbon sequestration, what will encourage precision agriculture, what will encourage soil health and regenerative agricultural practices." Vilsack also pledged to "aggressively pursue" farmer input on the administration's climate policy. Additionally, Vilsack said he plans expand the fueling infrastructure for higher ethanol blends stating, "We will continue to look for ways to provide assistance, because it's about strong markets for farmers and it's about jobs in rural areas." Advocating that climate-friendly farming is critical to future U.S. trade, "I can tell you we're facing competition on not just the quality, not just the safety, not just the taste, not just the price, we're also now facing competition on whether or not, whatever it is we're selling, has been sustainably produced," Vilsack said.
- The House Ways & Means trade subcommittee added five new Republican members: Rep. Darin LaHood

(IL), Reps. Drew Ferguson (GA), Jodey Arrington (TX), Ron Estes (KS) and Carol Miller (WV). LaHood is currently co-chair of the U.S.-China Working Group and a member of the House GOP China Task Force.

- On the Senate side, three new Democrats have become members of the Senate Agriculture Committee: Sen Cory Booker (NJ), Sen Warnock (GA), and Lujan (NM). The Agriculture Committee will be chaired by Sen. Stabenow (D-MI).

U.S.-Taiwan

- As reported earlier, Taiwan's chief trade negotiator John Deng said that it is aware that a quick free trade agreement is unlikely but remains hopeful negotiations will begin in the future. "We absolutely understand U.S. politics and we do not have any unrealistic fantasies. The new government has its priorities and of course we need to understand that," Deng said. Looking toward the future, Deng added, "We have always thought that this a matter of 'when conditions are right, success will flow naturally'."

WTO

- In a joint statement, the four acting heads of the WTO urged countries not to impede global access to Covid-19 vaccines, after the EU recently approved an export restriction for COVID vaccines. The statement by WTO Deputy Director Alan Wolff of the United States, Yonov Frederick Agah of Nigeria, Karl Brauner of Germany and Yi Xiaozhun of China said, "The pandemic is a global problem. This challenge calls for heightened international cooperation, including ensuring the global availability of vaccines." The statement continues, "We call upon members to work together towards making vaccines available to all. Moreover, the war against the pandemic can only be won when universal coverage in vaccination is achieved."
- Hoping to revive talks on a long-stalled 2014 Environmental Goods Agreement to eliminate tariffs on goods to fight climate change, WTO Deputy Director General Alan Wolff said, "I think the members are becoming much more focused on what can be done in the WTO that deals with climate change. And of course, the change in the U.S. administration affects that." Since the agreement stalled, countries have witnessed four more years "of climate events that are pretty shocking," Wolff said. There also is interest in including other environmental goals, such as reducing plastic waste or reforming global fossil fuel.

WTO Leadership

- As the likely next WTO Director General (DG), Ngozi Okonjo-Iweala said she "congratulates Yoo Myung-hee on her long campaign and welcomes South Korea's commitment to rebuilding and enhancing multilateralism. There is vital work ahead to do together." A spokesperson for Okonjo-Iweala said, "The WTO must turn its focus to the Covid-19 pandemic and global economic recovery. Dr Okonjo-Iweala is eager to focus on the many needed reforms at the WTO. She is humbled by the support she has received from WTO members and of champions in Nigeria and other parts of the world."

Ngozi Okonjo-Iweala, WTO DG Candidate

- On Friday Feb 5., the South Korean candidate Yoo Myung-hee withdrew her bid for Director-General of the WTO, clearing the path for the Nigerian candidate Ngozi Okonjo-Iweala. In a statement in a South Korean news agency, the ministry of trade, industry, and energy, which Yoo leads, said, "Considering various factors, including the need to revitalize the role of the WTO, Yoo has decided to renounce her candidacy." "South Korea will continue to make various contributions to rebuild and enhance multilateralism. It will especially make efforts to play leading roles in global issues, including reforming the WTO, as well as the digital economy and climate change," the statement added.
- Shortly after Yoo's withdrawal. The Biden administration announced its "strong support" for Nigeria's Ngozi Okonjo-Iweala as the WTO's next DG, resolving the previous administration's block and paving the way for quick movement on the DG selection. "The Biden-Harris Administration is pleased to express its strong support for the candidacy of Dr. Ngozi Okonjo-Iweala as the next Director General of the WTO,"

Office of USTR said in a statement. "She is widely respected for her effective leadership and has proven experience managing a large international organization with a diverse membership," the USTR added. "Okonjo-Iweala brings a wealth of knowledge in economics and international diplomacy from her 25 years with the World Bank and two terms as Nigerian finance minister." the statement said.

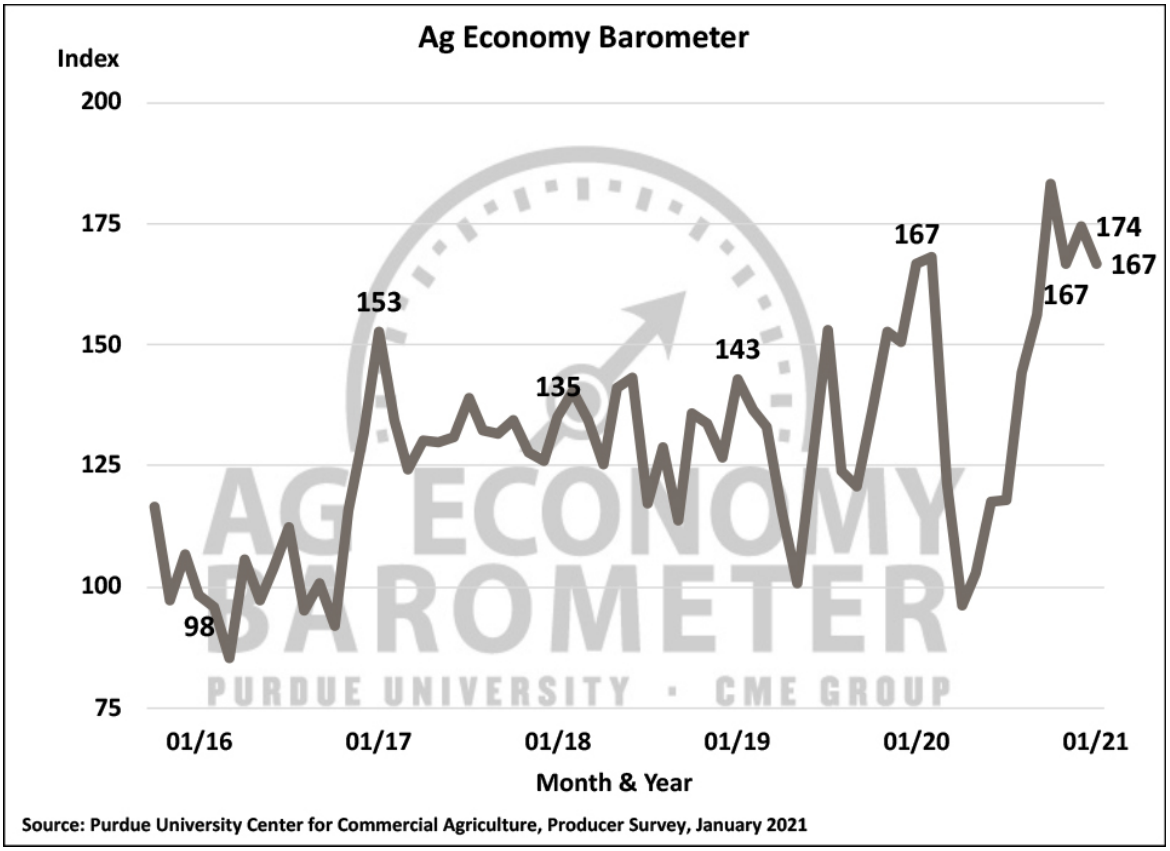
- The present deadlock on the new WTO DG arose as USTR under the Trump Administration cast its support for the Korean Trade Minister Yoo Myung-hee for the top WTO leadership position rejecting Ms. Ngozi Okonjo-Iweala who has widespread support from other WTO member countries. In a BBC interview, former USTR Robert Lighthizer explained the U.S. position stating, "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.

WTO Reform

- The U.S. has announced it is committed and ready to engage in WTO reform. *Reuters* reports that David Bisbee, the U.S. charge d'affairs at the U.S. mission to the WTO, said the U.S. is committed to "positive, constructive and active engagement" with all members of the WTO on reforming the body and is actively considering who to choose at its next chief. "The United States stands ready to engage on all of these difficult issues," Bisbee added.
- Over 70 industry groups from around the world sent a letter advocating for the further advancement of plurilateral e-commerce talks ahead of the next WTO ministerial conference. The international group wrote a letter that called on negotiators of the WTO Joint Statement Initiative (JSI) on e-commerce to secure an agreement that "can help realize the promise of cross-border access to technology and the trusted movement of data across regions." The negotiations, which include the U.S., are designed to craft new rules on digital trade and the JSI continues to make progress after circulating a consolidated text in December.
- The fate of the dissolved Appellate Body (AB) remains on hold as the U.S. signaled it is not yet ready to engage in a debate over how to reform the WTO's dispute resolution system. In conjunction with a key WTO meeting last week, U.S. officials in a statement said the U.S. was "not in a position" to support a proposal on appellate panel members, citing President Biden's inauguration the same week and the ongoing Presidential transition. Though earlier the Biden team indicated its intention to work with allies to address mutual international concerns, near term action on resurrecting the AB is paused as the Biden Administration focuses on combating the health and economic impacts of the Covid-19 pandemic. The AB ceased functioning in December 2019 when the U.S. blocked new appointments of the last expiring seats for panel members saying the AB for years had overstepped its mandate and the Trump Administration inventoried a litany of violations and major concerns regarding the WTO's dispute settlement system.

Ag Economy Barometer

- The Ag Economy Barometer last month decreased 7 points to an index level of 167. January's decrease in sentiment was the third monthly decline since peaking last October at 183. Despite the decline, January's index level parallels strong pre-pandemic sentiments last February for the farm economy, recently buoyed by the ongoing rally in crop prices, expectations for higher farmland values, and farmland rental rates. The declining sentiment the past few months reflects, in part, uncertainty tied to longer-run concerns about policies that could impact U.S. agriculture in the future.



<u>**China Phase One Tracker – Select Agriculture Products**</u> **(see next page)**

China Phase One Tracker – Select Agriculture Products