

TRADE UPDATE Food & Agriculture



Provided by CRA

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HIGHLIGHTS

- **U.S. – China:** Agriculture Secretary Tom Vilsack remarked that China is making good on promises it made as part of the Phase One trade deal it signed with the U.S. last year. “The good news is – China seems to be living up to its responsibilities,” he said after his swearing in as USDA Secretary.
- **U.S. – U.K.:** British trade minister Liz Truss said that she is eager to meet with USTR Nominee Katherine Tai to discuss removing punitive tariffs on exports which were imposed as part of the civil aircraft dispute before the U.K. officially left the EU.
- **U.S. – EU:** Former top agricultural negotiator at the Office of the USTR Greg Doug said that the EU Farm to Fork strategy is “straight up protectionism.”
- **WTO:** The WTO announced its 12th Ministerial will occur in Geneva, Switzerland in November 2021. Under pressure at a WTO Dispute Settlement Body meeting the U.S. indicated it still does not support moving to selection of panelists on the Appellate Body.

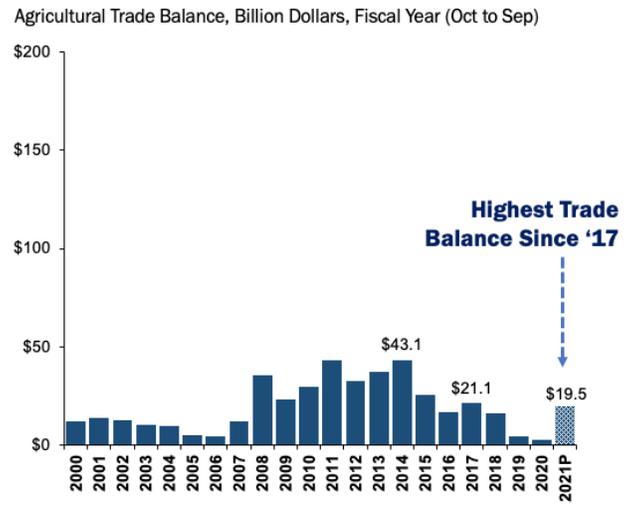
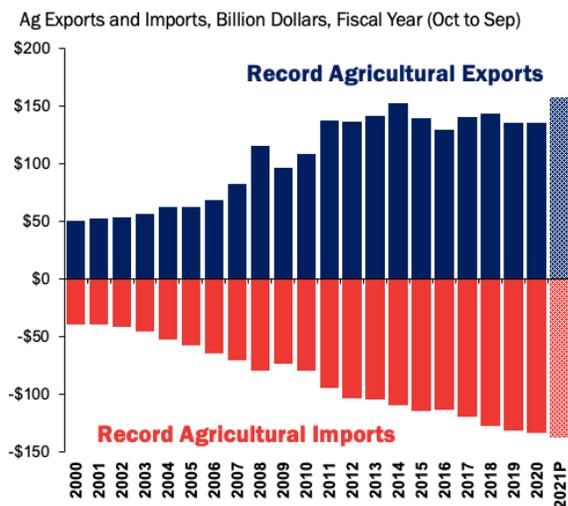
Quote: “...I don't expect, if confirmed, to be put on the back burner at all,” (*USTR Nominee Katherine Tai during her Senate Finance Committee Hearing*)

China Trade

- China is urging the U.S. to lift sanctions and to refrain from interfering in its domestic affairs. China’s foreign minister Wang Yi stated, “a good-mannered gentleman never thrusts his knife and fork into the food on someone else’s plate.” A spokesperson at the U.S. State Department, Ned Price said the comments by Wang “reflect the continued pattern of Beijing’s tendency to avert blame for its predatory economic practices, its lack of transparency, its failure to honour its international agreements, and its repression of universal human rights” and said the U.S. would “continue to stand up for our democratic values when human rights are being violated in Xinjiang, Tibet, or elsewhere in China, or when autonomy is being trampled in Hong Kong.”
- Responding to questions from Sen. Bob Casey (D-PA) on China’s shift in trade strategy, USTR Nominee Katherine Tai said, “The U.S. has to rethink its approach to China and figure out how it can compete with a country with a state-run economy. I think it’s clear that when we as Americans with our economic traditions look at the Chinese economy, what we see is an extremely formidable competitor where the state is able to conduct the economy almost like a conductor with an orchestra.” Tai continued, “I think that what the most recent years have taught us is that we need to revisit how we conduct our economic activity, our cooperation and our trade policies, not to become China, but how to be true to ourselves and our traditions and be more strategic knowing the quantity and the strategy and ambition that we are up against.”
- USDA projects U.S. farm exports will reach a record \$157 billion for fiscal year (FY) 2021, an increase of \$21 billion over 2020, as the global economy recovers, and China accelerates already strong demand for U.S. corn, soybeans and meat. Exports to China are projected to hit a record \$31.5 billion in FY 2021. USDA’s latest [Outlook for U.S. Agricultural Trade](#) report suggests China will remain the largest U.S. agricultural market this year, followed by Canada and Mexico. Under USDA’s forecasted levels for imports and exports, the trade balance in agriculture would improve to \$19.5 billion in FY 2021, a \$17 billion increase over the very slim \$2.5 billion trade surplus in fiscal 2020, the highest level since FY 2017.

U.S. TRADE BALANCE EXPECTED TO IMPROVE

Growth in Exports to Outpace Imports, Improving Trade Balance



Source: USDA FAS, USDA ERS, Farm Bureau Calculations



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Phase One Agreement

- Agriculture Secretary Tom Vilsack remarked that China is making good on promises it made as part of the Phase One trade deal it signed with the U.S. last year. “The good news is – China seems to be living up to its responsibilities,” he said last week after his swearing in as USDA Secretary. “The bad news is: At any point in time, because of the complex nature of the China-U.S. relationship, things can happen that might affect those purchases.” Secretary Vilsack emphasized that the Phase One deal with China allows for market conditions to dictate how much U.S. agriculture products China must purchase. He noted the global pandemic would qualify as one such market condition dictating China’s purchase commitments.
- In answering questions on the China Phase One Agreement from Sen. Chuck Grassley (R-IA), USTR Nominee Tai said, “The agreement that we have with China is the agreement that we have and there are promises that China made that China needs to deliver on.” Tai continued to pledge to hold China to its commitments under the Phase One Agreement.
- According to the most recent USDA trade data, the U.S. exported a record-setting \$26.4 billion worth of agricultural goods to China in calendar year 2020. Surges in U.S. corn, soybeans, and beef imports to China contributed to the record levels. Total U.S. beef exports in 2020 surpassed 2019 exports by 231% while U.S. corn exports in 2020 were valued at \$1.2 billion, a 2,000% increase from calendar 2019. Even with the record in agriculture imports, the total falls short of China’s Phase One commitment levels.

U.S. - U.K. Trade

- British trade minister Liz Truss said that she is eager to meet with USTR Nominee Katherine Tai to discuss removing punitive tariffs on exports which were imposed before the U.K. officially left the EU as part of the civil aircraft dispute. Speaking to parliament, Truss said, “As soon as that is finished I will be on the phone to her seeking an early resolution of these issues.” “This is the way forward, not escalating the tariff battle,” Truss continued.
- Adjusting its strategy post-Brexit, the U.K. has launched a campaign to increase its food and drink exports called “The Open Doors campaign” that is backed by the National Farmers Union, the largest farming trade group, and the Food and Drink Federation. The *Financial Times* reports that the campaign specifically targets the Asian middle class and U.K. Trade Minister Liz Truss said that food producers

should take advantage of the high meat prices in Asia and the U.S. appetite for imported beef. Truss added that the U.K. government would offer advice, mentoring and education to assist their efforts as the U.K. further negotiates trade deals.

- At her Senate Finance Committee confirmation hearing, Katherine Tai commented on the U.S.-U.K. trade deal saying, “I would want to have the opportunity if confirmed to review the discussion and negotiations that have taken place so far in light of all of these developments in the most recent years and months.”
- Beyond the uncertainty of timing for the next formal round of bilateral talks for a U.S. – U.K. trade deal, 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.

Trade Promotion Authority

- Renewal of Trade Promotion Authority (TPA) in 2021 is garnering increasing attention as President Biden fills key trade positions and the Administration’s domestic and trade policies become clearer. New trade agreements appear to fall well below the Administration’s top domestic policy priorities of beating COVID-19, rebuilding the domestic economy, and tackling climate change. The implications of a potential lapse of TPA this summer remains unclear for the U.K. and Kenyan trade talks. Several trade commentators have pointed to a divided Congress and other domestic priorities as impediments to TPA renewal in 2021.
- Supporters of the proposed U.S.- U.K. free trade agreement, which remains under negotiation, are hoping for TPA renewal to ensure a clear path for Congressional action once an agreement is signed. But TPA renewal may prove a political challenge, particularly in the first year of a new Biden Administration. According to several sources, there is a protectionist mood in Congress and the tough Presidential election suggests it is unlikely that Democrats and Republicans will be able to agree on TPA renewal. Several trade experts note Congressional lawmakers were unhappy with President Trump’s decision to opt for “mini-deals” with China and Japan that did not require TPA and so were conducted without Congressional input. This viewpoint may compel a fresh look at the role and details of TPA. Further, President Biden has signaled his intent to pause new trade agreements, though it remains unclear what that approach means for the two negotiations underway with the U.K. and Kenya.

USMCA

- Mexico’s Supreme Court has delayed a decision on U.S. fresh potato import constraints. Currently, U.S. fresh potato imports are only allowed to be delivered 26 kilometers past the U.S.-Mexico border. The Supreme Court may overturn the 2017 lower court decision that prevented Mexico from imposing regulations that allow imports of fresh U.S. potatoes throughout the country. National Potato Council CEO Kam Quarles commented on the issue saying, “If the court doesn’t affirm Mexico’s authority to make import decisions, every ag import that crosses their border is subject to challenge.” “This is way bigger than just potatoes,” Quarles added. According to *Agri-Pulse*, the U.S. currently exports \$60 million worth of fresh potatoes to Mexico annually. This number is expected to increase to \$200 million each year if the Court lifts the ban. There is no new date set for a decision.
- The U.S. and Canada issued a “[Roadmap for a Renewed U.S.-Canada Partnership](#)” that describes how the countries plan to coordinate on issues such as pandemic recovery, climate issues, defense, diversity and inclusion and building global alliances. The plan released after a virtual meeting with President Biden, Canadian Prime Minister Justin Trudeau, and Canadian Trade Minister Mary Ng. At the meeting, the U.S. and Canada committed to utilize the small and medium-sized enterprise chapter within USMCA to ameliorate the negative impacts of COVID-19. The U.S. and Canada have “agreed to work together on an inclusive recovery, using the tools available to us through the Small and Medium Enterprise chapter of our trade agreement to support women- and minority-owned businesses,” President Biden said after the

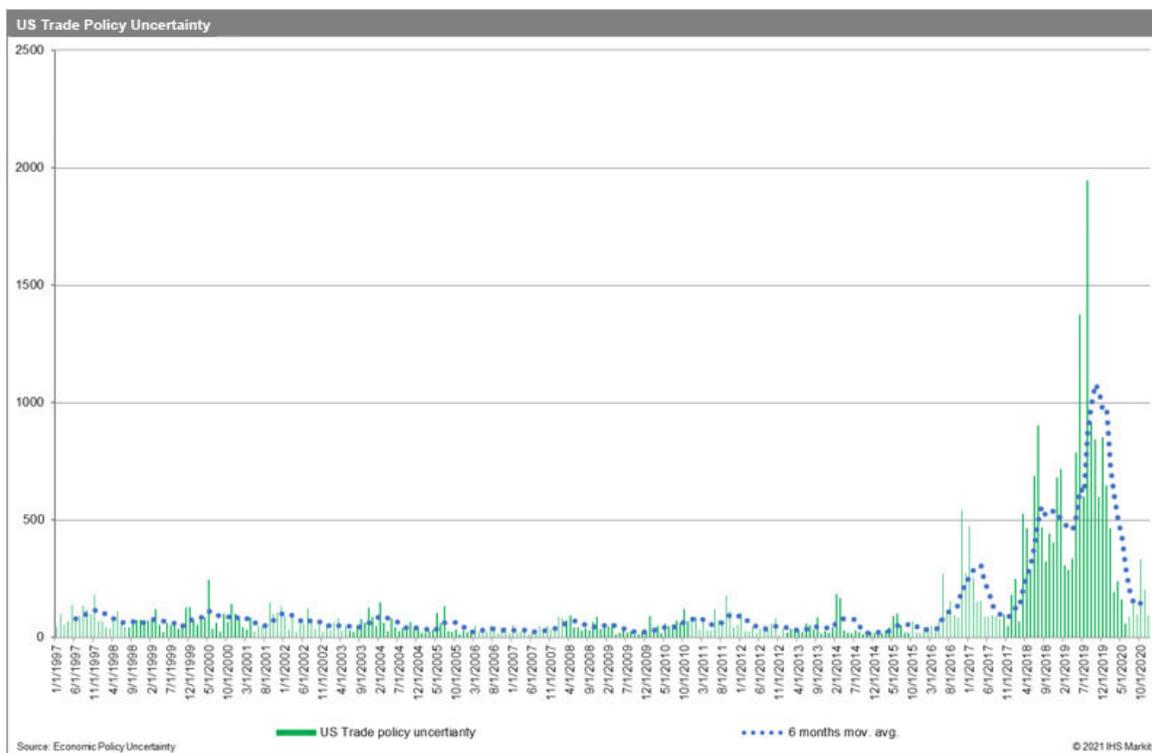
meeting.

Section 232 Investigations

- During her Senate Finance Committee hearing, Katherine Tai was asked about her position on applying tariffs using Section 232. Senate Finance Committee Chairman Ron Wyden (D-OR) specifically asked whether Section 232 tariffs on steel and aluminum are included in a “worker-focused trade policy.” Tai responded by stating, “Tariffs are a legitimate tool in the trade toolbox.” “Tariffs are a very important part of our fair-trade remedies toolbox. Having said that, I think with respect to the 232 tariffs on steel and aluminum ... we have to acknowledge that we have -- overall -- a very significant global marketplace problem in the steel and aluminum markets that are driven primarily by China’s overcapacity that its built-in production of these materials,” Tai continued.
- In 2018, President Trump imposed 25 percent tariffs and 10 percent tariffs on steel and aluminum imports, 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

- U.S. trade policy uncertainty continues to decline since peaking in the summer of 2019 during the height of the tariff war and most recently prior to the U.S. Presidential election. The trend is likely to continue under the new Biden Administration according to observers.



- The Census Bureau reported that the advance international trade deficit in goods increased to \$83.7 billion in January from \$83.2 billion in December as imports increased more than exports. December’s international trade deficit was \$83.7 billion in January, up \$0.5 billion from \$83.2 billion. Exports of goods

for January were \$135.2 billion, \$1.9 billion more than December exports. Imports of goods for January were \$218.9 billion, \$2.5 billion more than December imports. Release of full January trade statistics is scheduled for March 5th.

	 ADVANCE INTERNATIONAL TRADE: GOODS DEFICIT	
JANUARY 2021	\$83.7 Billion	+0.7%°
DECEMBER 2020	\$83.2 Billion	

- President Biden plans to raise the need for updated global trade rules to tackle the challenges posed by China in a virtual G7 meeting during June 11-13. Boris Johnson, U.K. Prime Minister will lead the G7 leaders in their first meeting since April 2020 as part of this year’s U.K. G7 presidency. Biden also plans to discuss the need for economic recovery, climate change and ongoing efforts to combat the COVID-19 pandemic, according to a statement issued from the White House. “As we build back better, we must ensure that the recovery is inclusive and benefits all workers, including women and members of historically disadvantaged groups, and all parts of our country.” Biden intends to also raise the “need to make investments to strengthen our collective competitiveness and the importance of updating global rules to tackle economic challenges such as those posed by China,” according to the statement. “President Biden will also discuss the global economic recovery, including the importance of all industrialized countries maintaining economic support for the recovery and collective measures to build back better,” the statement said.

U.S. – EU Trade

- Former top agricultural negotiator at the Office of the USTR Gregg Doud said that the EU Farm to Fork strategy is “straight up protectionism.” “I don’t call it the Farm to Fork initiative, I call it the farm to empty fork initiative because that’s what we’re talking about in Europe if they do what they have on that piece of paper,” Doud said. While the Trump administration was critical of the EU strategy, the Biden administration has not indicated its position on the Farm to Fork plan.
- Ahead of the G7 meeting, French President Macron said that the failure of global distribution of vaccines underline the need for more international cooperation on a wide range of issues. The *Financial Times* reports that Macron claimed, “The enemy of multilateralism as we speak, now that we have American re-engagement, is slowness and ineffectiveness.” “I am a defender of European sovereignty, of strategic autonomy, not because I’m against NATO or because I doubt our American friends, but because I am lucid on the state of the world, because I think we need a fair sharing of the burden and Europe cannot delegate its protection and the protection of its neighbourhood to the USA and so we have to do it together,” Macron added.
- In a different tone, Europe’s trade chief Valdis Dombrovskis warned the Biden Administration over the “Buy American” policy and said the EU would closely monitor whether preferential treatment for U.S. contractors on public projects contravened international commitments. “We will be assessing to which extent the U.S. complies with its [World Trade Organization] commitments under the global procurement agreement,” Dombrovskis said.



*Gregg Doud, Former
Agricultural Negotiator at USTR*

Civil Aircraft Disputes

- USTR Nominee Katherine Tai said during her Senate confirmation hearing that the EU and U.S. must come together to resolve the civil aircraft dispute. “If confirmed, I would very much be interested in figuring out, pardon the pun, how to land this particular plane because it has been going on for a very long time,” Tai said during the hearing.
- 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 2020, 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.

Section 201 Investigations

Seasonal Produce

- In response to the termination of the blueberry safeguard investigation, the Blueberry Coalition for Progress and Health, a group supporting blueberry imports, stated, “The Coalition presented a straightforward evidence-based case before the ITC and proved that imported blueberries are not a substantial cause of serious injury to the domestic industry.” “In fact, the U.S. blueberry industry is healthy and thriving. Together with imports, the U.S. industry is working hard to keep up with the year-round and growing marketplace demand for this healthy and nutritious fruit.” The group noted U.S. consumption of blueberries has experienced a more than a 300% increase in per capita consumption since 2005 and is now at a record high of 1.79 pounds per person.
- In contrast, Florida Agriculture Commissioner Nikki Fried vowed to continue fighting for relief for U.S. growers, noting the ITC determination was disappointing. “This shows the need for greater reforms as Florida’s congressional delegation has proposed that would provide access to effective trade remedies for all seasonal producers – legislation which will be again introduced,” Fried said in a statement. “The data proves that Florida’s seasonal growers have suffered hundreds of millions of dollars in economic injury from foreign blueberry imports. With Florida producing farm-fresh seasonal and perishable commodities for 150 million Americans, we will continue fighting to prevent their being further seriously harmed by unfair foreign trade practices.”
- On February 11th, The U.S. ITC rendered a unanimous vote finding no “serious injury” terminating the Section 201 global safeguard investigation of U.S. blueberry imports. In a [statement](#), the USITC said it “determined that fresh, chilled, or frozen blueberries are not being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat of serious injury, to the domestic industry producing an article like or directly competitive with the imported article.” The statement noted that all five Commissioners voted negative, and that, “As a result of today’s vote, the investigation will end, and the Commission will not recommend a remedy to the President.”
- With the termination of the blueberry global safeguard investigation, four other related seasonal produce “monitoring” investigations continue at the USITC. The investigations cover imports of strawberries, bell peppers, cucumbers and squash, respectively, and stem from requests from USTR as part of the [Seasonal Produce Plan](#) outlined by the prior Administration. The Plan noted that, “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

- Last Tuesday the Senate voted [92-7](#) to approve UDSA Secretary Tom Vilsack. All of the no votes came

from Republicans except for Sen. Bernie Sanders. Sanders indicated he voted against Vilsack because “we need somebody a little bit more vigorous in terms of protecting family farms and taking on corporate.” However, he concluded that Vilsack will be “fine” as secretary. In contrast, several lawmakers, including Senate Agriculture Committee Chairwoman Debbie Stabenow (D-MI) praised Vilsack’s confirmation, stating, after an overwhelmingly bipartisan vote, Secretary Vilsack can now get to work and help our farmers, families, and rural communities. I look forward to partnering with him to address the challenges for our farmers and rural communities related to the COVID-19 pandemic, feed American families in need, and create new markets while curbing the climate crisis.” Vilsack’s confirmation places him in office two months earlier than his predecessor, Sonny Perdue, who was confirmed on April 24, 2017.



Sen. Debbie Stabenow

- The Senate confirmed Linda Thomas-Greenfield as United States ambassador to the United Nations, by a 78-20 vote. Thomas-Greenfield worked 35 years at the State Department and promised to promote American values of democracy, human rights, and peace at her confirmation hearing. *POLITICO* reports that U.K. Ambassador Barbara Woodward said Britain looks forward to work with Thomas-Greenfield, “in particular on shared priorities such as climate and Covid-19.”
- The Senate Finance Committee held the hearing for USTR Nominee, Katherine Tai on Feb. 24. Senators from both sides of the aisle were overall supportive of the nominee during the hearing. Given the strong support Tai has from both Democratic and Republican lawmakers, in addition to several industry and labor groups, she is expected to be easily confirmed. Wide ranging questions reached various aspects of current trade issues including ensuring reliable semiconductor supply chains, USMCA enforcement, and opening market access for agriculture. The date for the Committee vote has not been scheduled. Some sources indicated President Biden is aiming to have Katherine Tai sworn in as USTR by mid-March.



Katherine Tai, USTR Nominee

WTO

- The WTO announced the 12th ministerial conference will now be held in Geneva, Switzerland on Nov. 29 rather than in Nur Sultan, Kazakhstan. The Ministerial, originally postponed in 2020 due to the global pandemic was pushed back to late 2021. The decision from the General Council, follows on the 2020 meeting host country Kazakhstan’s offer to “co-host” in December in Geneva. Kazakhstan was set to host the 12th ministerial conference in June last year. After it was postponed, Kazakhstan offered to host at the same time this year, but members continued to express concerns as they grappled with an unpredictable, COVID-19 environment and safety restrictions.
- India and South Africa are arguing that the push to conclude plurilateral agreements at the WTO is “legally inconsistent” with WTO rules and principles. Many countries, the U.S. among them, support plurilateral negotiations as one of the only ways left to make progress at the WTO. *Inside U.S. Trade* reports that India and South Africa argue the push for plurilateral negotiations has “systemic and development implications,” including a potential for the “disregarding” of multilateral negotiations and imposing new rules under such agreements “without fulfilling the requirements” of the Marrakesh Agreement will “erode the integrity of the rule-based multilateral trading system by subverting established rules and foundational principles” of the WTO. It will also, according to the paper, “bypass the collective oversight of Members” and “usurp limited WTO resources.”
- The WTO remains deadlocked on whether to waive IP obligations within the TRIPS agreement during COVID-19. WTO Council on Trade-Related Aspects of Intellectual Property Rights meeting was recently held, but members remained steadfast in their positions, a Geneva official familiar with the negotiations said according to *Inside U.S. Trade*. According to the official, the U.S. said its position is to find a multilateral solution that will address both the public health and humanitarian crisis without disincentivizing innovation.

- On March 1, Ngozi Okonjo-Iweala became the WTO Director General (DG) for the term ending on August 31, 2025, which is longer than a typical tenure as WTO DG.



- In her first statement as DG, Dr. Okonjo-Iweala said, “You can count on me to be proactive, to work hard, to be balanced, fair, professional, and objective, so as to continuously earn and sustain your trust. That way, together, we can restore and rebrand the WTO as a key pillar of global economic governance, a force for a strong, transparent, and fair multilateral trading system, and an instrument for inclusive economic growth and sustainable development.”

WTO Reform

- The U.S. stood firm on its opposition to resurrecting the WTO Appellate Body soon. Under pressure at a recent WTO Dispute Settlement Body meeting the U.S. indicated it still does not support moving to selection of panelists on the Appellate Body. The U.S. stated, “The United States continues to have systemic concerns with the Appellate Body. As Members know, the United States has raised and explained its systemic concerns for more than 16 years and across multiple U.S. Administrations.” “We look forward to further discussions with Members on those concerns.”
- Many WTO members were hoping the Biden Administration would soon reverse the Trump Administration’s blocking of AB panelists. Over 120 WTO member countries, led by Mexico, appealed to the U.S. for a change in position. Despite the appeal and even after 20 countries underscored the importance of resolving the impasse over the appointment of new members as soon as possible, the U.S. remained steadfast. Several members said bluntly that the U.S. intransigence of blocking AB appointments was undermining the rights of all WTO members and that finding a solution was a top priority.