

TRADE UPDATE Food & Agriculture



Provided by CRA

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HIGHLIGHTS

- **[U.S. – China](#)**: Secretary of State Blinken laid out the Biden Administration’s national security strategy, calling China the “biggest geopolitical test of the 21st century.”
- **[U.S. – Kenya](#)**: A senior Kenyan official said he expects the resumption of U.S. – Kenya bilateral trade talks soon after the confirmation of USTR nominee Katherine Tai.
- **[U.S. – EU](#)**: Quickly following the agreement between the U.S. and the U.K., the EU and U.S. also reached an agreement to 4-month suspension of tariffs in conjunction with the Airbus and Boeing WTO civil aircraft disputes.
- **[WTO](#)**: On her first day in office, Okonjo-Iweala called for tripling global vaccine production and to improve access by licensing more vaccine manufacturing in developing countries.

Quote: “It marks a reset in our relationship with our biggest and economically most important partner.”
(European Trade Commissioner Valdis Dombrovskis on the suspension of civil aircraft dispute tariffs)

President’s Trade Policy Agenda

- The Office of the United States Trade Representative (USTR) released the Biden administration’s [2021 Trade Policy Agenda and 2020 Annual Report](#), which must be submitted annually by statute. The report includes two main sections: the 2021 Trade Policy Agenda and the 2020 Annual Report. Elements of the trade policy agenda priorities include:
 - Standing Up for American Farmers, Ranchers, Food Manufacturers, and Fishers (erratic trade actions in recent years taken without a broader strategy burdened America’s agricultural communities);
 - Expand global market opportunities for American farmers, ranchers, food manufacturers, and fishers and will defend our producers by enforcing global agricultural trade rules;
 - Strong trade enforcement to ensure U.S. trading partners live up to their commitments;
 - Opening markets and reducing trade barriers, noting that export-oriented producers, manufacturers and businesses enjoy greater than average productivity and wages;
 - Respecting the dignity of work and valuing Americans as workers and wage-earners, including a commitment to self-initiate and advance labor enforcement petitions under the United States-Mexico-Canada Agreement, and combat forced labor;
 - Building bilateral and multilateral consensus on how trade policies address the climate crisis, bolster sustainable renewable energy supply chains, end unfair trade practices, discourage regulatory arbitrage and foster innovation and creativity;
 - Addressing the China challenge with a comprehensive strategy and systematic approach, including using all available tools to take on the range of China’s unfair trade practices;
 - Repairing partnerships and alliances and restoring U.S. leadership around the world, including at international organizations such as the World Trade Organization;
 - Supporting domestic initiatives that eliminate social and economic structural barriers to equality and economic opportunity and pursuing the same objectives in trade negotiations; and

- Developing and reinforcing resilient manufacturing supply chains, especially for small businesses.
- USTR also issued a summary [fact sheet](#).

China Trade

- Secretary of State Blinken laid out the Biden Administration’s national security strategy, particularly when

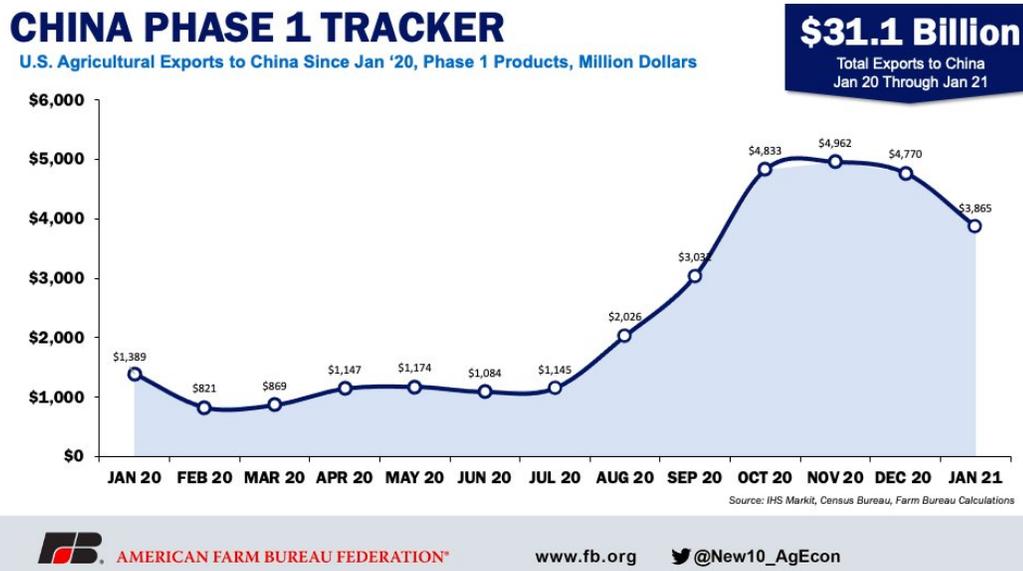


Anthony Blinken, Secretary of State

it comes to China. Blinken said, “China is the only country with the economic, diplomatic, military, and technological power to seriously challenge the stable and open international system — all the rules, values, and relationships that make the world work the way we want it to.” America must invest in its institutions because it faces its “biggest geopolitical test of the 21st century: our relationship with China,” and Blinken continued, “Our relationship with China will be competitive when it should be, collaborative when it can be, and adversarial when it must be. The common denominator is the need to engage China from a position of strength.”

Phase One Agreement

- According to the latest Census data, U.S. agricultural exports to China totaled \$3.9B in January 2021, down 19% from December 2020. Cumulative agriculture Phase One product exports to China totaled \$31.1B between January 2020 and January 2021.



- 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 by pledging 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.
- 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.

U.S. -Kenya Trade

- USTR nominee Katherine Tai indicated she plans to review the state of the U.S. – Kenya trade talks and "chart a path forward." Tai comments were contained in the "[Questions for the Record](#)" submitted by members of the committee after her nomination hearing. Specifically, in response to questions from Senator Portman on trade negotiations with Kenya, Tai said:
"Since announcing the negotiations, the United States completed two rounds of negotiations with Kenya. If confirmed, I plan to review the state of the negotiations with and Kenya, and, in consultation with the Congress, chart a path forward that reflects the Biden-Harris Administration's commitment to a trade policy that prioritizes the interest of America's working families. If confirmed, I will also study the progress of the African Continental Free Trade Area (AfCFTA) to determine how the United States may support African integration efforts."
- A senior Kenyan official said he expects the resumption of U.S. – Kenya bilateral trade talks soon after the confirmation of USTR nominee Katherine Tai. According to *Business Day*, Mr. Johnson Weru, Kenya's Principal Secretary for Trade and Enterprise Development, said the imminent confirmation of President Biden's Trade Representative Nominee will unlock talks. The U.S. – Kenya trade talks were paused the past four months principally due to the wake of the U.S. presidential elections. Mr. Weru continued, "As soon as that confirmation is formally announced by Congress, we will be ready as we have always been in getting business done."
- Kenya and the U.S. formally launched negotiations for a Free Trade Agreement (FTA) on July 8, 2020, months after President Uhuru Kenyatta and former President Donald Trump announced FTA ambitions in February 2020. The early rounds of talks, which were held remotely because of the global pandemic, were interrupted after some members of the Kenyan delegation were exposed to or contracted the coronavirus prior to the pause for the U.S. presidential elections.



*Johnson Weru, Kenya's
Principal Secretary for
Trade*

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

- Steve Verheul, Canada's chief trade negotiator, said that the country will likely be subject to Biden's Buy American policy. "The prospects of us getting a complete exemption ... is something that's not likely to be politically possible in the U.S., so we are taking the approach of trying to focus on specific areas of interest," Verheul said. "That's the major focus that we're looking at because that's, I think, where we can very easily align with the U.S., demonstrate that those markets, like many others, are very integrated and that we can produce a lot of those types of goods and services together," he continued. "What we're trying to do on Buy American is make sure that we have the proper kinds of relationships with the new U.S. administration, that we can have these kinds of conversations."
- Agriculture Secretary Tom Vilsack said that among his top priorities is ensuring Canada's and Mexico's enforcement of USMCA. Speaking to the National Farmers Union, Vilsack said he is "talking about assuring that any trade agreements we have are enforced consistent with the letter and spirit of the trade agreements – and I'm thinking specifically about the USMCA and specifically about our friends in Canada."
- Mexico's new ambassador to the U.S., Esteban Moctezuma has been ratified by the Mexican Senate and has begun to address U.S.-Mexico issues. According to the Mexican embassy, Moctezuma will collaborate with Mexico's Economy, Labor and Agriculture secretaries "to identify and promote trade and investment opportunities within" USMCA and "maintain a constructive dialogue with chambers of commerce and other relevant actors in the economic sphere."
- As reported earlier, 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.

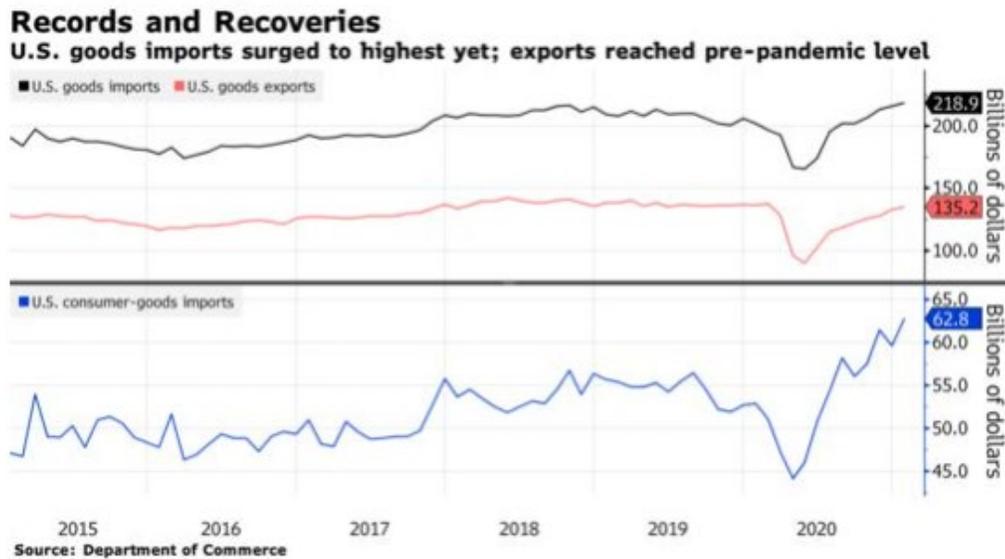


*Steve Verheul, Canada's
Chief Trade Negotiator*

COVID-19 Developments

- The latest U.S. merchandise-trade deficit grew in January as imports increased, outpacing exports. The

January deficit widened to \$83.7 billion from \$83.2 billion in December, according to Commerce Department data. Strong consumer demand as the U.S. economy recovers from the global pandemic propelled goods imports to a record \$62.8 billion, while inward-bound shipments of food and beverages also reached a new high of \$13.8 billion.



Section 232 Investigations

- U.S. Commerce Secretary Gina Raimondo commented on the section 232 steel and aluminum tariffs saying, “Let me say those tariffs have been effective. The data show that those tariffs have been effective.” However, the future of these tariffs remains unclear, “What President Biden has said is we’re going to have a whole of government review of all of these policies and decide what it makes sense to maintain,” Raimondo said.
- 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.
- The U.S. Commerce Department issued final anti-dumping duties on common alloy aluminum sheet from 18 countries. According to *Reuters*, Germany had the highest anti-dumping rate, jumping from 49.4% to 242.8%. Germany exported \$286.6 million worth of aluminum sheets in 2019 and marks the largest exporter of aluminum sheets to the U.S. followed by Bahrain which received a 4.83% anti-dumping duty rate and an anti-subsidy rate of up to 6.44%. The other countries listed include Brazil, Croatia, Egypt, Greece, India, Indonesia, Italy, Oman, Romania, Serbia, Slovenia, South Africa, South Korea, Spain, Taiwan and Turkey. These duties will be imposed on top of the 10% U.S. tariffs imposed on most aluminum imports under the Trump administration.

U.S. – EU Trade

- The 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.

Civil Aircraft Disputes

- Last Thursday the U.S. and the U.K. announced a 4-month suspension of tariffs related to the WTO civil aircraft disputes. As noted in a [joint statement](#) from USTR and the British Trade Ministry, “The United Kingdom and the United States are undertaking a four-month tariff suspension to ease the burden on industry and take a bold, joint step towards resolving the longest running disputes at the World Trade Organization.” The statement continued, “The United States will now suspend retaliatory tariffs in the Airbus dispute from March 4, 2021, for four months. This will allow time to focus on negotiating a balanced settlement to the disputes and begin seriously addressing the challenges posed by new entrants to the civil aviation market from non-market economies, such as China.” In January, as it finalized its departure from the EU, the U.K. declined to carry over its retaliatory tariffs in the Boeing dispute beginning “to de-escalate the issue” and provide an opportunity for a negotiated settlement to the Airbus and Boeing disputes.
- Shortly after the U.S. – U.K. tariff suspension announcement, the EU followed suit stating the EU and U.S. had reached a similar agreement to suspend for four months the tariffs associated with the Airbus and Boeing WTO civil aircraft disputes. In a [statement](#), EC President Ursula Von der Leyen said, “As a symbol of this fresh start, President Biden and I agreed to suspend all our tariffs imposed in the context of the Airbus-Boeing disputes, both on aircraft and non-aircraft products, for an initial period of 4 months. We both committed to focus on resolving our aircraft disputes, based on the work our respective trade representatives.” Von der Leyen’s comments resulted from a phone call with President Biden discussing deeper cooperation on trade, the global pandemic, and climate change.
- USTR’s [press release](#) on the suspension under the aircrafts disputes emphasized, the suspension will cover all tariffs both on aircraft as well as on non-aircraft products, and will become effective as soon as the internal procedures on both sides are completed.” The statement continued noting, “This will allow the EU and the US to ease the burden on their industries and workers and focus efforts towards resolving these long running disputes at the WTO.” “The EU and the US are committed to reach a comprehensive and durable negotiated solution to the Aircraft disputes.”
- U.S. and EU leaders commented positively on the tariff development. USDA Secretary Tom Vilsack remarked, “Maybe it gives us an opportunity to have conversations about trade agreements with both the UK and the EU.” European Commission Executive Vice President and Trade Commissioner Valdis Dombrovskis issued a similarly optimistic statement, although he did not directly mention FTA negotiations. “A positive EU-U.S. trade relationship is important not only to the two sides but to global trade at large,” he said. During her Senate confirmation, USTR Nominee Katherine Tai said 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

- 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

- The Senate Finance Committee unanimously voted to advance the nominations of Katherine Tai to be U.S. Trade Representative. The full Senate vote could be scheduled for next week or two according to *Inside U.S. Trade* and Tai is expected to be confirmed by the full senate. 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 touched on current trade issues including ensuring reliable semiconductor supply chains, USMCA enforcement, and opening market access for agriculture. Some sources indicated President Biden is aiming to have Ms. Tai sworn in as USTR by mid-March.
- Commerce Secretary Raimondo was overwhelmingly confirmed by the Senate in an 84-15 vote, despite concern from Republicans for not being tough on China after she did not commit to keeping Huawei on the blacklist. Raimondo since promised to keep Huawei on the blacklist for now garnering her support from Republicans and Democrats who appreciate her private sector experience and workforce training programs.



*Secretary of Commerce,
Gina Raimondo*

WTO

- For the 12th Ministerial Conference, over 100 WTO members plan to issue a declaration on women's empowerment through trade. Canada proposed the plan and calls for members to meet to determine how to bring "a gender lens to WTO agreements and functions and propose options to advance a gender responsive approach," according to a Geneva official. The 100 countries comprise the WTO's Informal Working Group on Trade and Gender, which was established last September. While the U.S. is not part of the group, the Biden Administration has signaled a commitment to women's employment in trade policy.
- The EU, Australia, Korea, among other WTO members raised concern during a WTO Committee on Government Procurement meeting to criticize the U.S. for its plan to restrict American procurement coverage of essential medical products. The countries claim that such restrictions may disrupt international flows during the pandemic. The members are requesting further clarification by the U.S. on its methodology, arguing the balance of rights and obligations in the agreement must be upheld, according to a Geneva official as reported by *Inside U.S. Trade*. The U.S. responded by stating it is meeting with members that have objected.
- The U.S. Congressional Research Service released a [report](#) on the rules and limits on U.S. Domestic

Support at the WTO. The report serves as a guide on how U.S. domestic agricultural support policies, like the farm bill, can be evaluated to determine how it will be classified and whether it complies with the Agreement on Agriculture and the SCM agreement. The report states, “The 2018 farm bill includes a provision, Section 1701 (7 U.S.C. §9091(c)), that serves as a safety trigger for USDA to adjust program outlays (subject to notification being given to both the House and Senate agriculture committees) in such a way as to avoid breaching the AMS limit.”

- The U.S. has urged Saudi Arabia to renounce its special and differential treatment in negotiations at the WTO. In a statement to the WTO, the U.S. said, “Saudi Arabia is a wealthy and influential player in the global economy. We call on Saudi Arabia to no longer seek special and differential treatment in current and future WTO negotiations.” “By taking this step, Saudi Arabia would make a significant contribution to ensuring that the WTO remains a viable forum for meaningful trade negotiations,” the statement continued. Saudi Arabia is a G20 member and is designated by the World Bank and IMF as a high-income country.
- On her first day in office, Director General Okonjo-Iweala has called for tripling global vaccine production and to improve access by licensing more vaccine manufacturing in developing countries. “People are dying in poor countries. The world has a normal capacity of production of 3.5 billion doses of vaccines and we now seek to manufacture 10 billion doses,” Okonjo-Iweala said. The General Council still has not made any decisions on the TRIPS waiver.
- As noted earlier, the WTO will convene the 12th ministerial conference 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” the Ministerial 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.

WTO Reform

- No significant updates since a recent WTO Dispute Settlement Body meeting where 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.

Ag Economy Barometer

- February’s *Ag Economy Barometer* reading of 165 remained near the previous month’s index of 167. Producers continue to report strong current conditions. Though slightly lower at an index of 165, February’s level parallels strong pre-pandemic sentiments nearly 12 months earlier for the farm economy, recently buoyed by the ongoing rally in crop prices, expectations for higher farmland values, and farmland rental rates. Ongoing strength in ag commodity prices and farm income continue to support producers’ perspective on current conditions while concerns about possible policy changes affecting agriculture and eroding confidence in future growth in ag trade continue to weigh on producers’ future expectations.

