

TRADE UPDATE Food & Agriculture



Provided by CRA

March 23, 2021

HIGHLIGHTS

- **U.S. – China:** The National Association of Manufacturers (NAM) recently wrote a [letter](#) to President Biden urging him to take action to combat the rise of China.
- **U.S. – USMCA:** Chairman Richard Neal (D-MA) and Chairman Earl Blumenauer (D-OR) argued in a statement that USMCA could help address the issue of illegal, unreported, and unregulated fishing seafood imports that are hurting the U.S. fishing industry.
- **U.S. – U.K.:** USTR Tai is scheduled to speak with U.K. trade minister Liz Truss about trade issues including the civil aircraft dispute and next steps for a U.S.-U.K. free trade agreement.
- **WTO:** A dozen business organizations, including the U.S. Chamber of Commerce from around the globe penned a [letter](#) to WTO Director-General Ngozi Okonjo-Iweala, congratulating her on her appointment and urging more regular dialogue with the business community.

Quote: “We will have to walk, chew gum and play chess at the same time.” (*USTR Katherine Tai in first meeting with USTR staff*)

China Trade

- Last week USDA announced China will purchase of 1.156 million metric tons of U.S. corn for delivery in the 2020-21 marketing year, demonstrating China’s corn demand remains strong. The large purchase comes after a pause in Chinese purchases since the record-breaking buys in January. China committed to purchase 1.7 million tons of U.S. corn on Jan. 28, and the next day, USDA announced another corn export sale to China of 2.108 million tons. Regarding the most recent purchase, U.S. Grains Council President and CEO Ryan LeGrand said, “Today’s announcement puts Chinese purchases of U.S. corn at close to 20 million metric tons for the current marketing year and is further evidence demand for corn in China is extremely robust.” As of Mar. 4, there were 11.327 million tons in outstanding sales of corn to China that have not yet been delivered, according to the USDA trade data.
- Former USTR Robert Lighthizer indicated he supports the Biden Administration’s approach on China. Lighthizer recently commented, “My fear all along was because of their history of globalism that some people in this new administration would not follow through. To date, I would say they have. They say the right things and to the extent that they’ve done things -- and that takes time -- they’ve done the right thing.” Yet Lighthizer expressed caution against engaging in a dialogue with China.
- The National Association of Manufacturers (NAM) recently wrote a [letter](#) to President Biden urging him to take action to combat the rise of China. The letter states, “As you and your administration have rightfully signaled, we need a new approach to China—strong and strategic, rooted in American strengths and values and coordinated with our allies. And the time is now.” The recommendations for a China strategy include “investments that benefit manufacturers and American workers through inclusive policies” and “assertive global leadership to ensure that the United States—not China—is writing the rules for the post-pandemic global economy.”
- Reporting on the high-profile bilateral talks with China, Secretary of State Blinken said, we held a “very candid” discussion on a range of issues, including trade and technology. “We were also able to have a very candid conversation over these many hours on an expansive agenda,” Blinken told reporters after the meetings in Alaska. Blinken continued, “On Iran, North Korea, on Afghanistan on climate, our interests intersect. On economics, on trade, on technology, we told our counterparts that we are

reviewing these issues with close consultation with Congress, with our allies and partners. “We will move forward on them in a way that fully protects and advances the interests of our workers and our business.”

Phase One Agreement

- Thirty-six Republican members of the House of Representatives, led by Rep Jodey Arrington (R-TX), sent a [letter](#) to Agriculture Secretary Tom Vilsack urging him to “hold China accountable” to Phase One deal commitments. The letter states that China fell short of its agricultural purchases target and notes that “it remains unclear if they are exerting sufficient effort to abide by its end of the deal.” The letter urges Vilsack to enforce the Phase One Agreement and to “continue discussions toward a second phase of negotiations.”
- According to January 2021 Census data, U.S. agricultural exports to China totaled \$3.9 billion. This compares to \$4.3 billion in agriculture exports for the same month in year one (January 2020) of the Phased One agreement. Cumulative agriculture Phase One product exports to China totaled \$31.1B between January 2020 and January 2021.

U.S.-China Phase 1 Tracker for Agriculture Products

U.S. Exports to China, and Pace Needed to Meet Phase 1 Commitment in Year 2, Billion Dollars



Source: USTR, GTIS, U.S. Census Bureau, FarmBureau Calculations



AMERICAN FARM BUREAU FEDERATION®

www.fb.org

@New10_AgEcon

USMCA

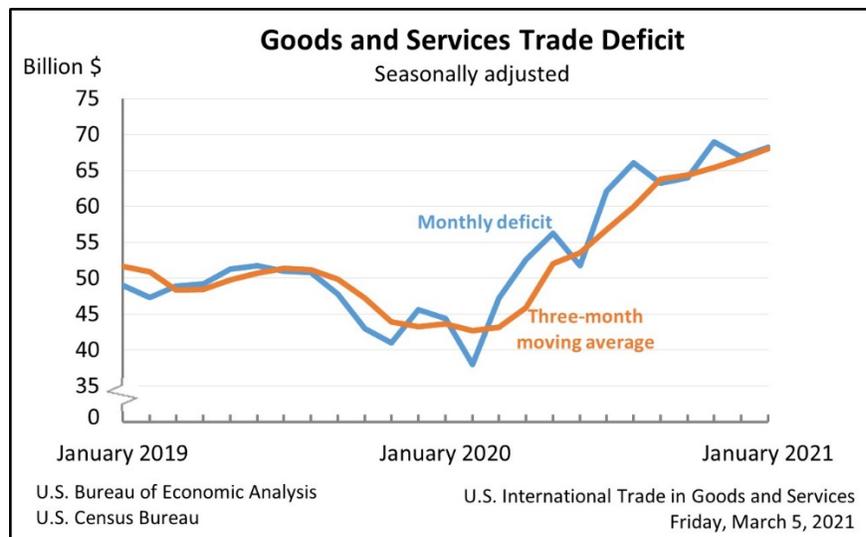
- Several leading food and agriculture associations sent a letter to USDA Secretary Thomas Vilsack and USTR Katherine Tai raising growing concerns over the rapid deterioration of the U.S.-Mexico trade relationship. The letter references recent developments with regard to the food and agriculture trade relationship with Mexico and urges action to address these challenges. The [letter](#) signed by 27 groups, highlighted particular areas including, bans of glyphosate and GM corn, obstacles to dairy and meat trade, organic product export barriers, lack of approval of biotechnology applications, and a potato export restrictions.
- House Ways & Means Committee Chairman Richard Neal (D-MA) and trade subcommittee Chairman Earl Blumenauer (D-OR) argued in a statement that USMCA could help address the issue of illegal, unreported, and unregulated fishing seafood imports that are hurting the U.S. fishing industry. The [statement](#) says, “Far too much illegal seafood is making its way onto our dinner plates and more must be done.” “By building on what we fought to include in USMCA, enhancing the tracing of our seafood supply chains, and cracking down on IUU fishing practices, we can better protect our oceans and ultimately give Americans the peace of mind that they are eating safe, legal seafood,” the statement continued.
- In a scheduled meeting with U.S. Commerce Secretary Gina Raimondo, Canadian Innovation Minister

François-Philippe Champagne says that he will plan to advocate for stronger Canada-U.S. relations. In an interview with POLITICO, Champagne said, “Certainly, we’re going to be talking about ... building back better together. My point has always been to say to my American friends: ‘How can we innovate more together, how can we build more together and how can we sell more together to the rest of the world?’” Champagne said that he sees multiple areas for more cooperation including vaccines and biomanufacturing, the auto sector, electric vehicles, and climate change agendas. “We have a unique opportunity to set the standards together so we make sure that companies on both sides, small- and medium-sized businesses, can flourish in each other’s markets,” he added.

- U.S. dairy producers and exports are uniting in opposition to Mexico’s action to propose a new standard that would make conformity mandatory. It would also require a third-party certification and testing that would make it more difficult and costly to export cheese to Mexico. Mexico’s updated standard definition of cheese (NOM-223) shocked the U.S. dairy industry. This updated mandate goes against the spirit of the USMCA, and it doesn’t make much sense, says Jaime Castaneda, USDEC senior vice president for trade policy. In a letter addressed to Mexican Economy Minister Tatiana Clouthier Carrillo, USDEC President and CEO Krysta Harden and NMPF President and CEO Jim Mulhern state, “In view of the importance of USMCA and, especially, the close relationship that unites us, it is very important that we carefully consider the measures that each of our governments takes, especially in the regulatory environment. For years our organizations have worked in a very efficient way for the commercial integration of our two countries.”

COVID-19 Developments

- The U.S. trade deficit in goods and services increased to \$68.2 billion in January from \$67.0 billion in December (revised), as imports increased more than exports. The latest report confirms the continued strong demand for imported consumer and technology goods as the nation moves to contain the COVID-19 virus, outpacing tepid demand in foreign markets for U.S. exports.



Section 232 Investigations

- Last week (March 15), Senators Rob Portman (R-OH), Dianne Feinstein (D-CA), Joni Ernst (R-IA), Kyrsten Sinema (D-AZ), Deb Fischer (R-NE), Roger Wicker (R-MS), and Todd Young (R-IN) reintroduced the “Trade Security Act” to reform the Section 232 statute. The legislation continues efforts in the Congress to reexamine laws delegating tariff authority to the executive branch and reassert congressional involvement and oversight into the process. The U.S. Chamber [has supported](#) the “Trade Security Act” in the past, including co-sponsorship on its “How They Voted” scorecard and will do so again this year. From a [press release](#) from the bill sponsors, major reforms in the legislation include:

- Bifurcating the existing Section 232 process into an investigation phase, led by the Department of Defense, and a remedy phase, led by the Department of Commerce;
 - Requiring the Department of Defense — instead of the Department of Commerce — to justify the national security basis for new tariffs under Section 232 and make the determination about the national security threat posed by imports of certain products;
 - Increasing the role of Congress in the Section 232 process by expanding the process whereby Congress can disapprove of a Section 232 action by passing a joint resolution of disapproval; and
 - Requiring consultation with Congress throughout the Section 232 process.
- Absent a pause or resolution with the EU, the U.S. will face higher EU retaliatory tariffs in June under the section 232 tariff dispute. On June 1, the EU's tariffs imposed in retaliation for Trump's 2018 steel and aluminum duties of 2018 are due to more than double. The new U.S. Commerce Secretary, Gina Raimondo said the section 232 steel and aluminum tariffs "have been effective" and USTR nominee Katherine said tariffs were an important tool. Both however have acknowledged that the Biden Administration plans a wholesale review of the tariffs and other inherited trade policy measures.
 - 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.

U.S. - U.K. Trade

- USTR Tai is scheduled to speak with U.K. trade minister Liz Truss about trade issues including the civil aircraft dispute and next steps for a U.S.-U.K. free trade agreement, according to *Reuters*. Tai and Truss plan to also discuss ways to coordinate on global trade issues such as WTO reform. While the Office of USTR did not confirm the specific details of the call with Truss, a spokesperson said, "Ambassador Tai looks forward to speaking with her international trade counterparts about her strategic priorities in the days ahead."
- As previously reported, Sen. Chuck Grassley (R-IA) is urging the Biden administration to consider a trade deal with the U.K. as its next trade priority following the announcement of the fourth-month tariff suspension regarding the WTO civil aircraft disputes. "I think the UK would be the most important one," he said when asked what executive trade action the administration should pursue next. Sen. Grassley added other trade priorities or next moves stating, "And then whether or not we're going to get into [the Comprehensive and Progressive Agreement on Trans-Pacific Partnership]." "And then India would be high on the list, but I think India's going to be a more difficult one. I think dealing with sub-Saharan Africa is the next best one."



*Senator Chuck
Grassley*

Trade Promotion Authority

- Senate Finance Committee Chairman Ron Wyden (OR-D) said he does not expect to rush TPA renewal. Wyden recently commented, "I don't see TPA being a huge priority coming out of the gate right now." "I want results for workers and their families, not more process," Wyden continued.
- Renewal of Trade Promotion Authority (TPA) in 2021 remains very uncertain despite some domestic and trade policies for the Biden Administration becoming 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.

U.S. – EU Trade

- As reported earlier, the U.S. and the EU recently concluded negotiations to adjust Brussels' agricultural quotas, following the U.K.'s departure from the EU. The agreement – which took two years to negotiate – determines how to split tariff rate quotas (TRQ) quantities between the EU and the U.K., based on recent trade flows. "Once implemented, this agreement will provide market access certainty for US producers and exporters to the EU," acting USTR María Pagán said in a [USTR statement](#). The agreement covers dozens of quotas and billions of dollars in trade for products including beef, poultry, rice, dairy products, fruits, vegetables and wines. USTR noted that the agreement will be signed and implemented after formal approval procedures are completed by the EU. The EU still needs to adopt the agreement and then send to the European Council and European Parliament for ratification, before entering into force.
- Although the U.S. and EU have reached a tariff suspension agreement on the civil aircraft dispute, another set of EU tariffs are approaching. EU retaliatory tariffs on the 2018 Trump administration's steel and aluminum duties are scheduled to double on June 1. This will heavily impact U.S. whiskey producers. Lawson Whiting, president and chief executive of Brown-Forman, the company behind Jack Daniel's, said, "The steel and aluminum dispute is still hurting American whiskey consumers, workers and companies on both sides of the Atlantic. More harm will be caused if tariff rates double on June 1." On the flip side, U.S. steel producers support the Section 232 tariffs, believing they are effective and legal.

Civil Aircraft Disputes

- No significant updates since the U.S. and the U.K. announced a 4-month suspension of tariffs related to the WTO civil aircraft disputes. 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 EU and U.S. also announced a similar agreement to suspend for four months the tariffs associated with the Airbus and Boeing WTO civil aircraft disputes. 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."
- 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.

Transition 2021

- Vice President Kamala Harris last week administered the oath of office to Katherine Tai and swore her in as the 19th United States Trade Representative (USTR). Ambassador Tai is the first Asian American, and first woman of color confirmed to serve in the role. Tai previously served at USTR from 2007-2014, and most recently as Chief Counsel for China Trade Enforcement. Ms. Tai received overwhelming support as the Senate voted 98 -0 in confirming her as the new USTR.



- Senate Finance Committee Chairman Ron Wyden (OR-D) now plays an influential role in Biden's trade policy agenda as his buy-in is necessary to advance trade agreements through Congress. Recently, Wyden said he is not currently seeking to advance comprehensive trade deals. Wyden stated, "I'm making the case, and you'll hear it when we're talking about Biden's Build Back Better agenda, that tougher trade enforcement is going to be a bedrock principle." "What I came away with is that if you really want to rally workers and communities that have been hard hit (by trade), you've got to say that you're going to do more for enforcement because that's how you get a positive impact for workers and producers," Wyden continued.

WTO

- The U.S. has appealed the WTO's recommendation on a trade dispute with South Korea. With a nonfunctioning appellate body, the appeal effectively places the case into legal limbo. The WTO recommended that the 2016 duties on steel and 2012 duties on power transformers from South Korea be revised. The WTO panel found that the Department of Commerce did not take into account all available information when calculating the level of dumping.
- U.S. Democrats are urging the Biden Administration to reverse its position on the TRIPS waiver at the WTO. Representatives The lawmakers are led by Reps. Jan Schakowsky (IL), Rosa DeLauro (CT), Earl Blumenauer (OR), Lloyd Doggett (TX), Adriano Espaillat (NY) and Andy Levin (MI) and will send a letter in the near future. DeLauro commented that the Biden administration "has an incredible opportunity to reverse the damage done by the Trump administration to our nation's global reputation and to America's public health leadership on the world stage. Expanding vaccine access is not only a moral obligation, it is

economically effective.”

- 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

- A dozen business organizations, including the U.S. Chamber of Commerce from around the globe penned a [letter](#) to World Trade Organization (WTO) Director-General Ngozi Okonjo-Iweala, congratulating her on her appointment and urging more regular dialogue with the business community. Expressing “full support for a multilateral trading system with the WTO at its center,” the letter said, “Building a WTO fit for the 21st century will require establishing a closer and structured dialogue between the WTO and the business community. The WTO stands to benefit from specific and timely input from people on the front lines of international trade and who are wrestling with the challenges on a daily basis.” The organizations made the following recommendations:
 - Establishing an advisory council that would allow business to provide insights to WTO members on matters of importance.
 - Arranging more regular trade dialogues as well as consultations and hearings on specific negotiations.
 - Organizing business summits on the margins of the WTO Ministerial Conferences to enhance dialogue.
- As reported earlier, Sens. Rob Portman (R-OH) and Ben Cardin (D-MD) introduced a resolution calling for WTO reform and U.S. leadership at the WTO. The bipartisan resolution ([SRes 101](#)) outlines specific WTO reform proposals including:
 - expanding the use of multi-national trade agreements between countries to ensure that only countries party to the trade agreement get the benefits of membership;
 - restoring the intended meaning to trade remedy provisions that, thanks to the WTO’s judicial activism, have limited the ability of the United States to crack down on foreign trade cheats;
 - beefing up rules against currency manipulation; and
 - creating new rules to discipline subsidies and state-owned enterprises.

Sen. Portman stated, “By identifying the problem and suggesting some potential solutions, this bipartisan resolution is a start to addressing and fixing some of the shortcomings of the WTO in order to support American workers against unfair foreign trade practices and enhance the ability of American farmers, workers, and businesses to access foreign markets.” Further details in [press release](#).