

TRADE UPDATE

Food & Agriculture



Provided by CRA

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HIGHLIGHTS

- **U.S. – China:** The U.S., the EU, Canada, and the U.K. have imposed sanctions on Chinese officials who are alleged to be linked to Uyghur “genocide.”
- **U.S. – USMCA:** USTR Tai and Mexican Economy Minister Tatiana Clouthier recently discussed agricultural trade. Last week USDA Secretary Tom Vilsack, said he will work with USTR Tai to tackle USMCA implementation issues for U.S. agriculture exporters.
- **U.S. – U.K.:** USTR Tai spoke with U.K. trade minister Liz Truss in which they, “discussed the special relationship and strong bilateral trade ties between the United States and the United Kingdom.”
- **WTO:** Four WTO deputy directors-general will leave their positions on March 31. Successors are traditionally appointed by the WTO Director-General, but none named to date.

Quote: “Every good negotiator retains his or her leverage to use it. Every good negotiator is going to keep all of their options open.” (*USTR Katherine Tai stating U.S. is not ready to lift tariffs on China*)

China Trade

- New USTR Katherine Tai confirmed the U.S. is not ready to remove tariffs on China. In a *Wall Street Journal* [interview](#), Tai confirmed the leverage U.S. tariffs provide with China stating, “no negotiator walks away from leverage, right?” She continued, “Every good negotiator retains his or her leverage to use it,” she said. “Every good negotiator is going to keep all of their options open.” She noted that “yanking off tariffs,” could cause economic damage unless done in a way “so that the actors in the economy can make adjustments.” Tai acknowledged the calls and pressure for the Biden Administration to remove the tariffs stating, “I have heard people say, ‘Please just take these tariffs off.’” She further noted the Administration might be open to negotiations with China but declined to provide specifics or timing.
- In a speech at NATO headquarters, Secretary of State Blinken encouraged U.S. allies to unite to counter China’s economic coercion. “We must not separate economic coercion from other forms of pressure. When one of us is coerced, we should respond as allies and work together to reduce our vulnerability by ensuring our economies are more integrated with each other than they are with our principal competitors,” Blinken said.
- The U.S., the EU, Canada, and the U.K. have imposed sanctions on Chinese officials who are alleged to be linked to Uyghur “genocide.” Secretary of State Blinken said in a statement, “Amid growing international condemnation, the [People’s Republic of China] continues to commit genocide and crimes against humanity” in the Xinjiang region. “The United States reiterates its calls on the PRC to bring an end to the repression of Uyghurs, who are predominantly Muslim, and members of other ethnic and religious minority groups in Xinjiang, including by releasing all those arbitrarily held in internment camps and detention facilities.” The two individuals are Wang Junzheng, the secretary of the Party Committee of the Xinjiang Production and Construction Corps, and Chen Mingguo, director of the Xinjiang Public Security Bureau.

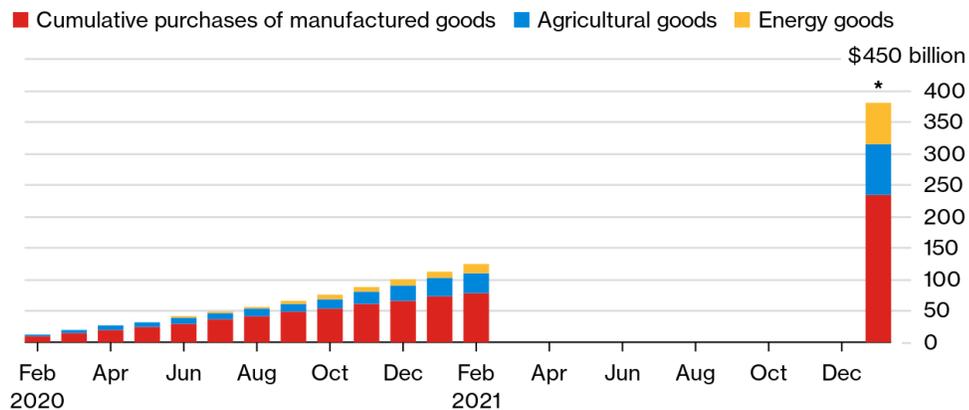
Phase One Agreement

- According to Bloomberg analysis China significantly lags the prescribed purchase targets for U.S. products in the Phase One trade deal with the U.S., having purchased only about one-third of the import levels in the deal. Several trade experts noted the overly ambitious purchase commitment, prior to COVID

disrupting trade and production in both countries. Observers are keen to discern how the Biden Administration will address any shortfall or gap should China not fully meet commitments in the Phase One deal.

Unattainable Target

Target for Chinese purchases of U.S. goods in trade deal still out of reach



* 2-year purchase target

Source: Bloomberg calculations based on Chinese customs data

Bloomberg

- 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 2020 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.”

USMCA

- Last week USDA Secretary Tom Vilsack, said he will work with newly confirmed USTR Katherine Tai to tackle USMCA implementation issues for U.S. agriculture exporters. “There are implementation issues to make sure that those markets remain open and I’m glad to see we now have a confirmed U.S. Trade Representative,” Vilsack said in comments at recent policy summit. “I’ll work with Ambassador (Katherine) Tai to make sure that we focus on implementation of (the U.S.-Mexico-Canada Agreement).” Secretary Vilsack met with his counterparts in Canada and Mexico shortly after returning to the top USDA leadership position.
- In their first virtual meeting, USTR Tai and Mexican Economy Minister Tatiana Clouthier discussed agricultural trade. According to a read out of the meeting by USTR, the leaders discussed “the mutual benefits of robust bi-lateral agricultural trade,” as well as “the importance” of fully implementing the USMCA and committed to further engagement on Mexico labor reform implementation and economic recovery. Tai also “stressed the importance” of cooperation on climate issues and WTO reform. Tai also met with Canadian trade minister Mary Ng where they “both committed to future engagement on shared priorities, including recovering from the COVID-19 pandemic, climate and environmental issues, forced labor, and reform at the World Trade Organization,” USTR said in a statement.
- Mexican migrant women have filed the first labor dispute under USMCA alleging gender discrimination in U.S. worker visa programs. The [complaint](#), filed against the U.S., states that temporary labor migration visas are disproportionately offered to men. Once hired, these women are often placed in lower-paying jobs and face gender violence. According to the complaint, these practices violate the United States’ obligations under USMCA Article 23.3, which requires that each party ensure rights including “the



Tom Vilsack, USDA Secretary

elimination of discrimination in respect of employment and occupation.” The petitioners also cite USMCA Article 23.8, which states “the Parties recognize the vulnerability of migrant workers with respect to labor protections. Accordingly ... each Party shall ensure that migrant workers are protected under its labor laws, whether they are nationals or non-nationals of the Party.” The complaint was submitted to Mexico’s Labor Ministry.

- An agriculture industry coalition addressed a [letter](#) to Secretary Vilsack and USTR Tai detailing a “quickly deteriorating trade relationship” with Mexico. The letter states, “the food and agriculture trade relationship with Mexico has declined markedly, a trend USMCA’s implementation has not reversed. We respectfully urge your attention to this important but quickly deteriorating trade relationship.” The issues raised include, “a ban on glyphosate and genetically modified corn, increased obstacles to dairy trade, an organic export certification requirement, a state-sponsored campaign disparaging corn sweeteners from the U.S., a cessation of review and approval of biotechnology applications, implications from meat industry market access and geographical indications, a potato export ban, and a new front-of-pack labeling regulation.”
- USDA Secretary Vilsack clarified that a Mexican plan to ban imports of genetically modified (GMO) corn would apply to grain used for human food products, not livestock feed, based on recent talks he had with Mexican Agriculture Secretary Victor Villalobos. Vilsack the clarification on scope of the ban is critical to U.S. farmers who rely heavily on the exporting to Mexico. “It’s not going to have as great an impact as it would if it was everything all at once all now,” he said at a recent virtual event. Vilsack continued noting USTR Katherine Tai has also addressed the GMO corn ban with Mexico and that USMCA provides a process for raising such issues.
- A coalition of manufacturers also sent a [letter](#) noting concerns on Mexico trade issues to USTR Katherine Tai last week. Coordinated by the National Association of Manufacturers (NAM), nearly 20 organizations, making up the Alliance for Trade Enforcement group, raised a number of recent actions by the Government of Mexico that “call into question its commitment to fulfill its obligations under the United States-Mexico-Canada Agreement.” The group expressed its readiness to work with Ambassador Tai and the USTR team to “fully enforce commercial aspects of the USMCA, defend U.S. exports to Mexico, restore Mexico’s compliance with its USMCA obligations and monitor for potential violations moving forward.” The letter highlights a wide range of issues in Mexico affecting manufacturers, including:
 - Telecommunications, broadcasting and audiovisual services
 - Biopharmaceuticals and agriculture biotechnology;
 - Food and food labeling regulations;
 - Energy and power generation; and
 - Customs and trade facilitation.

COVID-19 Developments

- The Commerce Department reported the trade deficit increased 2.5% in February based on advanced international trade data. The international trade deficit was \$86.7 billion in February, up \$2.1 billion from \$84.6 billion in January. Exports of goods for February were \$130.1 billion, \$5.1 billion less than January exports. Imports of goods for February were \$216.9 billion, \$3.0 billion less than January imports.

	 ADVANCE INTERNATIONAL TRADE: GOODS DEFICIT	
FEBRUARY 2021	\$86.7 Billion	+2.5%*
JANUARY 2021	\$84.6 Billion	

Section 232 Investigations

- European Commission President Ursula von der Leyen said the 4-month tariff suspension in the WTO civil aircraft disputes was “a positive and important step.”, but the U.S. and EU must address other tariffs. In a joint appearance with Secretary of State Anthony Blinken, Ms. von der Leyen added that “there are other tariffs still in place,” a reference to the section 232 national security tariffs imposed by the previous Administration on global steel and aluminum tariffs. She noted that the U.S. removed section 232 tariffs on some trade partners, but not the EU. She also highlighted common trade interest ripe for collegial discussion including WTO reform.
- Separately, the Economic Policy Institute (EPI) argued the section 232 tariffs should remain because they have spurred increased job and economic fortunes of the U.S. steel industry. In a new report, EPI argued that the 232 national security tariffs imposed on steel and aluminum imports directly created 3,200 new steelmaking jobs and reduced U.S. steel imports by 27 percent by 2019 with no meaningful real-world impact on the prices of steel-consuming products, such as motor vehicles. The [report](#), *Why Global Steel Surpluses Warrant US Section 232 Import Measures*, concludes that the tariffs need to be kept in place until a multilateral solution to the problem of global excess steel capacity is reached. According to EPI, major exporting countries, including China, India, Brazil, Korea, Turkey and the EU, continue to produce excess steel – much of it coming from state-owned and state-supported enterprises. EPI noted that according to the Organization for Economic Cooperation and Development (OECD), global excess capacity is nearly six times the productive capacity of the entire U.S. steel industry.
- Tom Conway, President of United Steelworkers International lauded the report’s findings and warned of the “dire consequences” of lifting the tariffs prematurely. “The Section 232 measures helped significantly curb imports, allowing domestic producers a chance to expand production, employment and capital investment,” Conway said. “It is especially important that they are able to continue this work, given the fragile economic recovery in the wake of the Covid-19 pandemic.”
- Separately, newly minted USTR Katherine Tai met virtually with Peter Altmaier, German Federal Minister for Economics and Energy last week to discuss global overcapacity in the steel and aluminum sector. The two leaders agreed to cooperate on issues related to the unfair trading practices of large nonmarket economies.
- Absent a pause or resolution, the EU is slated to increase retaliatory tariffs in June under the section 232 tariff dispute. On June 1, the EU’s tariffs imposed in retaliation for former President Trump’s 2018 steel and aluminum duties of 2018 are due to more than double. 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 is expected in 2021.



Tom Conway, United Steelworkers, International President

U.S. - U.K. Trade

- USTR Tai recently spoke to U.K. trade Minister Liz Truss where they, “discussed the special relationship and strong bilateral trade ties between the United States and the United Kingdom,” according to a readout by USTR. A U.K. read out said, “They both reflected on the progress made in U.K.-U.S. Free Trade Agreement negotiations and the importance of continuing to work together to build a closer economic relationship and agreed to have further discussions.”
- Negotiators for the U.S.-U.K. trade agreement have missed a critical deadline for swift passage through Congress before the expiration of the Trade Promotion Authority. USTR would have to formally notify Congress by April 1 of its intention to sign an agreement with the U.K. in order to have TPA protection. In reporting by *Financial Times*, people familiar with the negotiations say the deal has also been stalled by the Biden administration’s decision to focus talks on resolving the long-running Airbus-Boeing dispute.

Agriculture remains to be a contentious part of the negotiations. However, a U.K. source said not having TPA “doesn’t blow the whole thing out of the water”.

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) prior to July expiration seems very slim as early domestic and trade policies for the Biden Administration solidify. 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

- A new coalition, “[Toasts Not Tariffs](#)” comprising 47 U.S. associations across the beverage alcohol industry supply chain was launched last week on National Agriculture Day. The Toasts Not Tariffs Coalition advocates for the permanent removal of all EU, U.K. and U.S. tariffs on beverage alcohol products in connection with the section 232 steel and aluminum and WTO civil aircraft disputes. The Coalition stated in a [press release](#), “From barrel makers to warehouse workers and restaurant serving staff, these protracted trade disputes that are totally unrelated to the alcohol sector are having a very real and harmful effect on American jobs.” “By joining together, the Toasts Not Tariffs Coalition is sending a unified and clear message that these retaliatory tariffs on beverage alcohol products must come to an immediate end.” The coalition members represent the entire three-tier chain of the U.S. alcohol industry including distillers and vintners who make the products, importers and wholesalers who distribute the products, and liquor stores and restaurants that sell the products.
- USTR Tai spoke with EU Trade Commissioner Valdis Dombrovskis last week. A USTR readout said, “Ambassador Tai emphasized her strong desire to build on a positive and productive relationship with the European Union.” The two pledged to maintain “regular engagement” on key issues, including WTO reform. The USTR readout continues, “They also discussed their strong interest in resolving the dispute related to large civil aircraft subsidies and addressing global steel and aluminum overcapacity.” The EU readout of the meeting cited “trade and technology” as examples of those issues.

Civil Aircraft Disputes

- USTR Tai met with German Economy Minister Peter Altmaier to discuss resolving the civil aircraft dispute. USTR said in a statement, “Ambassador Tai and Minister Altmaier discussed the importance of the trade and investment relationship between the two countries.” “They committed to strengthening U.S.- German cooperation on shared objectives related to unfair trading practices of large non-market economies,” the statement continued.

- Earlier in the month U.S., EU and the U.K. announced a 4-month suspension of tariffs related to the WTO civil aircraft disputes. USTR's [press release](#) on the suspension arrangement 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.

WTO

- [Four WTO deputy directors-general](#) will leave their positions on March 31 after the appointment of a new director-general Ngozi Okonjo-Iweala. The deputies are Alan Wolff, Karl Brauner, Yonov Frederick Agah and Yi Xiaozhun – who hail from the U.S., Germany, Nigeria and China, respectively. When the new deputies will take office remains unclear. A new DG typically appoints new deputies, but no replacements have yet been announced.
- WTO DG Ngozi Okonjo-Iweala commented that she was disappointed with EU's vaccine export controls. She said, "Whilst I understand the politics of what they are doing, I've said openly, I'm disappointed," Okonjo-Iweala said during a virtual WTO event on aid for trade. "It's also very symbolic that the EU — that many [WTO] members look up to — be seen ... to be having these restrictions."

WTO Reform

- The U.S. last week objected to the adoption of the agenda for a Dispute Settlement Body (DSB) meeting because it contained a panel request from individuals acting on behalf of what the U.S. views as an illegitimate regime in Venezuela. Venezuela renewed a panel request to challenge sanctions the Trump administration imposed on the Maduro regime in November 2018. "The United States will reject any effort by Maduro to misuse the WTO to attack U.S. sanctions aimed at restoring human rights and democracy to Venezuela," according to USTR spokesman Adam Hodge. "The United States exercised its rights as a WTO Member to object to this illegitimate panel request because representatives of the Maduro regime do not speak on behalf of the Venezuelan people."
- As reported earlier, a business coalition, led by the U.S. Chamber of Commerce sent 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. 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.