

TRADE UPDATE Food & Agriculture



Provided by CRA

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HIGHLIGHTS

- [U.S. – China](#): During his testimony before the House Appropriations agriculture subcommittee, USDA Secretary Vilsack urged diversifying U.S. export markets to mitigate against an overreliance on China.
 - [U.S. – USMCA](#): The Canadian Chamber of Commerce has initiated an effort to renew trade ties with the U.S. emphasizing Canadian businesses are facing a critical moment with their largest trading partner.
 - [U.S. – U.K.](#): U.K. trade minister Liz Truss commented that talks on resolving the civil aircraft dispute are headed in the right direction.
- [WTO](#): WTO Director General Ngozi Okonjo-Iweala may soon announce four new deputy-director generals (DDG).

Quote: “For too long, the traditional trade community has resisted the view that trade policy is a legitimate tool in helping to solve the climate crisis.” “My job is to bridge that chasm and push for trade reforms that translate into meaningful change in the lives of farmers, ranchers, factory workers, parents, children...” (*Ambassador Katherine Tai in speech on "Greening U.S. Trade Policy"*)

China Trade

- USDA Secretary Vilsack urged diversifying U.S. export markets to mitigate against an overreliance on China during his testimony before the House Appropriations agriculture subcommittee. Appropriations Committee ranking member Kay Granger (R-TX) asked Vilsack what USDA “can do to help promote U.S. agricultural products so that China cannot put our farmers and ranchers at such risk?” Vilsack responded by advocating for alternative markets like Southeast Asia, which he says is “ripe for that opportunity” and “a longer-term strategy has to include Africa because one half of the increased population in this world over the next 15 years is going to be in that continent.” “I think if you deepen [the U.S.’] presence in those additional markets, you’re going to see less reliance on China over time and a more diverse and more balanced and more resilient system,” Vilsack stated.
- The Congressional Research Service released an updated report, [U.S. Challenges to China’s Farm Policies](#), to elucidate the status of the WTO case filed by the U.S. complaining that China’s agricultural policies were inconsistent with WTO obligations. The report states, “While China agreed to conform to the WTO rulings, USTR contends that Beijing failed to act on one of the cases by the agreed-upon deadline of June 30, 2020 and requested the WTO authorization to take countermeasures against imports from China.” If the request by the U.S. to take countermeasures is granted, the U.S. would be able to, “raise tariffs on \$1.3 billion of imports from China.”
- Senate Finance Committee Chair Ron Wyden, (D-OR) announced a [hearing](#) on Thursday, 22nd to address U.S.-China trade relations. The hearing, titled “U.S.-China Relations: Improving U.S. Competitiveness Through Trade,” will take place at 10 a.m. in Room 215 of the Dirksen Senate Office Building. Hearing witnesses were not available at time of this publication.

Phase One Agreement

- The recently released [USTR National Trade Estimate Report](#) states that China still has work to do on the IP rights protections mandated under the Phase One agreement. While China has “published a number of draft measures for comment and issued some final measures relating to implementation of the intellectual

property chapter of the Phase One Agreement”, China still, “has work to do to finalize the draft measures that it had published and to publish other draft measures in accordance with the Intellectual Property Action Plan that it released in April 2020.”

USMCA

- The Canadian Chamber of Commerce has initiated an effort to renew trade ties with the U.S. The Chamber stated, “Canadian businesses face a critical moment with our largest trading partner. There are substantial opportunities to renew the relationship, but challenges remain that risk undermining supply chain resilience, which is crucial to jobs and prosperity on both sides of the border.” The five areas of focus are reopening the Canada-U.S. border; that Canada is precluded under the Buy American policy; maintaining a tightly integrated defense and security industry; committing to a binational approach to environmental challenges and our energy infrastructure; and reinvigorating regulatory cooperation mechanisms.
- Mexico’s Supreme Court has again refused to make a ruling on U.S. potato market access. This is the second time in six weeks that the Court has delayed a decision. The U.S. exports about \$60 million worth of potatoes annually, but a favorable ruling for U.S. exporters could raise this number to \$200 million. CONPAPA President Gerardo García Menaut told *Agri-Pulse*, “The (Mexican) potato growers will keep fighting to protect Mexican phytosanitary measures. The farmers are not against commerce ... but they are focused on protecting plant health. They are trying to protect themselves.” On the contrary, Kam Quarles said the delay is more political, telling *Agri-Pulse*, “It wasn’t just a continuing delay. The political hammer came down.” Quarles continued, “We were always trying to be optimists, but now that we’ve gotten two pretty clear indications that something other than the law is operating down there, I think we’re right on the brink of asking USDA and the USTR to pursue the USMCA route.”
- As noted earlier, a [new Mexican regulation](#) would abolish Mexico’s acceptance of U.S. organic standards. In December, Mexico began mandating that U.S. organic exports would need an additional certification indicating the goods conformed with Mexican standards. Currently, Mexico has temporarily delayed implementation of the law until June 26. The Organic Trade Association estimated the costs due to this new Mexican regulation ranges from \$100,000 to more than \$1.5 million.

Section 232 Investigations

- The EU has indicated concern that the window is closing for the U.S. to remove the Section 232 steel and aluminum imposed during the Trump Administration. Sabine Weyand, director-general of trade of the European Commission said, “I’m very worried that we are running out of time. We had suggested and are suggesting still that we would also suspend tariffs for a period of six months to give us time to sort out the issues.” “What I’m worried about is that we are on an automatic track to have the second tranche of our rebalancing measures come into force on June 1,” Weyand continued.
- As reported earlier, the U.S. Chamber of Commerce expressed its support for action on S. 746, which seeks to restore Congressional jurisdiction over tariffs. In an April 15th [letter](#) to the Senate Chamber said “Congress should defend its Article I powers and insist on a formal role in the Sec. 232 process allowing members to reject the inappropriate application of tariffs.” In reference to [S. 746](#), the “Trade Security Act,” introduced by Senators Rob Portman (R-OH) and Dianne Feinstein (D-CA). The Chamber letter argued that, “Prior application of Section 232 tariffs has inflicted substantial harm on U.S. workers and consumers in every state, raising costs for U.S. manufacturers and eliciting foreign retaliation that has depressed American industrial and agricultural exports.” The legislation aims to restore Congress’s constitutional authority over tariff policy by providing for congressional disapproval of prospective tariffs designated under Section 232 of the Trade Expansion Act of 1962.

COVID-19 Developments

- The International Monetary Fund [forecasts](#) a sharp rebound in global GDP in 2021, at 6.0% growth reversing the 3.3% decline in global output in 2020. The IMF cautions the forecast hinges on continued progress on global vaccination activities and the pace of normalization in economic activity in markets around the world. Further the strength of economic recovery depends on the effectiveness of fiscal and monetary stimulus initiatives being enacted in various countries.

IMF: Annual Growth in Global Gross Domestic Product, including Current Forecasts through 2026



Source: International Monetary Fund, World Economic Outlook, April 2021

Section 332

- No significant updates since The U.S. International Trade Commission (USITC) hearing on cucumber and squash where U.S. producers alleged imports from Mexico were harming the domestic industry. The inquiry stems from a request by USTR during the Trump administration. Florida Agriculture Commissioner Nikki Fried said during the hearing that lost income for Florida squash and cucumber producers due to imported products over the last five years translated to over “2,500 good-paying jobs in our communities lost, family farms shutting down, and parents struggling to provide for their children.”
- Minister Gerardo Lamedo, head of the trade office at the Embassy of Mexico also offered remarks at the hearing stating that Florida is the largest producer of cucumbers for the U.S. during “late winter and early spring” while Mexico is the primary provider during “the winter months” to meet U.S. demand. “Imports of cucumbers and squash from Mexico complement the U.S. domestic production to satisfy the increase in consumption. This complementary trade relationship is precisely the mutually beneficial economic integration that NAFTA and now the USMCA was intended to accomplish,” stated Lamedo.
- Several Congressional members indicated support for the investigation and wrote [a letter](#) to USITC commissioners. Reps. Austin Scott (GA-R), Darren Soto (FL-D), Dan Kildee (MI-D), Fred Upton (MI-R), along with 26 other lawmakers signed onto the letter which stated, “a 2019 economic study by the University of Georgia suggests that if import and pricing trends continue, rural Georgia economies face the loss of \$1 billion in economic impact including 8,000 jobs.”

Vietnam

- Congressional members asked USTR Tai in letter to urge Vietnam to remove tariffs on U.S. pork exports. “Domestic pork producers need a level playing field to compete in this critical market, particularly after being devastated by trade retaliation and the global pandemic,” the lawmakers wrote in a letter to Ambassador Tai shared by the National Pork Producers Council (NPPC). [The letter](#) is co-sponsored by Reps. Ron Kind (D-WI), Darin LaHood (R-IL), Dusty Johnson (R-SD) and Jim Costa (D-CA), according to the NPPC. “We stand ready to assist as you engage Vietnam on the full range of trade issues and urge you to work with Vietnam to lower the [most-favored nation] rates for U.S. pork.”
- Vietnam subjects U.S. frozen pork to a 15% Most Favored Nation (MFN) rate, yet countries in the EU and Comprehensive and Progressive Agreement are subject to a reduced tariff rate. NPPC, Assistant Vice President for international affairs Maria Zieba, said frozen pork imported by U.S. competitors is subject to a 7.5% tariff. “Allowing U.S. pork producers to fill this great demand provides the opportunity to increase the value of exports to Vietnam from the current \$54 million to a level closer to Mexico’s \$1.2 billion,” the letter states.



Congressman Ron Kind

U.S. – Kenya Trade

- Bilateral trade talks remain paused as Ambassador Tai confirmed recently the Biden Administration is still reviewing the progress on trade negotiations with Kenya under the prior administration. In speaking with her Kenyan counterpart, Minister of Industrialization, Trade and Enterprise Betty Maina, Tai indicated she is reviewing the negotiations to “ensure that any agreement aligns with the Biden-Harris Administration’s Build Back Better agenda,” according to a USTR [statement](#). During the Trump Administration, the U.S. and Kenya completed only two rounds of negotiations. Earlier USDA Secretary Vilsack expressed his optimism that the Biden Administration will move forward with the Kenya trade talks although he did not specify a time frame.

U.S. - U.K. Trade

- U.K. trade minister Liz Truss recently commented that talks to resolve the Boeing-Airbus dispute were headed in the right direction. “I am having very positive discussions with Katherine Tai, my counterpart, about resolving the Airbus-Boeing dispute which has been going on for 16 years,” Truss recently told parliament.
- As reported earlier, 50 U.S. Congressional members sent a bipartisan letter to USTR Tai urging the Biden administration to work with the EU and U.K. to immediately suspend retaliatory tariffs on American Whiskey products. The [letter](#) was led by Rep. John Yarmuth (KY-D) and Rep. Republican Andy Barr (KY-R) and states that Tai should, “work with the EU and UK to secure the immediate suspension of tariffs on American Whiskey and secure agreements that result in the removal of all tariffs on U.S., EU and UK distilled spirits and wine.” “Since the tariffs were imposed, our American Whiskey exports to the EU have declined by 37% and to the UK by 53%,” the state. “We hope that the recent agreements to temporarily suspend tariffs that were imposed in connection to the WTO [World Trade Organization] large civil aircraft subsidy dispute will lead to the prompt removal of all tariffs on U.S., EU, and UK wine and distilled spirits,” the letter continues.
- No significant updates on restarting bilateral trade negotiations with the U.K. According to some trade observers, completing a U.S. - U.K. deal will carry into 2023. TPA is expected to lapse on July 1 and the Biden Administration is prioritizing China and investing in domestic programs to boost the U.S. economy. Additionally, U.S. mid-term elections in 2022 pose a high hurdle for TPA passage in the short term. “I have trouble seeing how the Biden administration makes this work in the next two years,” said Simon Lester, at the Center for Trade Policy Studies at the Cato Institute. “I don’t know why they’d want to bring it up with all the other things on their agenda.” Others have noted that the Biden Administration is focused on

leveraging the current 4-month tariff pause with UK and EU to secure a resolution to the decades old WTO civil aircraft disputes, rather than prioritizing TPA renewal.

U.S. – EU Trade

- Dialogue continues between EU and U.S. officials on current tariffs according to reports. As noted earlier, the Distilled Spirits Council commented on the damage to U.S. exporters following EU retaliatory tariffs on its members' products. "American whiskey distillers have suffered long enough from these trade disputes and the doubling of the EU's tariff on June 1 will cause irreparable harm to our once booming exports," the association noted.
- USTR Tai recently communicated to EU officials she wants to develop a more positive and productive trade relationship. Tai spoke with Spain's Industry Minister Reyes Maroto and the leaders agreed to "strengthen U.S.-Spanish collaboration on mutual interests" and to find "mutually beneficial outcomes" on Spain's digital services tax and excess steel and aluminum capacity. Ambassador Tai also spoke with EU's competition commissioner Margrethe Vestager. USTR said that they agreed to work together on climate change, the digital economy and strengthening U.S.-EU cooperation to deal with non-market economies like China.

Civil Aircraft Disputes

- With a U.S.-U.K. trade deal on hold, the U.K. is hoping to resolve the civil aircraft dispute as a short-term goal. A U.K. government official said, "We were very open with the EU and specifically asked them if they had a desire to work in a trilateral manner, and they very clearly said, 'No, it's a bilateral dispute between the EU and the U.S.'" In March the 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."
- 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.

USTR

- In her first [speech](#) as USTR, Katherine Tai announced a new direction for the agency to use trade to tackle issues like climate change, racial justice, and inequality. Tai said, "The science indicates that the window of opportunity to prevent a catastrophic environmental chain reaction on our planet is closing fast." "Comprehensive action is the only way forward, and this challenge must be at the center of U.S. foreign policy, national security policy, and economic policy. USTR sits at the intersection of all three areas," Tai continued. Rather than improving environmental protection standards, trade liberalization has instead created "an incentive to compete by maintaining lower standards," stating, "this is what people mean when they say the rules of trade promote a race to the bottom." She also commented on the lack of addressing climate change in USMCA. "And while I think the United States, Mexico, and Canada should be proud of USMCA's progress, I know that



*Ambassador
Katherine Tai, USTR*

the agreement does not go nearly far enough in addressing the economic costs of our environmental challenges through trade," Tai said.

- In regard to reducing racial justice and inequality, Tai commented that "our bold, collective action can create enormous new economic opportunities and good paying jobs for all Americans while building the industries of the future. And we will not overlook our obligation to take on centuries of discrimination, oppression and bigotry." "Racial justice and equity must be central to the conversation," Tai concluded. Tai committed to include marginalized voices and stakeholders who are not typically "at the table" in order to generate "fresh, collaborative thinking" and "forge consensus and find solutions that we never knew existed."
- During a WTO discussion, Tai spoke with pharmaceutical companies, urging them to do more to ensure vaccines reach people in developing countries. "The desperate needs that our people face in the current pandemic provides these companies with an opportunity to be the heroes they claim to be — and can be," Tai said in a speech. "As governments and leaders of international institutions, the highest standards of courage and sacrifice are demanded of us in times of crisis. The same needs to be demanded of industry," she continued.

Transition 2021

- Rep. Kevin Brady (R-TX), the Republican leader of the House Ways & Means Committee, has announced his retirement and will not be running in 2022. The Republicans' internal term limit rules were likely a contributing factor according to reports. "I'm proud to have worked with the president and lawmakers from both parties to redesign America's broken tax code, reform the IRS, pass the new U.S.-Mexico-Canada trade agreement, reform America's retirement system, end the unfair Obamacare individual mandate and its harmful taxes and sign into law a historic national ban on surprise medical bills," Brady said.
- Rep. Vern Buchanan (R-FL) said that he would like to succeed Brady as Republican leader of the House Ways & Means Committee. In a statement, Buchanan said in a [statement](#), "At the appropriate time, it would be an honor to be considered for the chairmanship of the Ways and Means Committee when we win back the House in 2022."
- President Biden announced intentions to [nominate two deputy USTR roles](#): Sarah Bianchi and Jayme White. Bianchi was appointed in 2011 by then Vice President Biden to serve as his top economic and domestic policy adviser. She has also worked on the White House Domestic Policy Council, in the Office of Management and Budget, on the staff of the Senate Health, Education, Labor and Pensions Committee, and is a former deputy assistant to the president for economic policy.
- Jayme White, currently the chief trade adviser for the Senate Finance Committee since 2014, will fulfill the other deputy position. The announcement by the White House states that during his time on the Finance panel staff, "White led efforts to level the playing field for American workers, through trade negotiations and agreements, and by reforming U.S. trade laws to better respond to unfair foreign trade practices." In the announcement last Friday, the White House did not elaborate on which portfolios Bianchi and White will be responsible for, but several observers expect Bianchi to cover the Asia/China portfolio and that neither nominee is under consideration for the Deputy USTR position in Geneva, working directly with the WTO .
- U.S. Trade Representative Katherine Tai confirmed selecting Elizabeth Baltzan, a former House Ways & Means Committee trade counsel and a former USTR lawyer, to serve as a senior adviser. "Beth Baltzan has a wealth of trade and economic policy experience that will be a huge benefit to USTR and the Biden-Harris administration as we work to expand economic opportunity and increase American competitiveness," Tai said in a [statement](#). Baltzan was most recently a fellow at the Open Markets Institute and head of the consulting firm American Phoenix, which she founded. Before that she was a Democratic trade counsel for Ways & Means, worked for the Public Company Accounting Oversight



Congressman Kevin Brady

Board and served as a lawyer at USTR from 2003 to 2009.

WTO

- WTO Director-General Ngozi Okonjo-Iweala convened about 50 vaccine and medical supply manufacturers, trade ministers, civil society groups and international organizations to address ways to facilitate widespread vaccine access. “I hope that the discussion today, listening to each other, seeing that we all share a common goal, and that we may not be so far apart, will lead to the willingness to come to the middle, and work out something that will be acceptable to all,” Okonjo-Iweala said in her closing remarks. One participant said to *Inside U.S. Trade*, “virtually everyone” pointed to export restrictions as creating a negative impact on production. “What we heard very, very widely was that the biggest impediment from the producers’ side is these trade restrictions,” the participant continued.
- The WTO’s 12th Ministerial Conference (MC12) will take place from 30 November to 3 December 2021 in Geneva, Switzerland, the chair of the organization’s General Council [confirmed](#) last week. MC12 will be chaired by Kazakhstan’s Minister of Trade and Integration, Bakhyt Sultanov, as approved by WTO members in December 2019.
- According to reports, WTO Director General Ngozi Okonjo-Iweala may soon announce four new deputy-director generals (DDG). The positions are historically filled across diverse geographic regions representing WTO membership, namely North America, Asia, Europe, Latin America or Africa. From North America, the DG is reportedly considering two U.S. trade experts – long-time House Ways and Means Committee Republican chief trade counsel Angela Ellard and former acting USTR Wendy Cutler, currently at the Asia Society’s Policy Institute. Both have extensive trade experience with Congress and the U.S government and Ms. Ellard has worked directly with Amb. Katherine Tai, when she served on the Ways and Means Committee as majority chief trade counsel. Other candidates, by region, are noted below.
 - Asia: China and India are vying for a DDG to represent Asia. India has proposed former Ambassador Mohan Kumar and Indian trade minister Mr Piyush Goyal conveyed to the DG that it is India’s turn for the DDG slot from the Asian region, noting that India has not served for the past seven years. Mohan Kumar served as a key negotiator for India during the Uruguay Round and lead up to launching the Doha Development Round in 2001. China has proposed its former trade envoy to the WTO Ambassador Zhang Xiangchen for the DDG slot from the Asian region. Ambassador Xiangchen served in Geneva between 2016 and 2020 and is well known at the WTO.
 - Latin America: An ad hoc group of Latin-American members of the WTO are reportedly coalescing support around a former Colombian trade envoy, while the Ngozi Okonjo-Iweala is also considering Anabel Gonzalez, Costa Rica’s former trade minister who served as the director the WTO’s Agriculture Division and currently is working for Peterson Institute for International Economics (PIIE), according to some reports.
 - Europe: France’s current Ambassador to the WTO Jean-Marie Paugam is apparently a top consideration.
- In addition to the four DDG positions, Ngozi Okonjo-Iweala is expected to name a new Chief of Cabinet. Under strong consideration are Nigeria’s former envoy to the United Nations in Geneva Ambassador Humphrey Orjiako along with a candidate from Britain and Japan for the chief of the cabinet post.

WTO Reform

- As talks resume on an agreement curbing harmful fisheries subsidies, WTO Director-General Ngozi Okonjo-Iweala said no progress this week would be a “substantial blow.” “[C]oncluding these negotiations is a top priority for this organization, not only for the fisheries, but also for the WTO system. We simply cannot afford to fail here,” she continued. “The views I hear from you, heads of delegations, are extremely helpful in finding a path forward that we could not find at the technical level,” chair of the fisheries talks, Colombian Ambassador Santiago Wills told the ambassadors. “We consider that conducting these meetings at this level is very important for our ability to make the needed progress.”