HIGHLIGHTS

- **U.S. – China:** In her Senate Appropriations hearing, Ambassador Katherine Tai said USTR has no immediate plans to meet with her Chinese counterpart in a semi-annual meeting, as called for in the Phase One trade deal.

- **U.S. – USMCA:** In a unanimous 5-0 decision, Mexico’s supreme court ruled in favor of permitting the Mexican government to follow through on a promise to lift a barrier to imports of U.S. fresh potatoes.

- **U.S. – EU:** A transatlantic coalition of nearly 90 trade associations are requesting U.S. and EU leaders to make permanent a suspension of retaliatory tariffs related to the WTO civil aircraft disputes.

- **WTO:** WTO members can expect a first draft agricultural negotiating text in July, the chair of the agriculture negotiations said, urging members to identify the elements of a deal that could be reached at the upcoming 12th Ministerial Conference.

**Quote:** “As we continue to pursue the President’s trade agenda, we will promote and defend our values of, democracy, human rights, and economic opportunity in service of producing a more inclusive prosperity. USTR will be directly involved in assembling what the President has termed “a united front of U.S. allies.”

(USTR Katherine Tai at the Senate Appropriations Hearing)

**China Trade**

- In her testimony before the Senate Appropriations subcommittee, Ambassador Tai said USTR will soon launch a “top to bottom” review of U.S.-China trade relations. The review will include China’s compliance with the Phase One trade deal, the Section 301 tariffs imposed by the previous Administration and the government’s procedures for excluding some Chinese products from the tariffs.

- During the hearing Ambassador Tai also commented on the pattern of U.S. industry loss to China. Tai stated, “If we don’t keep our eye on the ball, we will continue to experience these types of fights over the last scraps of an industry that we have lost to a competitor and in particular to the Chinese.” “It is a pattern that we see over and over again. We can see where this pattern will play out again and again if we are not ready to anticipate the loss of industries to anticompetitive practices and massive subsidies that are coming from our biggest competitors,” she continued.

**Phase One Agreement**

- Testifying before the Senate Appropriations subcommittee, Ambassador Katherine Tai said USTR has no immediate plans to meet with her Chinese counterpart in a semi-annual meeting, as called for in the “phase one” trade deal. After conducting a review of U.S.-China relations, Tai said she will plan a meeting with Chinese officials “at the right time.”

- As USTR undertakes a wholesale review of the China trade relationship, China continues purchasing U.S. agriculture products apace. According to USDA’s April World Agricultural Supply and Demand Estimates (WASDE), China's corn imports will likely hit a record-breaking 28 million metric tons for the 2020-2021 marketing year as the country restocks its domestic reserves and responds to increasing demand for livestock feed. The WASDE estimate is substantially higher than the forecast of 24 million tons in prior reports.
In a unanimous 5-0 decision, Mexico’s supreme court ruled in favor of permitting the Mexican government to follow through on a promise to lift a barrier to imports of U.S. fresh potatoes, according to a statement released by the U.S.-based National Potato Council. Since it first allowed for the importation of fresh U.S. potatoes in 2003, Mexico has restricted those potatoes to a 26 kilometer-area along the U.S.-Mexico border according to sources.

Several U.S. officials applauded the break-through in the long-standing dispute. Senator Jim Risch (R-ID) praised the decision stating, “Today’s ruling comes as welcome news for Idaho potato growers.” Risch continued, “I’m proud to continue advocating for the Gem State’s ag producers so people across the world can enjoy our state’s most famous product.” Agriculture Secretary Tom Vilsack said, “This decision is important for American agriculture and for positive bilateral relations between the United States and Mexico.” “USDA has worked for years on a resolution to this ongoing issue. It was something I prioritized as secretary between 2009-2016 and one of the first issues I discussed with Mexico’s secretary of Agriculture when I returned this year.” The National Potato Council said the court decision, “represents a major step forward in the U.S. potato industry’s efforts to provide consumers throughout Mexico access to fresh, healthy U.S.-grown potatoes.” “After decades of delay, we hope this ruling represents a light at the end of the tunnel and that Mexican regulators will immediately begin working on regulations to allow for the importation of fresh U.S. potatoes throughout their country,” the National Potato Council continued.

Earlier, the Mexican supreme court had delayed its decision twice, invoking claims from U.S. stakeholders that the delays were politically driven, and some U.S. lawmakers stepped up criticisms of the delayed court decision saying the present import restrictions are a violation of USMCA and have threatened to urge USDA and USTR to launch an investigation. Sen. Mike Crapo (R-Idaho) said, “Until Idaho’s farmers are able to sell high-quality potatoes to every family in Mexico — as is their right under the United States-Mexico-Canada Agreement (USMCA) — I will continue working with USTR to ensure Mexico upholds its commitments under the USMCA.” 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.

During the Senate Appropriations hearing, Ambassador Tai indicated concerns over Mexico’s commitment to its USMCA obligations. Tai said she has raised concerns with Mexican Economy Minister Tatiana Clouthier, who responded by saying she “was not shy about raising Mexico’s concerns about what we are doing here in the United States.” Tai stated, “In order to do USMCA justice ... we need to use all of these tools to see if they work and then improve them and our use of them.” “That is the point of doing a trade agreement. It’s not to put it on a shelf and look at it; it’s to make sure that it works,” she continued. Tai said the USMCA Free Trade Commission meeting agreed to by the three countries would be scheduled in the coming weeks.

House Ways & Means oversight subcommittee Chair Bill Pascrell (D-NJ) alongside Rep. Brendan Boyle (D-PA), Rep. Bradley Schneider (D-IL) questioned Mondelez International on its decision to close its facilities in New Jersey and Atlanta and move to Mexico. In a letter, the lawmakers wrote, “Eliminating good paying union jobs here in the United States while creating low-wage jobs abroad may benefit your corporate bottom line, but it drives race-to-the-bottom conditions.” “These practices have devastating impacts to workers, their families, and communities across our country as this nation struggles through the pandemic,” the letter continued.

Section 232 Investigations

During the Senate Appropriations hearing, USTR Tai commented that while the Section 232 tariffs on steel have had a positive impact on U.S. production, it has simultaneously carried costs for the U.S. Tai said, “I understand, see and fully accept that there is a global overcapacity problem with the steel market and that the tools that have been used -- the 232 tariffs -- have had an impact on steel production here in the United States, a positive one, but they have also carried with them costs.” Tai continued, “My focus is
to figure out how we improve ... the effectiveness of the tools that we use in support of American steelmaking,” but added the need for the U.S. “to address the unintended consequences I think in terms of the frictions that this has generated with our trading partners.”

- Tai also added that any solution to the steel tariffs will require addressing global excess production capacity for the metals. “Solutions that we come to with our trading partners, I believe in my core, really have to address the larger issue around the overcapacity in the market,” Tai said. “What I am hoping is that they see that problem, and they see it to be as serious a challenge to their ability to produce and compete in steelmaking as we see it, and working together we will be able to resolve these sets of tariffs so that we can join forces on the bigger picture,” Tai stated.

COVID-19 Developments

- The Census Bureau reported that the March goods trade deficit was $90.6 billion, up $3.5 billion from $87.1 billion in February. Exports of goods for March were $142.0 billion, $11.4 billion more than February exports. Imports of goods for March were $232.6 billion, $14.9 billion more than February imports.

- The March goods trade deficit set a new record as the value of imports surged from continued strong demand for foreign goods as the U.S. economy rebounds from the pandemic. The deficit grew to $90.6 billion from $87.1 billion in February, according to the Census Bureau. Many economists had called for an $88 billion deficit for March, below the actual $90.6 billion official mark.
### U.S. – Kenya Trade

- Acting Assistant Secretary of State for African Affairs Robert Godec said that in his first virtual trip to Africa, Secretary of State Antony Blinken met with Kenyan President Uhuru Kenyatta. The two countries discussed the U.S.-Kenya free trade agreement negotiations that began under the Trump Administration. A statement from the Kenyan government said that among other issues, Blinken and Kenyatta discussed “trade and investment opportunities, touching on the untapped potential held by the Kenya-U.S. Free Trade Agreement.” Godec emphasized that the U.S. wants to partner with Africa “in creating climate-friendly trade” to create “good livelihoods for both African and American workers.” We see engagement by the private sector as the key to driving that job creation and economic growth,” Godec continued.

- Following the meeting, AmCham Kenya released a report in partnership with the U.S. Chamber of Commerce and Covington & Burling LLP, on the implications of a potential U.S.-Kenya free trade agreement. The report incorporates interviews with individuals at more than 30 U.S. and Kenyan companies as well as former officials in the U.S. and Africa, according to Covington’s senior Africa adviser, Witney Schneidman. Schneidman said the U.S. “has never faced such a challenging trade environment in Africa, where it needs to move to a more reciprocal trade relationship with its key partners, while modernizing AGOA for those countries that are not ready for reciprocal relationship, and the U.S. needs to pursue these objectives in such a way that is fully supportive of the implementation of the African Continental Free Trade Agreement.”

- The bilateral trade talks remain paused as the Biden Administration reviews the progress on the two rounds of trade negotiations with Kenya under the prior administration. USTR Katherine Tai earlier 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. 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

- During a recent call, USTR Tai and British Trade Secretary Liz Truss discussed reforming the WTO. The British embassy produced a statement saying the two leaders discussed, “the role of trade in combatting climate change, tough action on market-distorting industrial subsidies and the Airbus Boeing dispute” and that they look forward to making progress at the next G7 meeting in May. Reuters also reported that Tai also highlighted the need to support the production and equitable distribution of COVID-19 vaccines.

- As noted earlier, Senator Chuck Grassley (R-IA) said that the Biden Administration should provide a timetable for U.S.-U.K. trade agreement negotiations.” Grassley said, “I would think it would be legitimate now for me to ask a timetable when they’re going to start negotiations because they ought to be into it after 100 days, knowing what they’re doing.” “I want to make sure that this administration understands that if you’re going to get a free trade agreement, you have to have strong agricultural provisions because we need the locomotive of the ag lobbies -- the big farm organizations, the little farm organizations, the commodity groups, the livestock groups. And it ends up helping manufacturing and services and I want to make sure these deputies understand that,” Grassley said.

- U.S. – U.K. trade negotiations are paused indefinitely as the Biden administration reviews the content of five negotiation rounds conducted under the Trump administration. 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**

- A transatlantic coalition of nearly 90 trade association are requesting U.S. and EU leaders make permanent a suspension of retaliatory tariffs related to the dueling World Trade Organization cases involving U.S. subsidies to Boeing and European subsidies to Airbus. In a letter last week addressed to President Biden and European Commission President Ursula von der Leyen, 88 organizations called for a permanent resolution of the longstanding trade disputes. “Since 2018, our industries, suppliers and supply chains have been negatively impacted by the imposition or threat of tariffs in several ongoing disputes … which are wholly unrelated to our sectors,” the letter noted. “It is important for our members, already drastically affected by the economic impact of the pandemic, to be able to rely on the continued suspension or complete removal of these tariffs after July 2021,” the groups noted. “Our sectors should no longer incur collateral damage in these unrelated disputes.”

- The EU’s Farm to Fork will be guided by WTO and other international standards like Codex Alimentarius, which would be the “starting point,” according to Tassos Haniotis, director of strategy, simplification and policy analysis at the EU’s Directorate General for Agriculture. Haniotis stated the EU does not intend to impose the policy on other countries and would never require that trading designated 20 to 25 percent of their land to organic farming, as the Farm to Fork strategy will do for the EU. However, he did mention that every market would be able to set its own standards which products entering that market must meet, like minimum pesticide levels. Alan Hardacre, director of public affairs at CropLife Europe, said there is a “growing and passionate ‘level playing field’ narrative” in the European Parliament and the farming community.

- Tomas Baert, head of trade and agricultural policy at the EU Delegation in the U.S. said that President Biden’s “Buy America” plans makes the U.S. “less free.” By expanding Buy America, “The land of the free suddenly becomes less free when you talk about government procurement,” Baert said. “That’s something we struggle to understand ourselves as an open society,” he continued. Baert said that he hopes to work with newly appointed director of Made-in-America Celeste Drake to find the “fine balance” between supporting domestic industry while allowing foreign suppliers to compete fairly. He also said the EU will be watching the policy develop “very, very closely” and “with some concern.”

- President Biden will travel to Europe for his first overseas trip as President. He is planning to travel to Brussels on June 14 to attend the NATO Summit. Biden will also participate in a U.S.-EU summit in Brussels according to the White House said. “This trip will highlight his commitment to restoring our alliances, revitalizing the Transatlantic relationship, and working in close cooperation with our allies and multilateral partners to address global challenges and better secure America’s interests,” White House press secretary Jen Psaki said in a statement.

**Civil Aircraft Disputes**

- During the Senate Appropriations committee, USTR Tai confirmed her commitment to resolving the civil airbus dispute. “I am very serious when I say that it is time for us to resolve these disputes,” Tai said. “USTR is committed to making the most of this four-month period to close out a chapter of our relationship and our tensions with the European Union,” Tai continued. “I am at this point, very motivated and hopeful that we will get the traction that we need with our trading partners and very much hope that they see this opportunity, as I do, as one that we really need to seize to prove to ourselves and to the rest of the world that we can move on,” Tai concluded.

- 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 aircraft 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.

**U.S. - Ecuador**

- Multiple recent events suggest U.S.-Ecuador trade and economic relations are progressing, though no formal actions have been announced by the new Biden Administration.
  - On April 15, the U.S. Senate passed a resolution reaffirming the partnership between the United States and Ecuador, recognizing the restoration and advancement of economic relations, security and development for both nations. The resolution first took shape in the Senate Foreign Relations Committee, where it received strong bipartisan support.
  - On April 11, Guillermo Lasso was elected as Ecuador’s next President. President-elect Lasso has stated that he will continue to build on the outgoing Moreno administration’s pro-market reforms, commitment to democratic ideals, and reinvigorated partnership with the United States. The Trade Ministry is already working with Lasso’s transition team to ensure a smooth hand-off. President-elect Lasso will be inaugurated on May 24.

  Last December the U.S. and Ecuador signed a Trade and Investment Council (TIC) Agreement which is currently with Ecuador’s National Assembly for review after its recent approval by Ecuador’s Constitutional Court. Its final ratification and entry into force is expected in May.

**USTR**

- A bipartisan group of Senators recently introduced legislation to install an inspector general at the Office of the USTR to obtain greater oversight over the agency. Sen. Bob Menendez (D-NJ) said in a statement, “The current lack of oversight over U.S. trade policy is problematic.” USTR’s trade policy has “far-reaching consequences for American workers, businesses and civil society – and as such, Americans deserve honest and transparent trade policy that prioritizes the economic interests of the country and cracks down on waste, fraud, and abuse,” he continued. Indicating Republican support, Sen. John Cornyn (R-TX) said in a statement, “Inspector Generals play an important role in keeping government agencies accountable and ensuring taxpayer dollars are spent appropriately, and the Office of the U.S. Trade Representative is the only cabinet-level agency without this critical position.” Other senators supporting the legislation include Sherrod Brown (D-OH), Tom Carper (D-DE.), Catherine Cortez Masto (D-NV.), Pat Toomey (R-PA.), Sheldon Whitehouse (D-RI) and Ron Wyden (D-OR).

**Section 301**

- Over 3,500 individual lawsuits have been filed at the CIT against the Section 301 tariffs on $320 billion
imports from China that were imposed during the Trump Administration. Importers are requesting that while the litigation plays out, that the CIT issue a “protective preliminary injunction limited to suspending liquidation of all unliquidated entries imported by Plaintiffs that are subject to duties under” lists 3 and 4a. In the most recent filing, importers claimed that the protective injunction is routine and would “merely … preserve the status quo with respect to liquidation until final judgment.”

**Transition 2021**

- Last week President Joe Biden announced the selection of Celeste Drake to serve as the first-ever director of Made in America at the Office of Management and Budget. Ms. Drake has a considerable background in trade and organized labor issues. Drake, a long-time labor advocate, most recently served as executive in charge of government affairs for the Directors Guild of America. Before that, she was trade and globalization policy specialist for the AFL-CIO. In her newly created position, Ms. Drake is tasked with shaping and implementing federal procurement and financial management policy, including the Buy American rules.

- Separately, Ed Gonzalez was nominated yesterday as director of immigration and customs enforcement in the Department of Homeland Security. Mr. Gonzalez currently serves as sheriff of Harris County, Texas.

- As reported earlier, On April 16th President Biden announced intentions to nominate both Sarah Bianchi and Jayme White to Deputy USTR roles. 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, has worked on the Committee since 2014. 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.

- Some Republicans voiced concerns with President Biden’s nomination of Sarah Bianchi as deputy USTR, questioning whether she has the experience to execute the agency’s China portfolio, which she’s expected to inherit. Sen. Marco Rubio (R-Fla.), a vocal critic of China’s trade practices said, “The China portfolio at USTR is a critical position that should be reserved for someone with experience in these issues, and who has demonstrated a commitment to a clear-eyed approach when confronting the CCP’s threats to our national and economic security.” He continued, “Katherine Tai was a historic selection for U.S. trade representative, who was confirmed with 98 votes and deserves a team that can carry out her expertise and views on China.”

**WTO**

- Speaking to a conference hosted by the European Commission, WTO director-general Ngozi Okonjo-Iweala commented on how to cooperate with China. She warned against making them feel like a target by using the WTO to curb industrial subsidies and state-owned enterprises. “We also have to show China is not being targeted... When China feels it is being targeted, and it's only about China, you get a lot of resistance,” she said. “The dealings I have had with China have been very constructive and I think that if we put the facts on the table about the negative spillovers from such industrial subsidies and share them with China ... they will be willing to look at that,” she added.

- WTO leader Okonjo-Iweala staked out three areas where concrete outcomes are essential for the WTO this year – fisheries subsidies, trade and health and agriculture. Ms. Okonjo-Iweala said she also would like to see outcomes on women and trade, micro- small- and medium enterprises, digital trade, trade and
climate and services. Regarding the non-operational appellate body, Okonjo-Iweala noted the U.S.’ concerns. Several WTO members, including the EU have expressed a willingness to work with U.S. on reforming the WTO’s dispute settlement systems, but that the Biden Administration needs to offer specific proposals.

- World Trade Organization members can expect a first draft agricultural negotiating text in July, the chair of the agriculture negotiations said, urging members to identify the elements of a deal that could be reached at the upcoming ministerial conference. The U.S., and most other WTO member countries endorsed the chair’s proposal that the best chance for an agreement at the 12th ministerial conference is a deal on agriculture transparency and a framework for future talks, according to reports. Some WTO members support a more ambitious agenda, calling additional issues to be included – in particular, reducing domestic support and addressing food security. WTO Director-General Ngozi Okonjo-Iweala has already called for a July ministerial with a focus on fisheries subsidies.

- Selection of four new WTO Deputies leaders by Director-General Ngozi Okonjo-Iweala is expected soon. 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 DDG 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 potential 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**

- The EU offered its red lines regarding WTO reform. Ignacio Garcia Bercero, the EU Commission’s director for multilateral affairs in trade, said, “We only have two very important red lines. Any reformed dispute settlement system has to maintain the principle of automaticity, what is called the negative consensus rule — it cannot be a system which can be blocked — and you need to maintain an independent appellate body.” He added, “Provided that those two elements which are critical for legitimacy of dispute settlement are fulfilled, I think that we are quite open to have a discussion with the United States and with others to see how we can restore a functioning dispute settlement.”

- After a prolonged standoff between the U.S. and Venezuela over sanctions imposed by the U.S. and the U.S.’ refusal to recognize the Maduro government, the newly appointed chair of the DSB, Swiss Ambassador Didier Chambove has announced that Venezuela’s panel request would be removed from the agenda amid consultations with both parties allowing the Dispute Settlement Body meeting to move forward. The next DSB meeting, scheduled for May 28.