HIGHLIGHTS

- **U.S. – China:** During the House commerce justice, science and related agencies subcommittee appropriations hearing, Secretary Raimondo said regarding the China review, “We are being aggressive, appropriately so, with enforcement.”

- **U.S. – USMCA:** The first USMCA Free Trade Commission meeting will occur in mid-May, according to sources. Top officials from the three trade partners will convene discussions during May 17-18.

- **U.S. – EU:** Europe is preparing a “Buy European” proposal to counter Biden’s “Buy American” policy. Known as the International Procurement Initiative, this law includes a new legal tool that incorporates “reciprocity” in public contracts.

- **WTO:** WTO Director-General Ngozi Okonjo-Iweala announced last week the appointment of Angela Ellard of the United States, Anabel González of Costa Rica, Ambassador Jean-Marie Paugam of France and Ambassador Xiangchen Zhang of China as her four Deputy Directors-General

**Quote:** “The fact is that the hemisphere is our home; the countries of the Americas are our neighbors, and our futures are interdependent. Our success is based on the principle that no one should be left behind. For these reasons, we will also use trade policy to address racial equity and support underserved communities. We need to translate that concept into meaningful change for farmers, ranchers, factory workers, micro and small entrepreneurs, and families.” **(Ambassador Katherine Tai’s remarks at Washington Conference of Americas)**

**China Trade**

- **USTR Tai** said she expects to schedule her first meeting with her Chinese counterpart Chinese Vice Premier Liu He in the “near term.” “I’m very much looking forward to formally meeting my Chinese counterparts and assessing their performance and measuring what they have to say, pressing our interests and backing up a path forward,” Tai said. The two intend to discuss the phase one trade deal implementation but Tai declined to indicate whether she plans on lifting tariffs. “A lot of this is going to hinge on the conversations that we have with China and our assessment of the effectiveness of the U.S.-China trade and economic agreement and will be taken up in light of the vision that we form in terms of where we want to drive this particular and very important relationship,” Tai said.

- During the House justice, science and related agencies subcommittee appropriations hearing, Secretary Raimondo said regarding the China review, “We are being aggressive, appropriately so, with enforcement.” She added, “We’re not joking around” in enforcing trade rules as the Biden Administration reviews its stance toward China. “We’re going to enforce the [Entity List] requirement and we’re going to do that to the fullest extent possible,” Raimondo continued.

- **The USDA** announced another major China export sale of 1.36 million metric tons of U.S. new crop corn for delivery in the 2021-22 marketing year. “We are glad to see China buying new crop 2021-22 corn for export,” says U.S. Grains Council President and CEO Ryan LeGrand. “This is a sign that corn demand in China is still strong and the country needs imports to meet that demand.” U.S. shipments in the 2020-21 marketing year have also been strong, though millions of tons remain in outstanding sales. As of April 29, the U.S. had shipped 11.38 million tons of corn to China in 2020-21, according to the latest USDA trade data, approximately half of the 23.2 million tons of total purchases. In late April the U.S. shipped 698,100 metric tons of corn to China from April 23-29, leading to a 19% surge in U.S. exports over the four-week
Phase One Agreement

- According to analysis by the Peterson Institute, China’s Phase-One purchases through early 2021 are at 61% of the target commitments levels in the agreement for all goods (e.g., agriculture, energy, and manufacturing). Through March (most recent trade data) China has purchased $26.3 billion of U.S. products compared with the full year 2021 purchase target commitment of $193.3 billion.

US-China phase one tracker:
China’s purchases of US goods in 2021

US exports and China’s imports of all goods covered by the phase one deal as of March 2021

a. US exports and China’s imports of all covered goods, billions USD

USMCA

- The first USMCA Free Trade Commission meeting will occur in mid-May, according to sources. Top officials from the three trade partners will convene discussions during May 17-18. “I expect my Canadian and Mexican counterparts to be very frank and honest with me about how they feel about U.S. implementation, and I will be just as honest with them about concerns that we have in Mexico in Canada,” Tai said during a Council of the Americas event last week, referring to the coming meeting. The Free Trade Commission is designed to review the USMCA implementation performance of each country. The meeting likely meeting will occur shortly before the one-year anniversary of USMCA entering into force (i.e., July 2020)

- Mexico’s embassy confirmed the USMCA Free Trade Commission meetings. “The Secretariat of Economy [Tatiana Clouthier] has informed us that the meeting of the Free Trade Commission (FTC) of the USMCA is confirmed to take place on May 17 and 18. It will be a technical meeting, and virtual,” the embassy said. Clouthier will meet with U.S. Trade Representative Katherine Tai and Canadian Minister of Small Business, Export Promotion and International Trade Mary Ng. The three officials agreed in March to hold the meeting. “This is the first time the FTC will convene, the USMCA establishes that FTC should meet annually,” the embassy added.

- Ambassador Katherine Tai said the USMCA “is a starting point” for further regional work on climate, labor and expanding trade benefits to underserved communities. Speaking last week at the 51st annual Washington Conference of the Americas, Tai praised the USMCA for garnering broad bipartisan support in Congress and she noted that USMCA provides “the most comprehensive, enforceable labor and environmental standards of any U.S. trade agreement -- and, I would argue, any trade agreement.”

The
Tai said, “but we must also recognize that the agreement did not go far enough in addressing the economic costs of our environmental challenges through trade.” Tai added, “It is a starting point for future work in the region that explicitly acknowledges climate change, aggressively addresses global forced labor issues, and expands the benefits of trade to women and historically, underserved communities.”

- As noted earlier, Vice President Kamala Harris will visit Mexico on June 8 after Mexico’s mid-term legislative elections on June 6th, her first international visit. Harris is expected to meet with President Obrador, principally on immigration. In his daily morning press conference, President Manuel Lopez Obrador stated, "We have to regulate migratory flows and we must address the (root) causes, and this means there must be jobs and hope for the people in southeast of Mexico and Central America.”

Section 232 Investigations

- As reported earlier, 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 nation’s international trade deficit in goods and services increased to $74.4 billion in March from $70.5 billion in February (revised), as imports increased more than exports. The March goods and services deficit ($74.4 billion) was the highest on record.

![Goods and Services Trade Deficit](image)

**U.S. – Kenya Trade**
A noted earlier, Secretary of State Antony Blinken recently met with Kenyan President Uhuru Kenyatta. 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.

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**

- Secretary of State Blinken said that Ambassador Tai is still “taking some time” to review the U.S.-U.K. trade agreement. “Our trade negotiator just got on the job,” he said. “So she’s taking the time to go back and review everything that was discussed. And that’s taking some time,” but Blinken added, “Tackling the challenges that we face requires cooperation [and] collaboration, especially from the United States and United Kingdom.”

- As previously noted, 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.

- Senator Chuck Grassley (R-IA) said that the Biden Administration should provide a timetable for U.S.-U.K. trade agreement negotiations. “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. 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**

- Europe is preparing a “Buy European” proposal to counter Biden’s “Buy American” policy. Known as the International Procurement Initiative, this law includes a new legal tool that incorporates “reciprocity” in public contracts. The European law effectively shuts out companies from countries where European businesses are barred from tenders. Berlin and the Nordic countries had opposed such legislation in the past, but Biden’s increased rhetoric on prioritizing U.S. companies has resulted in a collapse of the northern blockade, creating a path toward approval. The EU countries are nearing agreement on a legal text, which EU trade ministers will discuss at a meeting on May 20 and negotiations with the European Parliament are expected to start before the end of June.
As noted earlier, a transatlantic coalition of nearly 90 trade association requested that 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.”

Civil Aircraft Disputes

USTR Katherine Tai emerged from conversations with EU encouraged about regarding prospects of resolving the 16-year dispute over civil aircraft subsidies, and noted that both sides were serious about reaching an agreement. Tai noted that the U.S., EU, and U.K.’s respective decision to suspend tariffs imposed reflected the "seriousness" of the trade partners to settle the longstanding dispute over government aid provided to civil aircraft producers Boeing and Airbus. Tai continued, “Our sense of motivation is being received across the Atlantic.” “I am getting signals back that there's a serious motivation and intent on the other side. Let's see what we’re able to accomplish,” Tai concluded.

During the recent 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.

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 froward 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 in conjunction with recent WTO’s arbitrator’s announced award level of $4 billion on U.S. products.

Trans-Pacific Partnership

A bipartisan group of lawmakers urged the Biden administration to re-examine the Trump administration’s “misguided” and “short-sighted” withdrawal from the Trans-Pacific Partnership in 2017. In a letter to Ambassador Tai on Thursday, subcommittee chairman Tom Carper (D-DE) and ranking member John Cornyn (R-TX), along with House Ways & Means trade subcommittee member Stephanie Murphy (D-FL), asked Tai to re-engage with allies in the Asia-Pacific region to develop multilateral, free-trade partnerships. The letter was also signed by Rep. Adam Kinzinger (R-IL). The letter stated, “For our part, we have consistently expressed the view that withdrawal from the TPP was misguided and short-sighted.” “Unfortunately, it has only served to weaken the United States, empower China, put American workers and businesses at a competitive disadvantage, and cede leadership in arguably the most strategically vital and economically dynamic region of the world.” The letter continued, “Our current trade policy in the Asia-Pacific region is in need of a strategic direction that includes robust engagement with our allies in the region, similar to what was envisioned by the 12-country Trans-Pacific Partnership.”
• Ambassador Katherine Tai will appear on Wednesday May 12th before the Senate Finance Committee and the House Ways and Means Committee on Thursday, May 13th for a hearings on “The President’s 2021 Trade Policy Agenda.” Among many other issues, Tai is expected to address a parade of questions regarding the U.S.-China trade relationship, likely including the Phase One agreement, now in its second year. During a Financial Times event last week, Tai said she plans to engage with Chinese negotiators “in the near term” to “press” U.S. interests and assess China’s performance in the phase-one deal that went into effect last year. The May 13th hearing will be Tai’s first appearance before the Senate Finance Committee as USTR. She previously testified before the Finance Committee during her confirmation hearing in February.

• USTR announced its Transparency Principles, stating intent to engage the public and “new, and frequently silenced voices” in formulating trade policy. In tweet last Friday, USTR announced the Transparency Principles and provided more details in a press release.

USTR is committed to comprehensive public engagement and earlier today, we announced our Transparency Principles. Read them here: ustr.gov/about-us/polic....

8:24 PM · May 7, 2021 · Twitter Web App

• USTR Katherine Tai said, “Our trade agenda will only succeed if it reflects the views, and serves the interests, of all Americans.” “These Transparency Principles make clear that USTR will engage new, and frequently silenced, voices to find innovative solutions and forge consensus. Importantly, the principles announced today are just a starting point as we build a broad-based and equitable trade policy,” she added. Among the Principles, USTR noted it will “foster more inclusive and broader representation in terms of both geography and demographics, as well as stakeholder perspective,” to develop more inclusive trade policy. The complete details and Principles are contained in the press release.

• Ambassador Tai also announced the designation of General Counsel Greta Peisch as the USTR Chief Transparency Officer. The USTR noted the role was created by the Bipartisan Congressional Trade Priorities and Accountability Act of 2015 to engage with the public, advise the USTR and consult with the Congress on transparency policy, and coordinate transparency in trade negotiations. As the Chief Transparency Officer, Ms. Peisch will lead USTR’s efforts to put the Transparency Principles into action and identify further opportunities for improving transparency in U.S. trade policy development.

• USTR reported that Ambassador Tai recently met with Florida Fruit and Vegetable Association, the National Potato Council, the National Milk Producers Federation and the Northwest Horticultural Council, to discuss the Biden administration’s trade agenda. According to a statement by NMPF regarding the meeting, NMPF President and CEO Jim Mulhern encouraged Tai to work with Mexico “to ensure a normal flow of trade,” counter the EU’s “attempts to misuse common food names through inappropriate geographical indication rules” and conclude “new market expanding trade agreements. The statement also says that Mulhern “emphasized the need for new market opportunities, noting in particular the importance of enforcement of existing trade agreements such as ensuring Canada meets its trade obligations.”

• USTR Tai said she wants to closely examine CAFTA-DR trade agreement to understand why it has not met expectations. “It is the only trade agreement that we have that is with a group of countries where that entire group are developing countries,” Tai said at the Council of Americas' annual policy conference. “And I think that there was a lot of expectation and hope that the CAFTA-DR would stimulate development.” Tai also stated, “When I talk about [needing to change] the traditional approach to trade, CAFTA-DR is really a shining example of just squeaking it through.” While Tai did not say that the Biden
Administration is considering renegotiating the agreement, she did say, “However, significant shortcomings in our trade infrastructure and policy implementation have prevented the agreements from generating the greatest benefit for the region. My team and I are working to fulfill our responsibility to thoughtfully engage our counterparts across the region and identify areas where trade policy can help working people.”

**Section 301**

- Congressman Darin LaHood (R-IL) joined Reps. Ron Kind (D-WI), Jackie Walorski (R-IN), and Suzan Delbene (D-WA) to lead a letter calling USTR Tai to establish a new exclusion process for Section 301 tariffs on Chinese imports. The letter was signed by over 100 bipartisan members of Congress. The letter states, “We all agree that we need to execute a bold, strategic plan to hold China accountable for its unfair trade practices while encouraging businesses to manufacture and operate in the United States. However, while we strategically and comprehensively engage with China, including through tough enforcement, we must also support good-paying jobs in the United States.” “To support American families, we once again urge USTR to create a pathway for targeted relief from Section 301 tariffs,” the letter continued.

**Transition 2021**

- As reported earlier, 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, 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 as director of immigration and customs enforcement in the Department of Homeland Security. Mr. Gonzalez currently services as sheriff of Harris County, Texas.

**WTO**

- WTO Director-General Ngozi Okonjo-Iweala announced last week the appointment of Angela Ellard of the United States, Anabel González of Costa Rica, Ambassador Jean-Marie Paugam of France and Ambassador Xiangchen Zhang of China as her four Deputy Directors-General. Okonjo-Iweala’s choices conform to the tradition of regional diversity as they include picks from the four major regions outside that of the director-general’s home region – in this case, Africa. The U.S. and European Union have always been represented. Okonjo-Iweala said in a statement, “I am very pleased to announce the appointment of four new Deputy Directors-General at the WTO. It is the first time in the history of our Organization that half of the DDGs are women.” “This underscores my commitment to strengthening our Organization with talented leaders whilst at the same time achieving gender balance in senior positions.”
Ms. Angela Ellard (United States), chief trade counsel for House Ways & Means Committee Republicans, replaces the prior U.S. representative Alan Wolff. Ms. Ellard has over 25 years of experience as Majority and Minority Chief Trade Counsel and Staff Director with the Ways & Means staff advising Congress and senior Trump, Obama, Bush, and Clinton Administration officials on free trade agreements, trade legislations, and other trade policy issues. Ms. Ellard also worked as a lawyer in the private sector, working on trade litigation and strategy, policy and legislative issues.

Ms. Gonzalez (Costa Rica) served as Minister of Foreign Trade of Costa Rica; as Director-General for International Trade Negotiations; as Director-General of the Costa Rican Investment Promotion Agency (CINDE); and as Special Ambassador and Chief negotiator of the US-Central America-Dominican Republic Free Trade Agreement. Ms. Gonzalez also served at the World Bank as a Senior Director, the WTO as Director of the Agriculture and Commodities Division and as Senior Consultant with the Inter-American Development Bank. She is a senior fellow for the Peterson Institute for International Economics.

Ambassador Jean-Marie Paugam (France) has held senior management positions in the French Government on trade, most recently as Permanent Representative of France to the WTO. He has also held a number of senior positions in the French Ministry of Economy and Finance, including as a member of the Executive Committee of the French Treasury. He has also served as Deputy Executive Director of the International Trade Centre in Geneva.

Ambassador Xiangchen Zhang (China) is currently serving as Vice Minister in the Ministry of Commerce of China. He has long and extensive experience on WTO issues, international negotiations, and policy research. Ambassador Zhang served until recently as China’s Permanent Representative to the WTO and previously as Deputy Permanent Representative. He has had an extensive career of more than 30 years in international trade, serving as Director of the Department of International Trade and Economic Affairs of the Ministry of Foreign Trade and Economic Cooperation; as Director-General of the Department of WTO Affairs of the Ministry of Commerce; and as Director General of the Department of Policy Research of the Ministry of Commerce.

As previously reported, while 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.

- 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 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.

WTO Reform

- As previously reported, 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.

Ag Economy Barometer

- April’s Ag Economy Barometer index, remained strong, increasing slightly to index reading of 178. The index reading has average over 170 the past few month, inching to close to the record high of 184 last October. The strong farmer sentiment was largely attributable to agriculture producers’ optimistic view of the future market conditions. Ongoing strength in ag commodity prices and farm income continue to support producers’ optimistic perspectives on current conditions, outweighing pessimism of solving trade tensions with China in a manner beneficial to U.S. agriculture and changes in estate tax policy under consideration in the Congress.
Source: Purdue University Center for Commercial Agriculture, Producer Survey, April 2021