

Washington Trade Daily

Volume 29, Number 249

Wednesday, December 16, 2020

Outlook for GSP Difficult, Grassley Says

It is looking unlikely that the Generalized System of Preferences program will be renewed before it expires at the end of this year, Senate Finance Committee Chairman Chuck Grassley (R-Iowa) told reporters yesterday.

The senator laid the blame on Democrats, who are seeking changes to the eligibility criteria in order for countries to qualify to receive duty-free benefits under the program. Republicans like Sen. Grassley are pushing for a clean, relatively short-term extension to allow lawmakers time to discuss reforms to the trade preferences program.

The stalemate is “unjustified because it’s always been very bipartisan and also unanimous,” Sen. Grassley said during his weekly telephone press conference with agriculture reporters.

Some of the changes proposed by Democrats “are legitimate,” he said. But those proposals were only recently unveiled, leaving no time for discussion.

The senator did not rule out the possibility of a last-minute extension of GSP before the 116th Congress adjourns, but also warned the program may be allowed to expire. “Things tend to come together at the last minute very easily sometimes and sometimes they don’t get done,” he said.

Mexico Falling Short on Labor

Mexico has yet to implement many of the labor law improvements it committed to make in the US-Mexico-Canada Agreement, according to a report released yesterday.

The interim report was prepared by the Mexico Labor Expert Board that was created under the USMCA to monitor Mexico’s progress on protecting the rights of workers.

The report found that Mexico has made significant progress in implementation of its labor law reform. But Mexico so far is falling short in many other areas.

“It must be acknowledged that many of the changes promised to improve the lives of workers, in terms of union democracy, freedom of association and collective bargaining, remain to be implemented,” according to the report. “Most unionized workers are not yet able to democratically elect their leaders or ratify their collective bargaining agreements. The system of protection contracts, sustained by employer payments to union leaders, remains intact at this time.”

“Workers who attempt to challenge these conditions by demanding union democracy, higher wages, or even protective equipment have been fired, jailed and – in too many cases – murdered,” it continued.

The Board is authorized by Congress to make a finding whether Mexico is in compliance with the labor provisions of the USMCA. While finding many shortcomings, the Board said that given many of Mexico’s new labor institutions began operating less than a month ago, it would be premature to make a compliance determination.

In lieu of a determination, the report recommended that Congress closely monitor violence against workers in Mexico and offer assistance to stop the violence. Congress also should focus on increased transparency and focus enforcement on priority sectors.

Dems Question CBP Forced Labor Plans

House Ways and Means Committee Democrats are questioning whether Customs and Border

Protection has an enforcement strategy to prevent palm oil made with forced and child labor from entering the US market.

The Democrats – led by committee Chairman Richard Neal (D-Mass) – said CBP failed to provide sufficient information in response to a previous request.

“A robust enforcement strategy would give confidence to US consumers that products on store shelves are not produced in illegal, and often abhorrent, working conditions,” the lawmakers said.

While CBP did issue a withhold release order on one of the worst actors in the palm oil sector, FGV Holdings Berhad, “issuing a single WRO will clearly not address the ubiquitous forced labor problems in the palm oil sector,” the lawmakers wrote to Acting CBP Commissioner Mark Morgan.

The Democrats noted that estimates suggest palm oil is used in about half of the items found in a typical grocery store. “Thus, an incredibly expansive range of US supply chains are likely tainted by the labor practices used to produce palm oil.”

“In our view, these odious labor practices and their pervasive impact across supply chains highlight the need for an aggressive and effective enforcement strategy,” they continued.

Answers Sought

The lawmakers requested CBP supply the committee with information about its enforcement strategy by December 29, including answers to the following questions:

- Please describe CBP’s enforcement plan regarding the existing WRO on FGV.
- Has CBP detained any shipments to date?
 - Have US importers of FGV palm oil chosen to re-export detained shipments to other countries? If so, where have these shipments been sent?
 - How is CBP working to target high-risk shipments?
 - What is CBP’s enforcement plan for downstream products that include palm oil produced by FGV?
 - Can CBP leverage traceability technology in this sector to better identify high-risk goods and shipments?
- Please describe how CBP is approaching potential remediation plans regarding FGV. It has developed an “Action Plan” that aims to address issues related to forced labor and press reports have noted that some evidence has been presented to CBP. However, stakeholders have noted deep skepticism regarding whether FGV’s efforts, including the recent Action Plan, will effectively address these issues.
 - Accordingly, please outline all aspects of CBP’s process for reviewing information regarding remediation, including consulting with the petitioners, to ensure that forced labor has been removed from a supply chain before removing a WRO.
- Please describe CBP’s enforcement strategy beyond forced labor products made by FGV. As noted above, forced labor problems in palm oil are present well beyond FGV facilities and appear to be prevalent across at least Malaysia and Indonesia.
 - Has CBP identified other companies using forced labor to produce palm oil in these countries or elsewhere?
 - Has CBP considered issuing a regional- or country-wide WRO regarding palm oil in either Malaysia or Indonesia?

US, Singapore Trade Finance MOU

The United States and Singapore signed an agreement yesterday to deepen economic cooperation and extend trade financing and investment to support companies in both countries, the Commerce Department said.

The memorandum of understanding is intended to enhance the availability of and access to trade financing options for US and Singapore companies. It will facilitate bilateral trade in goods and services to enhance growth opportunities, according to Commerce.

In addition, the MOU seeks to strengthen cooperation on investment promotion and provide opportunities for both countries to explore the use of technology to address new trade financing and investment challenges.

The renewable, two-year MOU will be overseen by the Commerce Department and Singapore's Ministry of Trade and Industry. It will be supported by implementing agencies, including the US Export-Import Bank, the US Commercial Service in Singapore and Enterprise Singapore.

The United States is Singapore's largest foreign investor, while Singapore was the fourth-largest Asian investor in the United States in 2019.

ExIm Energy Deal with Poland

The US Export-Import Bank and Poland's Ministry of Climate and Environment have signed a memorandum of understanding to promote US energy investment in Poland.

Under the agreement, the two sides will explore and identify potential opportunities for ExIm financing and work together to promote business development opportunities related to strategic energy projects and programs.

The agreement includes, but is not limited to, support for projects in nuclear energy, in particular in support of strategic projects under Poland's Nuclear Power Program; low- and zero-emission technologies; clean energy innovation and critical energy infrastructure, including cybersecurity solutions.

Separately ExIm reported yesterday that it approved 194 small business authorizations totaling \$523 million in 36 states and the District of Columbia in September.

Of that \$523 million in small business authorizations, \$44 million went to support minority- and women-owned businesses. Since May 2019, when a quorum of the Board of Directors was restored, the Bank has authorized more than 2,700 small business transactions through September 30.

WTO Members Talk Food Procurement

Geneva – After failing to reach an agreement on fisheries subsidies, Canada and many industrialized and developing countries stepped up their efforts for a General Council decision on export prohibitions at the World Trade Organization ostensibly for facilitating easy procurement by the World Food Program during the COVID-19 pandemic, WTD has learned.

During a meeting of negotiators from 25 countries yesterday, Canada, which coordinates the Ottawa Group of industrialized and some developing countries, and Singapore emphasized the importance of a GC decision on export restrictions, which was never resolved during the last 20 years of Doha agriculture negotiations, said a participant who asked not to be quoted. The United States is not a member of the Ottawa Group.

Portraying it as a “confidence-building measure” in the absence of an agreement on fisheries subsidies, the proponents sought a strong agreement. But they appeared to be okay with proposed language offered in the face of opposition from India and Pakistan, as well as some African countries, at the end of the meeting yesterday, the participant said.

Given continued differences on the proposal from the proponents, the facilitator for export restrictions in the Doha agriculture negotiations Leonardo Rocha Bento from Brazil will hold further consultations today. The issue is going to be decided on Thursday, said another participant who asked not to be quoted.

The language proposed by the Brazilian facilitator says:

- “In the view of the critical humanitarian support provided by the World Food Program, made more urgent in light of the COVID-19 pandemic and other crisis, with the understanding that the World Food Program always takes procurement decisions on the basis of the principles to “do no harm” to the supplying member and promote local and regional food procurement,

Regarding and reaffirming Article 12 of the Agreement on Agriculture and Article XI of GATT 1994,

Decides as follows:

1. Members shall not impose export prohibitions and restrictions on foodstuffs purchased for non-commercial humanitarian purposes by the World Food Program.
 2. It is understood that Members' food security shall not be jeopardized as a result of these
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purchases.”

The sponsors of the GC decision on export prohibitions include the United States, the European Union, Japan, Australia, New Zealand, Iceland, Canada, Norway, Switzerland, the United Kingdom and Liechtenstein, along with developing countries such as Albania, Angola, Chile, Colombia, Ecuador, Grenada, Guyana, Indonesia, Israel, Korea, Malawi, Malaysia, Mali, Mexico, Moldova, Mongolia, Montenegro, Myanmar, Paraguay, Peru, Qatar, Samoa, Saudi Arabia, Singapore, the Solomon Islands and Taiwan among others. And more countries are expected to join the proponents, said another negotiator who asked not to be quoted.

Humanitarian Support

Earlier, the sponsors maintained that “in view of the critical humanitarian support provided by the World Food Programme, made more urgent in light of the COVID-19 pandemic and other crises,” the General Council decides that “members shall not impose export prohibitions or restrictions on foodstuffs purchased for non-commercial humanitarian purposes by the World Food Programme.”

But in the face of opposition to the language, an additional safeguard was included in the latest draft proposal saying that “It is understood that Members’ food security shall not be jeopardized as a result of these purchases.”

At a meeting of 15 trade envoys convened by Doha Agriculture Negotiations Chair Ambassador Gloria Abraham Peralta from Costa Rica on December 11, sharp differences came to the fore between Singapore, which is a leading proponent of the GC decision, and India and Pakistan on the other side over attempts to rush to a decision on export prohibitions while ignoring the permanent solution on public stockholding programs for food security and other major issues of the Doha work program, said a person familiar with the meeting.

India’s Views

At the Heads of Delegation meeting, India apparently explained its long-standing cooperation with the WFP’s humanitarian efforts and reiterated its difficulty in accepting a blanket exemption of WFP purchases from export restrictions at this juncture, the person said.

Due to its own food security considerations, India said that food security cannot be addressed through the prism of international trade alone, and that not only the causes but the symptoms of hunger should also be addressed, said a farm negotiator from South America who preferred not to be quoted.

India all along has maintained that the source for the hunger problem is related to access to food. Structural reforms and an extension of the Bali decision on new Public Stockholding programs should be a deliverable in this context, India maintained, the negotiator said.

Singapore apparently objected to India’s arguments at that meeting, suggesting that India is adopting an obstructive stance, the negotiator said, adding that India criticized Singapore for its remarks at the HoD meeting.

Surprisingly, one of the proponents seeking the GC decision chooses to maintain several restrictions and easy sale of its dairy products to external players, including the WFP, the negotiator said.

Around the Globe

- Walmart announced on Thursday it will triple exports of goods from India to \$10 billion each year by 2027, as a nationwide pivot to other trade partners gains strength amid the continuing U.S.-China trade war, Newsweek reported. U.S. goods imports from China fell by a stark 16.2 percent between 2018 and 2019, as the effects of Washington’s aggressive stance towards Beijing takes effect.

Currently, Walmart estimates Chinese suppliers make up 70-80 percent of its U.S. merchandise, according to the Alliance for American Manufacturing. However, following a ramping up of tariffs placed on exports from China under President Trump, a host of other, predominantly Asian, countries are now seeing a marked increase in trade with the U.S. The biggest overall beneficiaries, according to a study from the United Nations Conference on Trade and Development that examines the extent of trade diversion from the trade wars, are: Taiwan, Mexico, the EU, Vietnam, Japan, Canada, Korea, and India. A report by Moody’s uncovered comparable effects, and makes particular note of Chinese soybean purchasers turning instead to Brazilian soy farmers.

Meanwhile, trade with India looks only set to increase, with the imminent arrival of Joe Biden’s

new administration, say experts.

U.S. goods and services trade with India totaled an estimated \$146.1 billion in 2019, with exports making up \$58.6 billion of that total, and imports \$87.4 billion. This was up 6.3 percent (\$3.4 billion) from 2018, and up 172.6 percent from 2009, according to the Office of the United States Trade Representatives. India is currently the U.S.'s ninth largest goods trading partner, with \$92.0 billion in total two-way goods trade during 2019.

- The Independent reported that MPs have been primed to vote for a possible Brexit trade deal at the beginning of next week as hopes rise of a breakthrough in Brussels. Senior Government sources have confirmed that Boris Johnson is preparing to push back the Christmas recess should he secure an agreement with the EU by the weekend.

The Telegraph has been told that plans being studied by Jacob Rees-Mogg, the Commons leader, involve MPs and peers being asked to sit on Monday, Tuesday and Wednesday if there is a deal, with December 24 still under discussion. Ministers have ruled out sitting on Christmas Day for the first time since 1656, but have not ruled out asking MPs to return on Boxing Day, if it is deemed necessary to do so.

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