

ABC Global Update

Deal Reached on Mexico and Canada Steel and Aluminum (Section 232) Tariffs

The White House announced on May 14 that it had reached an agreement with Mexico and Canada on the Section 232 Steel and Aluminum tariffs that it imposed a year ago.

As a result of the agreement, the U.S. has removed its steel and aluminum tariffs on the two countries, and they in turn have eliminated their retaliatory tariffs on U.S. products, effective Monday, May 20th.

The agreement includes a provision that allows for the reinstatement of tariffs if a surge in steel and aluminum imports occurs, but any retaliatory tariffs will be limited to that sector and will not affect agricultural trade.

Resolving this issue was key to the passage of the pending U.S.-Canada-Mexico trade agreement, which is expected to be submitted to Congress shortly.

U.S. and Japan Continue Trade Talks

While in Paris for a series of meetings with trade ministers from around the world, U.S. Trade Representative (USTR) Robert Lighthizer met with Japanese Trade Minister Hiroshige Seko to discuss bilateral negotiations as well as a US-Japan-EU trilateral initiative on WTO reform.

Talks touched on the U.S. decision to delay the imposition of auto tariffs on Japan and the EU for six months. The decision to delay was made to give the U.S. time to negotiate a deal with both countries that addresses what the Commerce Department has claimed is a threat to National Security posed by imported automobile and automobile parts. The

six months will expire on November 13, 2019.

Also this week, a trade delegation led by the Japanese Ambassador for International Economic Affairs Kazuyoshi Umemoto and the Chief of Staff of the Trans-Pacific Partnership headquarters Kazuhisa Shibuya, met with USTR officials in Washington, D.C. on Tuesday.

USTR Lighthizer is expected to visit Japan to meet with Economy Minister Toshiimitsu Motegi on May 24.

President Trump is expected to be in Japan from May 25-28 for meetings with Japan's new emperor Naruhito.

U.S. – EU Discuss a Range of Trade Issues

While in Paris, U.S. Trade Representative Robert Lighthizer also met with EU Trade Commissioner Cecilia Malmström to discuss the prospective U.S.-EU trade deal.

Negotiators from both sides have been meeting in Washington, D.C. over the past two weeks with a focus on technical work, however, the disagreement between the two sides over the inclusion of agriculture continues to hinder progress on a deal.

Discussions also addressed the U.S. delay of auto tariffs on Europe and Japan. Trade Commissioner Malmström criticized the Commerce department finding that imported automobiles and auto parts from the EU posed a threat to U.S. national security, arguing that as security partners, products from the U.S. or EU cannot represent a security threat to the other side.

Finally, USTR Lighthizer also discussed a U.S.-Japan-EU trilateral

initiative on WTO reform with Commissioner Malmström.

China Plans to Increase Tariffs in Retaliation to U.S. Tariff Increases

On May 13, China announced that it is planning to introduce tariffs on U.S. commodities in response to the U.S. raising tariffs on Chinese goods announced the previous Friday. The increased tariff rates went into effect June 1.

Inshell/kernel almonds were not included in this wave of retaliatory tariffs (they remain at 50%). However, tariffs on processed almonds were increased and are now 15% for preserved almonds in cans and 30% for processed or preserved almonds not in cans.

Relations with China continue to be tense; media reports indicate that there is also an increase in China's nationalist sentiment.

The next opportunity for a meeting between the U.S. and China is at the upcoming G20 meeting.

USDA Announces Support for Farmers Impacted by Trade Retaliation and Disruption

On May 23, the U.S. Department of Agriculture (USDA) announced that it has been authorized to provide a second program of up to \$16 billion in trade mitigation funding to aid producers impacted by retaliatory tariffs.

\$14.5 billion will be allocated for direct payments to producers through the Market Facilitation Program (MFP).

Tree nut producers will receive a payment through this program based on acres of production in 2019.

Payments will be made in up to three tranches. The first tranche will begin in late July or early August. The second and third tranches will be evaluated as market conditions and trade opportunities dictate and will be made in November and January, if conditions warrant.

The remaining money will be utilized for the Food Purchase and Distribution Program (FPDP) to purchase surplus commodities impacted by trade retaliation, as well as \$100 million for the Agricultural Trade Promotion Program (ATP), which assists in the development of new export markets.

Further details about eligibility and payment rates will be released by the USDA at a later date.

Rapid Alerts in EU

As of June 4, the EU has reported seven Rapid Alert border rejections for aflatoxins; four from Spain and three from Italy. There have also been several notifications for microbial contamination – mainly stemming from laboratory analyses.

Discussions are underway with the Commission and Member States to better understand how microbial contamination is handled. In Germany, it appears that any “positive” finding by a laboratory must be reported to local authorities, even if the goods are under the control of the manufacturer and have not been distributed. However, it is unclear why this information is transmitted at a European level.

More information will be provided to industry in the coming weeks.

Efforts Continue to Clarify Options for Rejected Consignments

While EU regulations are clear in their approval of reprocessing as an alternative for rejected consignments, the *reality* is not so simple. Member States vary in their willingness to allow rejected consignments to be

resorted, blanched, and retested. Further complicating the option is the ability to move consignments to a 3rd country (e.g. from Italy to Netherlands).

The U.S. Embassy in Rome was able to clarify that Italian authorities will permit reprocessing – a recent development. However, they are still unwilling to allow a consignment rejected in Italy to move to another EU country (even with approval of the authorities in that 3rd country). ABC is continuing to engage with authorities, and to raise these concerns to the European Commission.

In addition, ABC staff are already engaging with FDA’s Office of Food Safety and Office of Compliance in DC, in an effort to clarify procedures for handling U.S. consignments returned to the U.S. Individual handlers have reported mixed experiences but have generally noted confusion over procedures, inconsistent requirements, and considerable delays in the release of consignments. ABC’s objective is to reach consensus with FDA to leverage existing systems including use of USDA-approved labs for aflatoxin testing, standardized procedures for handling returned consignments, and a template for reconditioning plans.

U.S. Terminates Preferential Trade Program with India

Effective June 5, President Donald Trump terminated the United States preferential trade program with India, ending their designation as a beneficiary developing country under the key GSP trade program. The program allows emerging countries to export goods to the U.S. without paying duties. This decision was a result of India not assuring that the U.S. that it will provide equitable and reasonable access to its markets.

A State Department official said the program could be restored if India gives U.S. companies fair and

equitable access to its markets. India has been the biggest beneficiary of the GSP program, which allowed preferential duty-free imports of up to \$5.6 billion. Indian officials had raised the prospect of higher import duties on more than 20 U.S. goods if they were dropped from the program. ABC will be monitoring the situation closely.

Agreement Reached Avoiding Threatened Tariffs with Mexico over Immigration

President Donald Trump had announced the intention to impose a 5% tariff on all goods coming into the U.S. from Mexico until such time as illegal immigrants coming through Mexico into the US stop. The tariff was to go into effect on June 10, but an agreement reached between the U.S. and Mexico will avoid the action. However, the U.S. has indicated that the decision would be revisited if immigration flows were not reduced. will increase by 5% each month until.

Upcoming Travel

- **June 15-23, 2019**
Spencer Cooper and Sebastian Saa in Potenza, Italy for the International Symposium on Irrigation of Horticultural Corps.
- **June 24-28, 2019**
Julie Adams, Dariela Roffe-Rackind, Kath Martino, and Geoffrey Bogart in Barcelona, Spain for SnackEx.
- **June 24-27, 2019**
Sebastian Saa in Spain for meetings with researchers and Spanish almond industry members.

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