

# TRADE AGENDA 2021: THE NEXT STEPS FORWARD

As President-Elect Joe Biden begins filling the thousands of jobs within the alphabet soup of federal agencies in Washington, D.C., one of the primary areas Nebraska Farm Bureau (NEFB) will be monitoring very closely is the direction the new administration takes when it comes to trade policy. For the past four years, President Donald Trump made international trade a central focus of his administration; one of the first presidents to do so in decades. Given the importance of international trade to farmers and ranchers, where President-Elect Biden and his trade team come down on a number of important outstanding trade issues, along with Congress' reaction to those moves, will be a major focus for NEFB as we move through this new year.

NEFB stands ready to work to expand agricultural markets overseas and ensure that Nebraska farm and ranch families are treated justly in the international marketplace. While President Trump accomplished much in the arena of international trade, there is still much to do. This document is NEFB's "To-Do" list of what the new Biden team must tackle on the international trade front.

## I. CHINA

### BACKGROUND

China remains a vital market for Nebraska goods as a consistent top three market for Nebraska products, year in and year out. Prior to 2018, Nebraska agricultural exports to China ranged from \$936 million to \$1.045 billion and generally equated to 15 percent of Nebraska's total agricultural exports. The value of exports to China over this time (prior to 2018) equaled roughly \$19,300 per farm in Nebraska. Following the placement of tariffs on a number of Chinese products coming into the United States and the subsequent retaliatory tariffs placed on U.S. agricultural products going into China, Nebraska Farm Bureau estimates Nebraska agricultural exports to China dropped to \$443 million in 2018 and \$635 million in 2019.

The U.S. and China signed the U.S.-China Phase One Trade Agreement on January 15, 2020. It became effective on February 14, 2020. China agreed to purchase more U.S. agricultural products, up to \$36.5 billion in 2020 and \$80 billion in total over the next two years. An October 23 USTR/USDA Report says that the U.S. has exported or contracted for sale \$23.6 billion of agricultural products to China. This is 71 percent of the 2020 goal. China has recently contracted for substantial amounts of U.S. products including corn, soybeans, sorghum, wheat, and pork. Purchases, especially of soybeans and corn, have sharply increased this fall. Through October 2020, \$17.5 billion of U.S. agricultural products had been shipped to China.

China has been meeting their commitments on standards improvement for various products, including beef, pork, poultry, and dairy products, in the Phase One Agreement. Of the 57 standards commitments in Phase One, China has met 50 so far. Over 3,500 U.S. processing facilities have been approved for export to China.

### MOVING FORWARD:

- **Enforcement of the U.S.-China Phase One Trade Agreement**
  - Given China's importance as a trading partner to U.S. farmers and ranchers, it is vitally important that President-Elect Biden and his team strongly enforce the Phase One Agreement. This two-year agreement provides a significant boost to U.S. agricultural exports to China over the next two years and it is incumbent upon the new administration to hold China to their promises.

- **Normalize Trade Relations**

- While the enforcement of the Phase One Agreement should be item number one on the list, this agreement only extends to the end of 2021. A new round of negotiations must take place and an agreement must be reached by the end of the year to get our trading relationship with China back on solid ground. Not only should the next administration push for the complete elimination of all tariffs on U.S. agricultural products going into China, but also for full compliance with World Trade Organization (WTO) rules and the elimination of intellectual property theft in all U.S. industries including agriculture. Only when these objectives are achieved should President-Elect Biden begin to remove the tariffs put in place on Chinese goods by President Trump.

- **Multilateral Approach to China**

- The rise of China as an economic power and major participant in international trade has exposed weaknesses in international institutions like the WTO which are unable to address issues related to a state-controlled economy. We encourage President-Elect Biden to coordinate and work with other like-minded countries in a multilateral approach to develop rules and institutions to address these issues. Issues addressed should include forced technology transfers, state-owned enterprises, and state subsidies.

## II. EXPAND INTERNATIONAL MARKETS

### BACKGROUND

Export markets are vitally important to Nebraska farmers and ranchers with agricultural exports typically accounting for 30 percent of the state's total agriculture receipts. Every dollar in agricultural exports generates \$1.28 in economic activities such as transportation, financing, warehousing, and production. Nebraska's top agricultural exports in dollar value in 2019 were soybeans, beef and veal, corn, and feeds and other grains. Given the importance of exports to the bottom line of Nebraska's farm and ranch families, NEFB calls upon President-Elect Biden to make expanding access to new foreign markets as a top priority as he takes office.

### MOVING FORWARD:

- **Trade Promotion Authority (TPA)**

- Much of the market expansion work needed cannot be done unless the administration works with Congress to extend Trade Promotion Authority (TPA) past its July 2021 expiration. While legal deadlines allow for the submission of new agreements into spring of next year, it is likely TPA will need to be reauthorized in order to allow for the completion of agreements currently being negotiated as well as any new agreement that might be reached. NEFB has long supported granting either political party TPA because of our strong support for the expansion of new markets. A foundation must start being laid now by the new administration with leaders in Congress to help for the smooth and quick passage of TPA in the summer of 2021.

- **United Kingdom (UK) and European Union (EU) Trade Agreements**

- While separate, many of the challenges and opportunities exist in negotiating agreements with the UK and the EU. Following their leave from the EU, the UK is rapidly working to strike trade deals with their major trading partners including the U.S. While five rounds of comprehensive negotiations have been completed thus far, the UK has indicated they would conclude negotiations with the Biden administration. At the same time, the U.S. and the EU are currently in the midst of a back-and-forth tariff battle following a WTO ruling which authorized the U.S. to levy tariffs as a result of their Boeing-Airbus decision. For both the UK and the EU, President-Elect Biden must ensure that any agreement between the parties includes agriculture and includes a science-based approach to trade rules. From rules on food safety standards on meat products to biotechnology and geographic indicators, the next administration must not only reach an agreement, but reach one that adheres to the science-based approach on food safety rules that have been the bedrock of U.S. trade policy for decades.

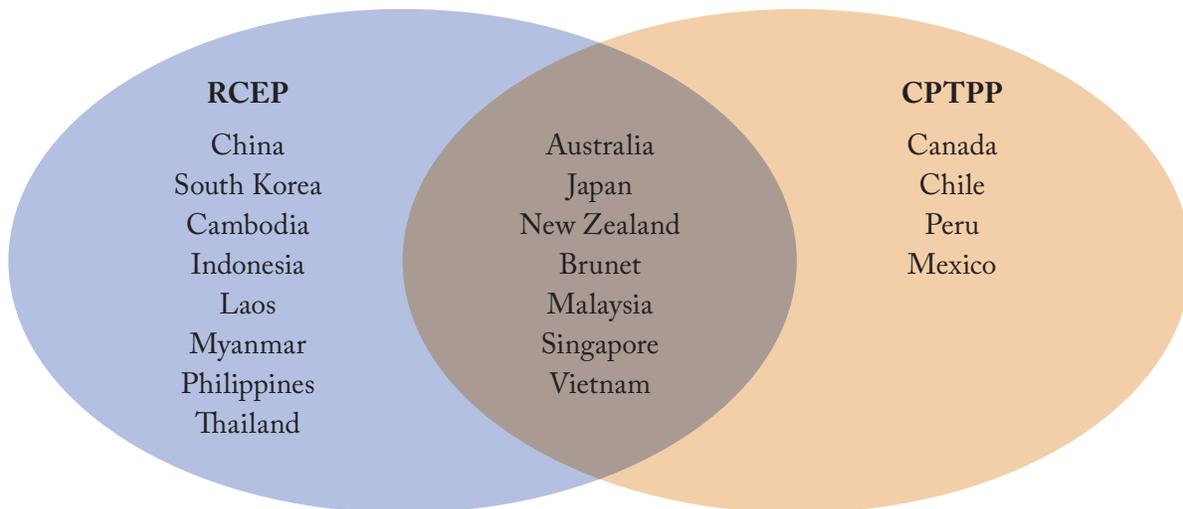
- **Kenya**

- In July 2020, the Trump administration announced the formal beginning of negotiations of a trade agreement with the nation of Kenya. The administration’s plan was to make this comprehensive deal a blueprint for other agreements within Africa. Trade between the U.S. and Kenya currently stands at roughly \$1 billion per year. While we welcome this move and always support efforts to expand trade, there are several issues that will need to be worked out including the acceptance of science-based food safety rules as well as biotechnology. We urge President-Elect Biden to continue these negotiations and work toward a solid and comprehensive agreement.

- **Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)**

- NEFB has long supported the participation of the U.S. in the Trans-Pacific Partnership, now known as the CPTPP. At the same time, President Trump’s trade agreement with Japan, which went into effect in January of 2020, did help put Nebraska’s farmers and ranchers on an equal footing to our competitors still included in CPTPP in the valuable Japanese market. Outside of imports and exports, the value of the CPTPP is also found in helping the U.S. gain an increased leadership role in the region and helped push back against the influence of China. Predictably, once the U.S. left the agreement, the trade power vacuum in the region was filled by China with the finalization of the Regional Comprehensive Economic Partnership (RCEP) trade agreement which was signed by 15 countries, including China and several CPTPP members, in November 2020. (See the chart below for a list of members of by the RCEP and CPTPP.) While the agreement is not nearly as comprehensive as the CPTPP, it does provide a strong framework helping to solidify China’s leadership role in the region. Following the signing of the RCEP, the Chinese government also expressed possible interest in signing onto the CPTPP. President-Elect Biden should work for the U.S. to join the CPTPP.

### MEMBER COUNTRIES OF THE RCEP AND CPTPP



## III. WORLD TRADE ORGANIZATION (WTO)

### BACKGROUND

The role of the WTO has diminished over the past nearly two decades following the stalling of the Doha Development Round which began in 2001. Issues such as agricultural subsidies in developing nations remain major sticking points in reform negotiations. Given the lack of reform within the WTO, a rise in bilateral agreements has taken place. Given agriculture’s reliance on international trade and the continued need for a rules-based trading system, it is essential that President-Elect Biden place reforming and revitalizing the WTO on his priority list.

## **MOVING FORWARD:**

- **Reestablish Appellate Body**

- The Appellate Body of the WTO is comprised of seven members who hear appeals from reports issued by panels in disputes brought on by WTO members. Throughout his time in office, President Trump held up the nomination of new members to the body leaving it inoperable on December 11, 2019. In order for the WTO to operate as intended and continue its role as the arbiter of the global rules-based trading system, President-Elect Biden must move to approve new Appellate Body members.

- **General Enforcement**

- The most important component of the WTO is to enforce the trade rules they have in place. While the shift toward agreements that go beyond WTO rules continues, it is important that body continues to function as the umpire of trade rules amongst its members. Even without a functioning Appellate Body, the basic enforcement functions must continue and must be supported by the incoming Biden administration.



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