STATE OF MAINE

Citizen Trade Policy Commission

Proposed Agenda

Wednesday, October 2, 2019
1 – 3 PM
Room 206, Cross Office Building
Augusta, ME

I. Welcome and Introductions – CTPC Chairs

II. Telephone and Powerpoint Presentation, "WTO Case: United States- Certain Measures Relating to the Renewable Energy Sector" by Robert Hamilton, Governor's Advisor for Trade Policy, State of Washington;

III. Powerpoint Presentation, "Update on U.S. Trade Negotiations and Tariff Actions" by Sharon A. Treat, CTPC member and Senior Attorney for the Institute on Trade and Agriculture Policy;

IV. Summary of 8/14/19 meeting with Hannah A. Hudson, Legislative Correspondent for Senator Susan Collins- Lock Kiermaier, CTPC Staff

V. Articles of Interest – Lock Kiermaier, CTPC Staff

VI. Discussion of future meeting topics and possible meeting dates- Lock Kiermaier, CTPC Staff

VII. Adjournment

Citizen Trade Policy Commission
c/o Office of Policy & Legal Analysis
State House Station #13, Augusta, ME 04333-0013 Telephone: 207 287-1670
http://www.maine.gov/legis/opla/citpol.htm

WTO CASE

UNITED STATES — CERTAIN MEASURES RELATING TO THE RENEWABLE ENERGY SECTOR

October 4, 2019

DISPUTE TIMELINE

- September 9, 2016 - Request for consultations (First step in the WTO dispute settlement process)
- January 17, 2017 - India requested the establishment of a panel.
- March 27, 2017 – WTO established a panel.
- June 27, 2019 – Panel Report Published
- August 2019 – India and United States appeal

CHALLENGED STATE PROGRAMS

1) Washington: Renewable Energy Cost Recovery Incentive Payment Program
2) California: Self-Generation Incentive Program
3) Los Angeles: Department of Water and Power's Solar Incentive Program
4) Montana: Tax Incentive for Ethanol Production
5) Montana: Tax Credit for Biodiesel Blending & Storage Program
6) Montana: Refund for Taxes paid on Biodiesel by Distributor or Retailer
7) Connecticut: Residential Solar Investment Program
8) Michigan: Renewable Energy Credits
9) Delaware: Solar Renewable Energy Credits
10) Minnesota: Solar Incentive Program
11) Massachusetts - Clean Energy Centre's Commonwealth Solar Hot Water Program

State Programs, Cntd.

- Washington Renewable Energy Cost Recovery Incentive Program

  Utilities provide incentive payment to purchasers of renewable energy systems. (In return, utilities get a tax credit.) Incentive payment is higher if the solar module inverter or other renewable product is made in Washington.

- Montana - Tax Incentive for Ethanol Production

  Distributors receive a tax incentive for the production of ethanol to be blended for ethanol-blended gasoline if the ethanol is produced in Montana from Montana agricultural products.

- Minnesota Solar Incentive Program

  Includes several measures, including rebates for residents and commercial enterprises that have purchased and installed "Made in Minnesota" solar thermal systems.

INDIA'S ALLEGATIONS

- **GENERAL AGREEMENT ON TARIFFS AND TRADE (GATT)**
- Article III – National Treatment on Internal Taxation and Regulation
- "4. The products of the territory of any contracting party imported into the territory of any other contracting party shall be accorded treatment no less favourable than that accorded to like products of national origin in respect of all laws, regulations and requirements affecting their internal sale, offering for sale, purchase, transportation, distribution or use. The provisions of this paragraph shall not prevent the application of differential internal transportation charges which are based exclusively on the economic operation of the means of transport and not on the nationality of the product."

India's Allegations, Cntd.

- **<u>AGREEMENT ON TRADE-RELATED INVESTMENT MEASURES (TRIMS)</u>**
- <u>Article II – National Treatment and Quantitative Restrictions</u>
- "1. Without prejudice to other rights and obligations under GATT 1994, no Member shall apply any TRIM that is inconsistent with the provisions of Article III or Article XI of GATT 1994."
- **<u>AGREEMENT ON SUBSIDIES AND COUNVERVAILING MEASURES (SCM)</u>**
- <u>Article III – Prohibition</u>
- "3.1 Except as provided in the Agreement on Agriculture, the following subsidies, within the meaning of Article 1, shall be prohibited:
  - (a) subsidies contingent, in law or in fact (FN4), whether solely or as one of several other conditions, upon export performance, including those illustrated in Annex I (FN5);
  - (b) subsidies contingent, whether solely or as one of several other conditions, upon the use of domestic over imported goods."

WTO PANEL RULING

- All measures are inconsistent with Article III:4 of the GATT 1994 because they provide an advantage for domestic products, which amounts to less favorable treatment for "like" imported products.

- The Panel exercised judicial economy on India's claims under the TRIMS and SCM Agreement.

- <u>Next Steps</u>
- Appellate Decision

Update on US Trade Negotiations and Tariff Actions

☆ ☆ ☆ ☆

Sharon Anglin Treat

Presentation to the Citizen Trade Policy Commission

October 2, 2019

Institute for Agriculture & Trade Policy

iatp.org

Update on What's Happening Now on US Trade Policy & Negotiations

- New NAFTA/USMCA status and contents
  - Negotiation with House Democrats
  - Legislation to prevent unilateral pullout from current NAFTA
- Japan-US Trade Agreement
  - What's in it, what isn't
  - Transparency and side-stepping Congress; WTO issues?
- US-China Trade War & Other Tariff Disputes

Some Issues in the New NAFTA/USMCA

- **TARIFFS**: Already reduced to zero for most goods in original. Focus on increasing dairy access with Canada, limiting supply management.
- **RULES OF ORIGIN:** Focus on auto parts and increasing domestic content and wages in Mexico.
- **LABOR:** Stronger rules but enforcement not improved.
- **ENVIRONMENT:** Significantly weaker than the TPP and other recent trade agreements; enforcement also lacking.
- **ACCESS TO MEDICINES**: Intellectual property and "transparency" provisions delay access to generics and keep drug prices high.
- **INVESTOR-STATE:** Reforms phase out ISDS between US and Canada, but continue for energy, infrastructure contracts with Mexico.
- **LABELING**: Country of origin (COOL) not restored; food, cosmetic, workplace chemical labeling restricted.
- **FOOD SAFETY & BIOTECH**: Safety checks "streamlined" and weakened; gene-editing can't be regulated; GMO contamination allowed
- **DIGITAL**: New rules would make it harder to protect digital privacy.
- **REGULATORY COOPERATION**: "Harmonization" and "regulatory coherence" measures increase corporate and other countries' influence, delay protections, and encourage repeal of existing regulations

Institute for Agriculture & Trade Policy
iatp.org

THE DETROIT BUREAU
THE VOICE OF THE AUTOMOTIVE WORLD

New NAFTA Labor Provisions With Mexico Under Siege

Unions, Democrats criticize portions of proposed trade agreement.

by Joseph Szczesny | Sep 3, 2019

The new NAFTA or the United States Mexico Canada Agreement as it is called by Trump administration is up for consideration but Democrats and leaders from organized labor say they have major reservations about the agreement highly touted by the President and critical to the U.S. auto industry.

President Donald Trump criticized the leader of the AFL-CIO, Richard Trumka, essentially calling the union leader two-faced.

The president targeted AFL-CIO president Richard Trumka via twitter, essentially calling him two-faced, after Trumka said that unions were not ready to back the president's "unenforceable" replacement for the North American Free Trade Agreement.

"An unenforceable trade deal is a windfall for corporations and a disaster for workers," Trumka said Sunday of the proposed United States Mexico Canada Agreement," Trumka said during a television interview on Sunday, irritating Trump who has vowed rewrite NAFTA almost since his first day in office.

(Automakers Renew Plea for Congress to Pass New NAFTA)

INSIDE U.S. TRADE'S
WORLD TRADE ONLINE
worldwide coverage of the latest trade news and developments

Monday, September 30, 2019

Neal: USTR 'favorably' received USMCA working group's counterproposal

September 27, 2019 at 4:44 PM

U.S. Trade Representative Robert Lighthizer has responded “favorably” to a counterproposal from the House Democrats' working group negotiating U.S.-Mexico-Canada Agreement issues with the administration, Ways & Means Committee Chairman Richard Neal (D-MA) told reporters.

Neal leads the working group set up earlier this year by House Speaker Nancy Pelosi (D-CA) to address outstanding issues with USMCA's labor, environment, pharmaceuticals and enforceability provisions.

The counterproposal offered to Lighthizer on Friday covered all four areas, Neal told reporters after the working group met with the USTR on Friday. USTR sent its proposal to the working group earlier this month.

Lighthizer’s reaction to the working group’s counterproposal was “favorable but they still have to digest it,” Neal said. “I wouldn’t say we’re on the precipice [of a deal] but the job is to get to the precipice and not over the edge.”

INSIDE U.S. TRADE'S
WORLD TRADE ONLINE
worldwide coverage of the latest trade news and developments

Monday, September 30, 2019

McConnell bashes Pelosi, Democrats on USMCA, says 'no real progress' has been made

September 26, 2019 at 1:45 PM

While House Speaker Nancy Pelosi (D-CA) and other Democrats say they back the U.S.-Mexico-Canada Agreement, “we have yet to see any real progress” in getting it passed, Senate Majority Leader Mitch McConnell (R-KY) said on Thursday.

Opening the Senate session, McConnell bucked the rhetoric employed of late by administration officials and many other Republicans who have praised Pelosi for her dealings with the Office of the U.S. Trade Representative on USMCA.

“Speaker Pelosi keeps saying she supports the agreement in the abstract, but the drip, drip, drip of small objections and stalling tactics keep on coming,” McConnell said, decrying what he called the Democrats' continued “heel-dragging.”

“Even as Speaker Pelosi's moderate members beg her to pass this deal, it's almost as though she's looking for reasons to duck it,” he continued. “Well, I certainly hope not.”

McConnell touted the deal's economic potential and said its passage portended “stronger relationships with two of our closest allies in the face of China's aggressive economic policies.”

On Twitter, he accused the Democrats of “obstructing” and “blocking the USMCA.”

INSIDE U.S. TRADE'S
WORLD TRADE ONLINE
worldwide coverage of the latest trade news and developments

Senate bill demands 232 autos report, says Trump can't withdraw from NAFTA

September 27, 2019 at 4:25 PM

A Senate Appropriations Committee spending bill approved this week instructs the Commerce Department to publish the non-confidential aspects of the administration's Section 232 report on auto and auto parts imports and contends that the president cannot unilaterally decide to terminate the North American Free Trade Agreement.

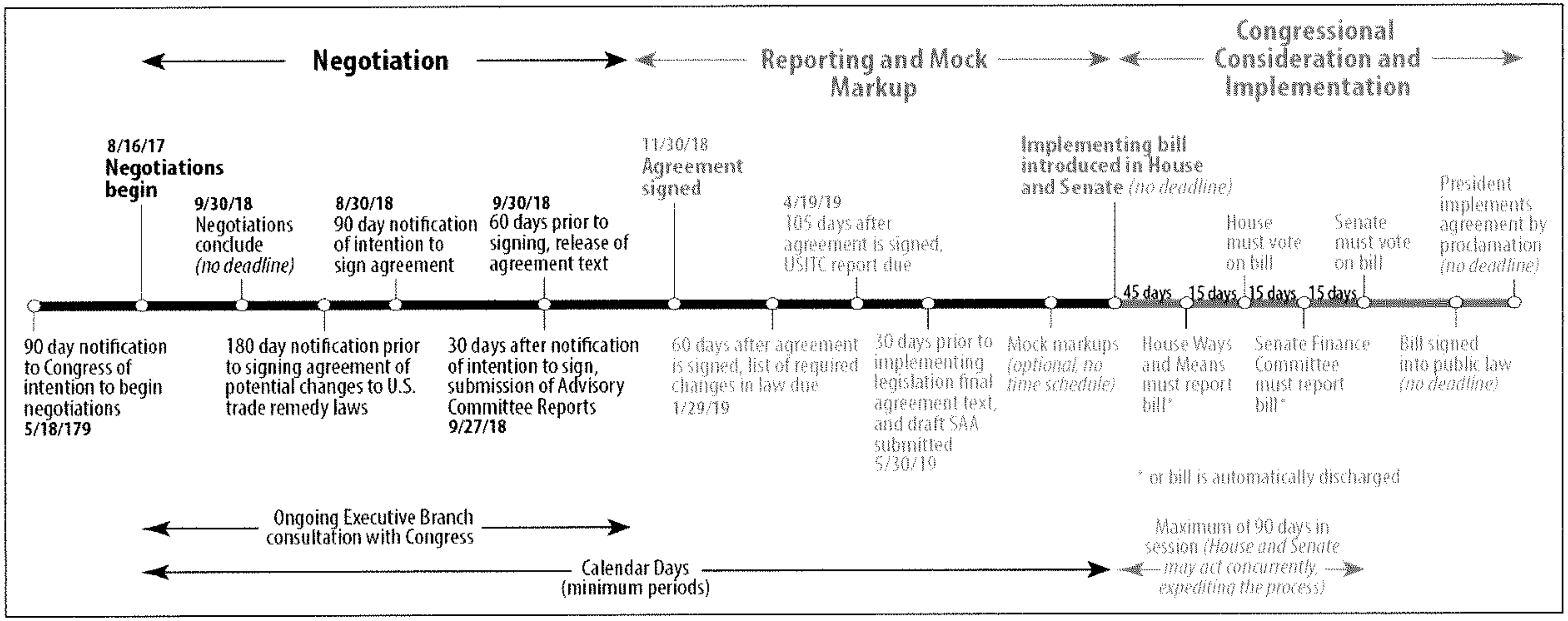
The committee approved the fiscal year 2020 spending bill for the Commerce, Justice and Science departments on Thursday. The report accompanying the legislation addresses several of the Trump administration's key trade initiatives, including Section 301 tariffs on China, steel and aluminum tariffs, NAFTA, and export controls.

Pointing to language in Section 232 of the Trade Expansion Act of 1962, the committee said it wants Commerce to publish the non-confidential parts of the department's investigation into the national security implications of auto and parts imports.

"The Committee reminds the Department of the requirement codified in 19 U.S.C. 1862 (b)(3)(B) that any portions of a report resulting from a section 232 investigation, which do not contain classified or proprietary information, shall be published in the Federal Register at the same time in which the report is transmitted to the President," the report said. "Therefore, the Committee directs the Department to immediately publish the applicable portions of the report resulting from the section 232 investigation into the imports of motor vehicle and automotive parts."

Fast Track Timeline and USMCA/New NAFTA

Figure 1. Congressional Requirements and Timeline Under Proposed TPA



Source: CRS.

Note: Dates reflect notification and consultation events in USMCA.

Institute for Agriculture & Trade Policy

Japan-US Trade Agreement

- Text not finalized even though "signed"
- Two parts:
  1. Tariff reductions: Agricultural and some limited, targeted industrial tariffs
     - Intended to offset agricultural losses due to TPP (US goal)
     - Intended to deter/prevent imposition of tariffs on Japanese autos (Japan goal)
  2. Digital agreement modeled on New NAFTA and TPP, in the form of an "Executive Agreement" or MOU, no enforcement provisions
- Neither part being sent to Congress under TPA ("fast track") law – questions about process under both US law and WTO

Institute for Agriculture & Trade Policy

Agriculture

- Japan is the United States' third biggest agriculture export market according to the USTR, and the country's biggest market for exported pork, beef and wheat.
- The deal lowers Japanese tariffs on those and a number of other US agricultural exports to levels previously agreed to by Japan under the TPP, abut $7.2B of food and ag products
  - Blueberries are among the products where tariffs will be lifted when the agreement goes into effect January 2020
- Some farmers and companies hit hard by the tariff wars are strongly advocating for the agreement
- Other US and Japanese food and farm groups (including IATP) have criticized the deal as only serving the interests of global agribusiness and, like the TPP, likely to contribute to the failure of independent family farms and weakened standards for food safety

Other Issues

- The limited U.S.-Japan deal also covers a narrow set of industrial goods (like machine tools, bicycles and musical instruments).
- Automobiles and auto parts are not included in the tariff reductions.
- There is also a separate executive agreement on digital trade that appears to be lifted from the new NAFTA. A number of the new NAFTA digital provisions are opposed by Internet privacy and other consumer organizations.
- Not officially in the agreement, is a verbal commitment from the Trump Administration not to apply additional tariffs on Japanese auto parts entering the U.S.

TARIFF WARS

What is a tariff and what is its purpose?

A tariff is a tax on imported goods. It is paid by the importing company (unless an alternative agreement reached). Tariffs are adopted for a variety of reasons including:

- Protecting domestic employment from unfair competition
- Helping infant industries succeed
- National Security
- Retaliation

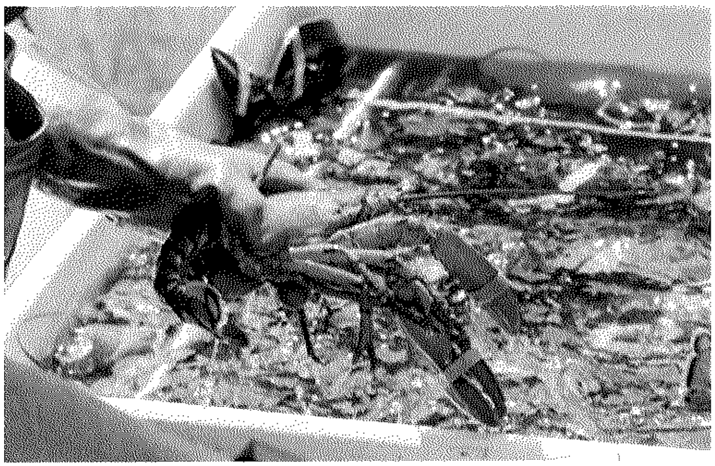
Institute for Agriculture & Trade Policy

SeafoodSource

Maine's lobster exports to China plunge 84 percent due to trade war

By Chris Chase
May 16, 2019

SHARE



The latest data from the Maine International Trade Center indicates that the state's lobster exports to China plunged dramatically in the wake of retaliatory tariffs placed on a wide range of U.S. goods.

The tariffs, implemented in July 2018, had an immediate affect on the state's lobster industry. Prior to the tariffs, Maine had been on track to have a record-setting year, with USD 87 million (EUR 77.8 million) worth of lobster exported through June 2018, over double the USD 42 million (EUR 37.5 million) shipped through the same period in 2017.

Soon after tariffs were implemented, however, Maine's exports to China nearly disappeared completely, and according to the latest data from the MITC exports have plunged nearly 84 percent since the tariffs were implemented.

The latest talk on the trade front doesn't point to any improvement in those numbers any time soon. U.S. President Donald Trump threatened and then implemented further tariff increases on 10 May. In response, China fired back with its own increased tariffs, including additional tariffs on a number of seafood products.

Congressional Research Service
Informing the legislative debate since 1914

Retaliatory Tariffs and U.S. Agriculture

Updated September 13, 2019

Institute for Agriculture & Trade Policy

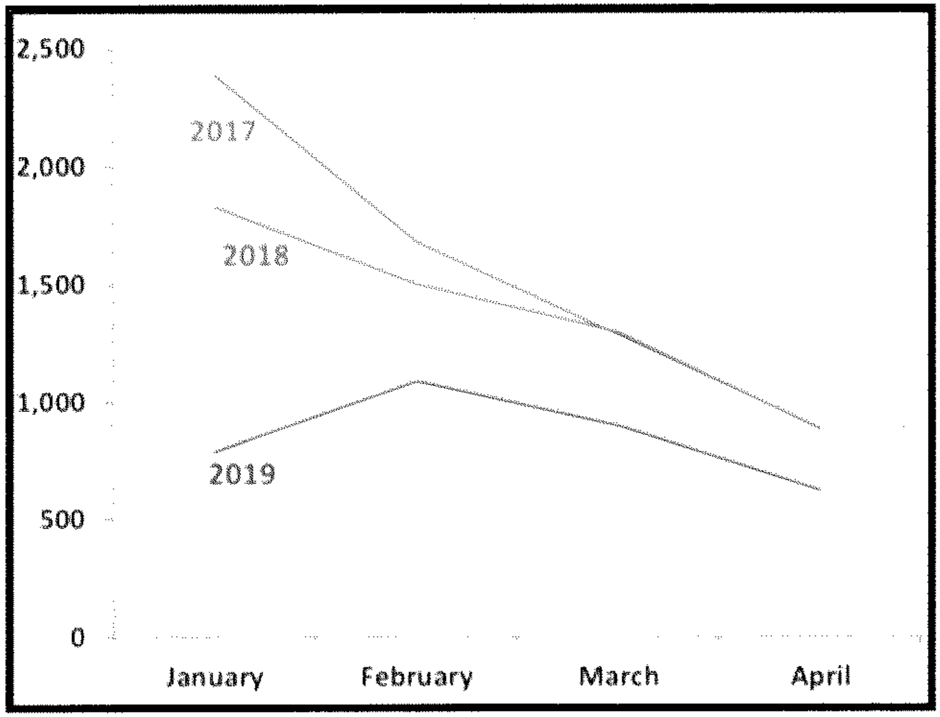
Table 1. Comparison of Retaliatory Tariff Hikes on U.S. Agricultural Products: September 2018 versus June 2019

Percentage Increases Over World Trade Organization (WTO) Most Favored Nation (MFN) Tariff Rates or Rates Under the North American Free Trade Agreement (NAFTA)

			Tariffs increases as of September 2018			Tariff increases as of June 2019		
Country	Products[a]	Effective	Min[b]	Max[c]	Avg[d]	Min[b]	Max[c]	Avg[d]
China[e]	Almost all products	First of 5 tranches initiated April 2, 2018.	5%	50%	20%	5%	50%	24%
Canada[f]	Coffee; prepared meats, fruit, vegetables and other products; whiskey	July 1, 2018	10%	10%	10%	0%	0%	0%
Mexico[f]	Pork; cheese apples; prepared fruits and vegetables; whiskey	June 5, 2018	7%	25%	18%	0%	0%	0%
European Union	Prepared vegetables and legumes; grains; fruit juice; peanut butter; whiskey	June 22, 2018	10%	25%	24%	10%	25%	24%
Turkey[g]	Tree nuts; rice; miscellaneous prepared foods; whiskey; tobacco	June 21, 2018	20%	140%	58%	10%	70%	29%
India[h]	Almonds; walnuts; apples; chickpeas; lentils	June 16, 2019	0%	0%	0%	10%	29%	18.5%

Figure 13. U.S. Agricultural Exports to China, January to April

In Thousands of U.S. Dollars, 2017-2019



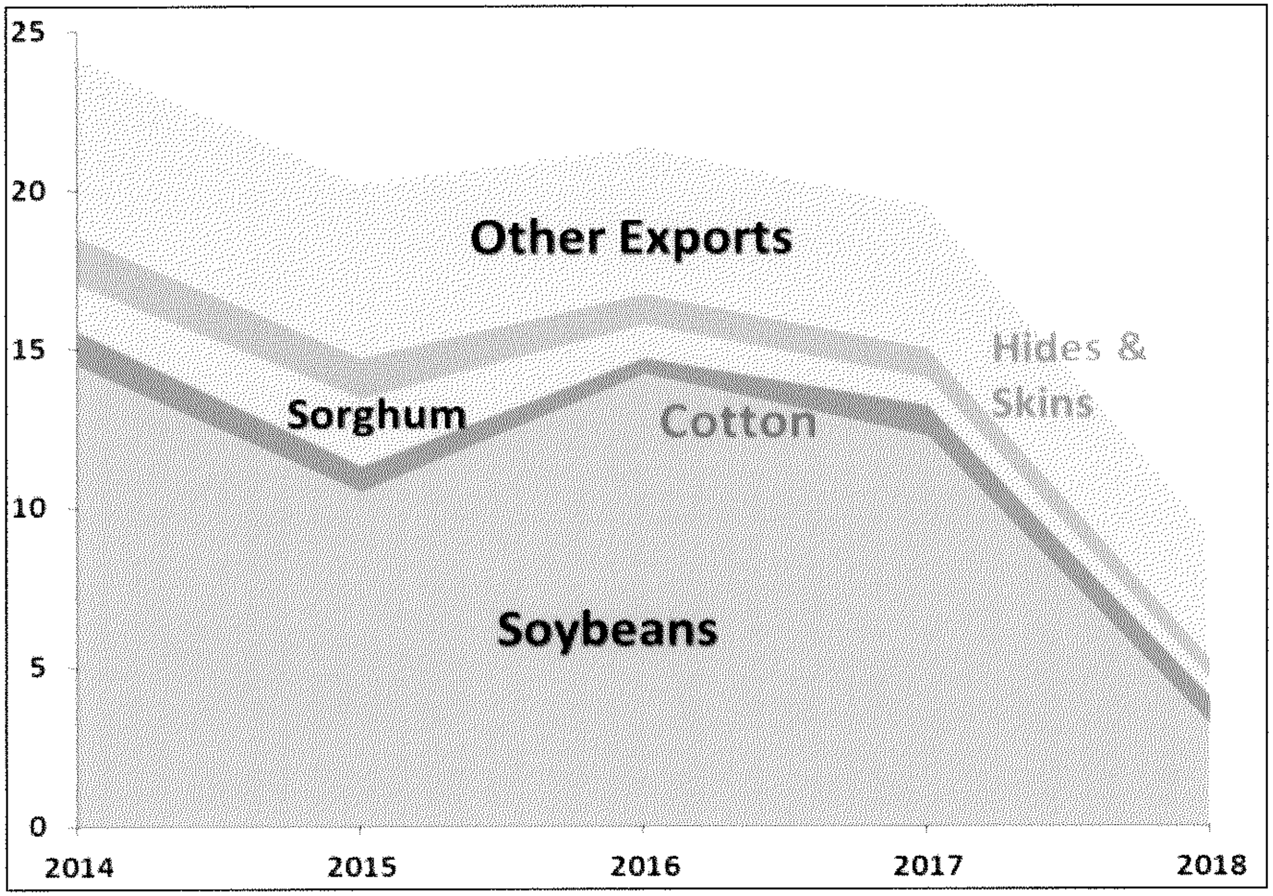
Source: U.S. Census Bureau trade data.

Notes: USDA definition of agriculture: chapters 1-24 of the U.S. HTS (except for fishery products in chapters 3 and 16, manufactured tobacco products like cigarettes and cigars in chapter 24, and spirits in chapter 22), essential oils (chapter 33), raw rubber (chapter 40), raw animal hides and skins (chapter 41), and wool and cotton (chapters 51-52).

Institute for Agriculture & Trade Policy

Figure 3. U.S. Agricultural Exports to China, 2014 to 2018

In Nominal Billions of U.S. Dollars



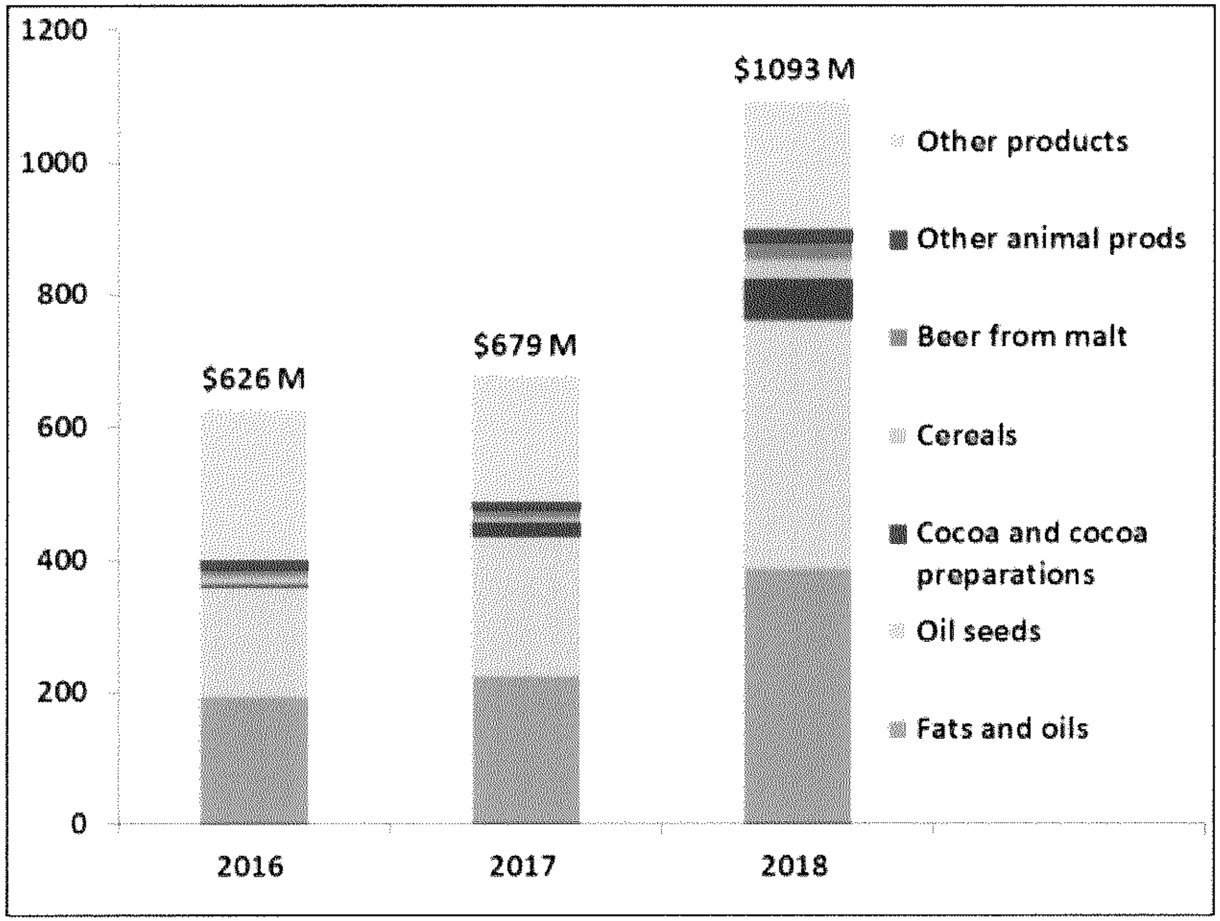
Source: U.S. Census Bureau trade data, accessed June 17, 2019.

Note: Data are provided in calendar years.

Institute for Agriculture & Trade Policy
iatp.org

Figure 15. China's Imports of Russian Agricultural Products

In Millions of U.S. Dollars, 2016-2018



Source: China Customs Statistics accessed via Global Trade Atlas, July 1, 2019.

Notes: Other animal prods = Other animal products

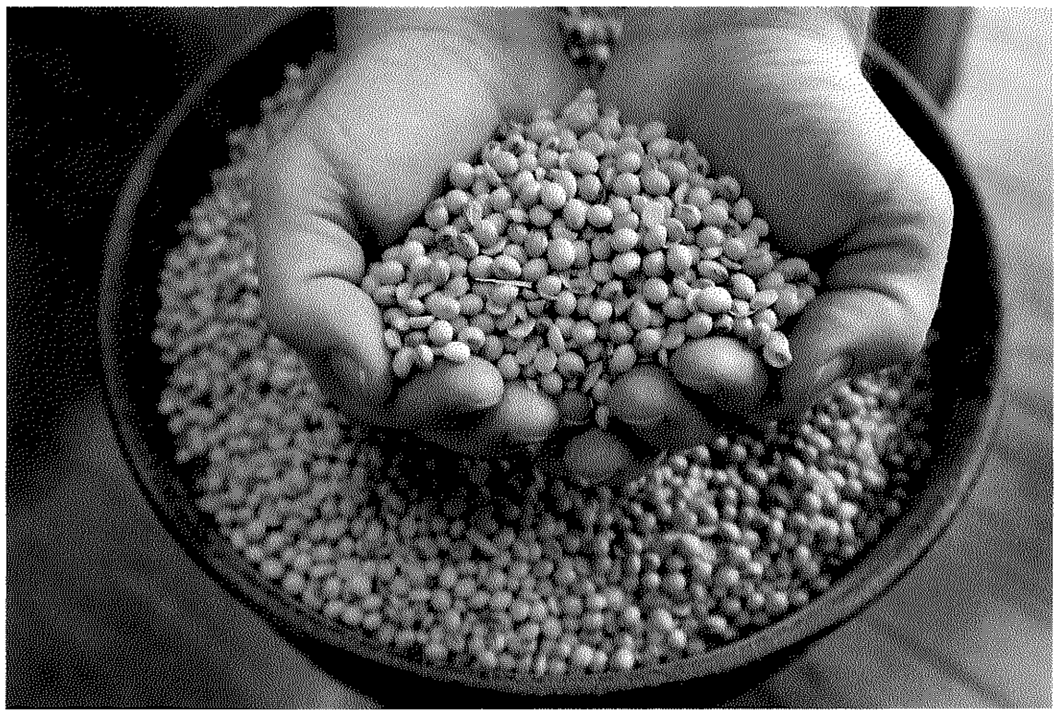
Institute for Agriculture & Trade Policy

$28 Billion and counting…

The Washington Post
Democracy Dies in Darkness

Business

Trump administration follows through with second round of promised farm bailout payments



A worker holds a handful of soybeans at the Brooklyn Elevator in Brooklyn, Iowa. (Charlie Neibergall/AP)

Screenshot

Contact Info

Sharon Anglin Treat

Senior Attorney

Institute for Agriculture & Trade Policy

Email: streat@iatp.org

Website: www.iatp.org

Twitter:

@sharontreat

@IATP

Institute for Agriculture & Trade Policy

iatp.org

FACT SHEET

Agriculture- Related Provisions of the U.S.-Japan Trade Agreement

The U.S.-Japan Trade Agreement will provide America's farmers and ranchers enhanced market access in our third largest agricultural export market. When implemented, this Agreement will enable American producers to compete more effectively with countries that currently have preferential tariffs in the Japanese market. The deal President Trump is delivering will provide our farmers, ranchers, and agribusinesses with market access for high quality U.S. food and agricultural products to 127 million Japanese consumers.

In the U.S.-Japan Trade Agreement, Japan has committed to provide substantial market access to American food and agricultural products by eliminating tariffs, enacting meaningful tariff reductions, or allowing a specific quantity of imports at a low duty (generally zero). Importantly, the tariff treatment for the products covered in this agreement will match the tariffs that Japan provides preferentially to countries in the CP-TPP agreement.

KEY ELEMENTS: U.S. AG EXPORTS TO JAPAN

Out of the $14.1 billion in U.S. food and agricultural products imported by Japan in 2018, $5.2 billion were already duty free. Under this first-stage initial tariff agreement, Japan will eliminate or reduce tariffs on an additional $7.2 billion of U.S. food and agricultural products. Over 90 percent of U.S. food and agricultural imports into Japan will either be duty free or receive preferential tariff access once the Agreement is implemented.

Tariff Reduction: For products valued at $2.9 billion, Japan will reduce tariffs in stages. Among the products benefitting from this enhanced access will be:

- fresh beef
- frozen beef
- fresh pork
- frozen pork

Tariff Elimination: Tariffs will be eliminated immediately on over $1.3 billion of U.S. farm products including, for example:

- almonds
- blueberries

- cranberries
- walnuts
- sweet corn
- grain sorghum
- food supplements
- broccoli
- prunes

Other products valued at $3.0 billion will benefit from staged tariff elimination. This group of products includes, for example:

- wine
- cheese and whey
- ethanol
- frozen poultry
- processed pork
- fresh cherries
- beef offal
- frozen potatoes
- oranges
- egg products
- tomato paste

Country Specific Quotas (CSQs): For some products, preferential market access will be provided through the creation of CSQs, which provide access for a specified quantity of imports from the United States at a preferential tariff rate, generally zero. CSQ access will cover:

- wheat
- wheat products
- malt
- glucose
- fructose
- corn starch
- potato starch
- inulin

Mark Up: Exports to Japan of wheat and barley will benefit from a reduction to Japan's "mark up" on those products. Japan's imports of U.S. wheat and barley were valued at more than $800 million in 2018.

Safeguards: This agreement provides for the limited use of safeguards by Japan for surges in imports of beef, pork, whey, oranges, and race horses, which will be phased out over time.

KEY ELEMENTS: JAPAN AG EXPORTS TO THE UNITED STATES

The United States will provide tariff elimination or reduction on 42 tariff lines for agricultural imports from Japan valued at $40 million in 2018. Products include:

- certain perennial plants and cut flowers
- persimmons
- green tea
- chewing gum
- certain confectionary products
- soy sauce

The United States has also agreed to modify its global WTO tariff rate quota for imports of Japanese beef, enabling Japanese beef producers to compete for a larger share of the global TRQ quantity.

MOVING FORWARD

With Japan's $5 trillion economy, this Agreement will expand U.S. food and agricultural exports, increase farm income, generate more rural economic activity, and promote job growth.

President Trump and Prime Minister Abe have agreed that these early outcomes will be followed by further negotiations to address remaining areas of interest to each government. The United States and Japan will continue working to achieve a comprehensive trade agreement that results in a more fair and reciprocal trade and economic relationship.

###

FACT SHEET

U.S.-Japan Trade Agreement

Under President Trump's leadership, the United States and Japan have reached agreement on early achievements from negotiations in the areas of market access for certain agriculture and industrial goods, as well as on digital trade. The United States looks forward to further negotiations with Japan for a comprehensive agreement that addresses remaining tariff and non-tariff barriers and achieves fairer, more balanced trade.

1. LIBERALIZING MARKET ACCESS BETWEEN THE UNITED STATES AND JAPAN

- The United States and Japan have reached an agreement in which Japan will eliminate or lower tariffs for certain U.S. agricultural products. For other agricultural goods, Japan will provide preferential U.S.-specific quotas.

- Once this agreement is implemented, over 90 percent of U.S. food and agricultural products imported into Japan will either be duty free or receive preferential tariff access. For example, under the agreement, Japan will:

    - Reduce tariffs on products such as fresh and frozen beef and pork.
    - Provide a country-specific quota for wheat and wheat products.
    - Reduce the mark-up on imported U.S. wheat and barley.
    - Immediately eliminate tariffs for almonds, walnuts, blueberries, cranberries, sweet corn, grain sorghum, broccoli, and more.
    - Provide staged tariff elimination for products such as cheeses, processed pork, poultry, beef offal, ethanol, wine, frozen potatoes, oranges, fresh cherries, egg products, and tomato paste.

- This agreement provides for the limited use of safeguards by Japan for surges in imports of beef, pork, whey, oranges, and race horses, which will be phased out over time.

- When the agreement is implemented by Japan, American farmers and ranchers will have the same advantage as CP-TPP countries selling into the Japanese market.

- The United States will provide tariff elimination or reduction on 42 tariff lines for agricultural imports from Japan valued at $40 million in 2018, including products such as certain perennial plants and cut flowers, persimmons, green tea, chewing gum, and soy sauce.

- The United States will also reduce or eliminate tariffs on certain industrial goods from Japan such as certain machine tools, fasteners, steam turbines, bicycles, bicycle parts, and musical instruments.

2. CONCLUDING A HIGH-STANDARD DIGITAL TRADE AGREEMENT

- The United States and Japan have reached a separate agreement on a high-standard and comprehensive set of provisions addressing priority areas of digital trade. These areas include:

- Prohibitions on imposing customs duties on digital products transmitted electronically such as videos, music, e-books, software, and games.
- Ensuring non-discriminatory treatment of digital products, including coverage of tax measures.
- Ensuring barrier-free cross-border data transfers in all sectors.
- Prohibiting data localization requirements, including for financial service suppliers.
- Prohibiting arbitrary access to computer source code and algorithms.
- Ensuring firms' flexibility to use innovative encryption technology in their products.

- The digital trade agreement with Japan meets the gold standard on digital trade rules set by the USMCA and will expand trade in an area where the United States is a leader.

###

From Inside US Trade:

Neal: USTR 'favorably' received USMCA working group's counterproposal

September 27, 2019 at 4:44 PM

U.S. Trade Representative Robert Lighthizer has responded "favorably" to a counterproposal from the House Democrats' working group negotiating U.S.-Mexico-Canada Agreement issues with the administration, Ways & Means Committee Chairman Richard Neal (D-MA) told reporters.

Neal leads the working group set up earlier this year by House Speaker Nancy Pelosi (D-CA) to address outstanding issues with USMCA's labor, environment, pharmaceuticals and enforceability provisions.

The counterproposal offered to Lighthizer on Friday covered all four areas, Neal told reporters after the working group met with the USTR on Friday. USTR sent its proposal to the working group earlier this month.

Lighthizer's reaction to the working group's counterproposal was "favorable but they still have to digest it," Neal said. "I wouldn't say we're on the precipice [of a deal] but the job is to get to the precipice and not over the edge."

The House on Friday will recess for two weeks, though impeachment proceedings reportedly could cut that break short. USMCA conversations are expected to continue during the recess.

The "intensity" of talks over the next two weeks "is going to be really important and we hope that then ... when we get back we'll be able to see ... the goal line," Neal said, adding, "We've reached some agreement on a couple of substantial issues."

"We're starting to go into the sixth inning," Rep. Jimmy Gomez (D-CA) told reporters after Friday's meeting. Gomez is playing a lead role in addressing labor concerns with the deal.

Lawmakers and labor advocates have flagged as problematic some aspects of Mexico's 2020 budget proposal, which includes projected funding for the implementation of recently passed labor reform legislation. The budget proposal was introduced to the Mexican Congress earlier this month.

Mexico's funding proposals for labor reform are outside Lighthizer's bailiwick, Gomez said, "but it is a concern that we've expressed consistently, and I've asked other members to start expressing [it] to" Mexican Ambassador to the U.S. Martha Bárcena.

Gomez said he had not yet spoken with the Mexican embassy about the labor reform funding concerns but would do so "soon." Many members have told Gomez they would be meeting with Bárcena, he said, adding that he "told them to really stress the need to put more money in the budget for labor reform to build some confidence among the Democratic members that it's going to stick."

Working group members have kept the specifics of the proposals exchanged under wraps, though Gomez offered a glimpse into a possible environmental solutions.

Using the North American Development Bank to address environmental issues at the U.S.-Mexico border is "definitely something" the working group is "looking at," Gomez said.

Additionally, some House members, especially those from "along the border region," have "expressed interest [in] making sure that there's appropriate funding" for NADB, Gomez said.

The NADB administers grant funds from the Environmental Protection Agency for water infrastructure projects at the U.S.-Mexico border. Bárcena has previously suggested replenishing NADB funds to address water pollution at the U.S.-Mexico border. Gomez noted that 15 percent of NADB funds can be invested outside of the border region, which he said was "something that would be appropriate to look at as well." The working group and Lighthizer held an environment-focused USMCA meeting in July, at which Democrats raised the issue of water pollution at the border.

Neal on Friday said the working group still hoped USMCA could be ratified this year, a day after Pelosi said Democrats still hoped to get to yes on the deal.

Senate Majority Leader Mitch McConnell (R-KY), however, this week accused Pelosi of using "stalling tactics" and Democrats of "heel-dragging" on USMCA.

Those comments drew a sharp response from Rep. Rosa DeLauro (D-CT), a working group member.

"McConnell the grim reaper?" she told *Inside U.S. Trade*, before proceeding to list legislation she said McConnell had delayed. "You want to talk about stalling? I mean, whoa."

"No one is stalling. From the outset this has been -- and USTR understands this -- that the substance will drive the timing," DeLauro said. "It's a good political move on his part, but, hell."

"McConnell doesn't know what he's talking about; he's not in the room," Gomez said. "We have a strategy and we're implementing it." -- *Maria Curi* (mcuri@iwpnews.com)

Politico Morning Agriculture, 9-30-19

TRUMP'S TRADE MISSION IMPOSSIBLE: REPLACING CHINA: As the bruising trade war with Beijing continues taking big bites out of U.S. ag exports, the administration is looking all over the globe to find new markets for farmers and ranchers. Here's the problem: China's sheer size and continued growth in protein consumption — not to mention the many years that U.S. agriculture spent developing the market — make it nearly impossible to replace, your host writes this a.m.
The U.S.-Japan deal is one of Trump's biggest wins for the industry: It will help U.S. exporters keep pace with competitors like Canada and the EU, which signed their own deals with the country and are gaining ground in its lucrative ag market. But the new agreement largely just replaces what farmers lost when Trump exited the Trans-Pacific Partnership in 2017. And some of the groups hit hardest by the feud with China, like soybean growers, aren't likely to see major gains.

By the numbers: The deal will drop Japanese duties on $7.2 billion in U.S. products, but it's unclear how much exports will increase because of the lower tariffs. Purdue University projected earlier this year that rejoining the TPP would boost U.S. ag exports by $2.9 billion. Meanwhile, sales to China are down $7.7 billion so far in fiscal 2019.
"China has more potential than any single market for expanded pork exports," especially as African swine fever has decimated the country's pig herds and created "explosive demand for imported pork," said Nick Giordano, vice president for global government affairs at the National Pork Producers Council, in an interview last month. "How can you replace that? You can't."

Still, Giordano said the Trump administration is "not just blowing smoke" about opening up other markets around the world. "They're being extremely aggressive," he said.

Politico Morning Trade 9-30-19

— **Ways and Means Chairman Richard Neal said the goal line for USMCA passage could be more visible when lawmakers return from recess** but questions are being raised about Mexico's ability to comply with new labor rules.

NEAL SAYS SOME USMCA ISSUES CLOSE TO RESOLUTION: House Ways and Means Chairman Richard Neal said House Democrats have resolved some issues of concern with the Trump administration's U.S.-Mexico-Canada Agreement. He said he hoped lawmakers in a working group tasked with working on the agreement would be able to see the "goal line" when they return from a two-week recess, Pro Trade's Sabrina Rodriguez reports.

"There is progress being made," Rep. Jimmy Gomez (D-Calif.), one of the working group members, adding in a baseball reference that he feels negotiations are "entering the sixth inning."

But he said there are still worries — separate from negotiations with the Trump administration — about whether Mexico will follow through on implementing its landmark labor reform law. Lawmakers are concerned that Mexico's proposed annual budget does not reflect the amount needed for the required changes.

Trump, Abe sign first-stage trade deal in New York City

September 25, 2019 at 1:13 PM

Editor's note: This story was updated after initial publication to include comments from USTR Robert Lighthizer.

President Trump and Japanese Prime Minister Shinzo Abe on Wednesday inked a first-stage trade agreement on market access and an executive agreement on digital trade.

Trump, at a signing ceremony with Abe on the sidelines of the during the United Nations General Assembly in New York, called it the "first stage of our phenomenal new trade agreement" with Tokyo. Japan, he said, will "open new markets to approximately $7 billion in American agriculture products." Japanese tariffs will be "significantly lower or eliminated entirely" for U.S. beef, pork, wheat, cheese, corn, wine "and so much more," he added.

According to a fact sheet on the agreement released by the Office of the U.S. Trade Representative, "Once this agreement is implemented, over 90 percent of U.S. food and agricultural products imported into Japan will either be duty free or receive preferential tariff access."

The deal "provides for the limited use of safeguards by Japan for surges in imports of beef, pork, whey, oranges, and race horses, which will be phased out over time," USTR added.

The U.S. also agreed to modify its global World Trade Organization tariff-rate quota for imports of Japanese beef, "enabling Japanese beef producers to compete for a larger share of the global TRQ quantity," according to an agriculture-centric fact sheet from USTR.

"The United States will provide tariff elimination or reduction on 42 tariff lines for agricultural imports from Japan valued at $40 million in 2018, including products such as certain perennial plants and cut flowers, persimmons, green tea, chewing gum, and soy sauce," the fact sheet on the agreement states.

On industrial goods, the U.S. agreed to eliminate or reduce duties on some products from Japan, "such as certain machine tools, fasteners, steam turbines, bicycles, bicycle parts, and musical instruments."

Trump also touted the executive arrangement on digital trade, contending its "robust commitments" would facilitate "$40 billion of digital trade between our two countries."

"This will greatly expand commerce across cutting-edge products and services," Trump said during the Sept. 25 signing ceremony.

According to USTR, the countries agreed to provisions addressing "priority areas of digital trade." The deal will prohibit the imposition of customs duties on digital products transmitted electronically; ensure "non-discriminatory treatment of digital products, including coverage of tax measures"; and allow for "barrier-free cross-border data transfers in all sectors."

The U.S. and Japan also agreed to prohibit data localization requirements, including any for financial service suppliers, and bar arbitrary access to computer source code and algorithms. The countries committed to "Ensuring firms' flexibility to use innovative encryption technology in their products," the fact sheet adds.

"The digital trade agreement with Japan meets the gold standard on digital trade rules set by the [U.S.-Mexico-Canada Agreement] and will expand trade in an area where the United States is a leader," USTR stated.
Trump said both negotiating teams would "continue negotiations on remaining areas of interest to achieve a final comprehensive agreement."
"We are negotiating very, very big transactions with Japan," he said, adding that "in the fairly near future we are going to be having a lot more very comprehensive deals signed with Japan."
Auto tariffs – a major issue for Japan – were not mentioned during the signing ceremony or in the fact sheets released by USTR. Speaking to reporters after the signing, however, U.S. Trade Representative Robert Lighthizer said "cars are not ... part of this agreement." Asked whether the threat of Section 232 auto tariffs was being taken off the table, Lighthizer said "at this point, it is certainly not our intention, the president's intention, to do anything on autos, on 232s, on Japan."
Earlier this week, Japanese Foreign Minister Toshimitsu Motegi said Wednesday's announcement "would not say something worrying" about auto and auto-parts tariffs, long threatened by President Trump.
The announcement was lauded by several tech companies and business groups. "[T]his agreement enshrines key rules of the road from our shared digital framework," Internet Association President and CEO Michael Beckerman said in a statement to *Inside U.S. Trade*. "Digital trade benefits businesses of all sizes in every sector, and this agreement will only grow the $38 billion in digital trade between our two countries."
"There is still more work to be done to ensure the rest of America's digital trade framework – including customs facilitation, innovation-oriented IP frameworks, services, government procurement, and more – are included in a full free trade agreement, but this is an important first step," he added. "This agreement will also be helpful in securing robust digital trade rules in the ongoing WTO e-commerce negotiations and policy discussions in the G20."
IBM Senior Vice President of global markets Martin Schroeter said the digital provisions "set a new global standard."
"It ensures that data will flow freely across the Pacific and we now need the rest of the world to follow suit. We applaud the U.S. and Japanese governments for negotiating a deal that harnesses the power of data and innovation to accelerate economic growth," he said in a statement.
The deal was also lauded by agriculture groups. The National Association of Wheat Growers said the pact "puts U.S. wheat back on equal footing with wheat from Canada and Australia that currently have a tariff advantage under a separate trade deal." The Corn Refiners Association said the agreement "is yet another display of the Trump Administration's commitment to expanding global export market access for American agricultural products."
– *Isabelle Hoagland* (ihoagland@iwpnews.com)

SHARE THIS

Oct 1, 2019
by Ben Lilliston (/about/staff/ben-lilliston)

If the world can be seen as a game of Risk (https://www.youtube.com/watch?v=d7zuAejNUsA), the global meat industry—with the help of the Trump administration—just got Japan. While the President touted last week's deal as aiding struggling U.S. farmers hurt by trade fights, the real winners are global players like the Chinese-owned Smithfield, Brazil-based JBS and Cargill, who have lobbied together (https://www.iatp.org/sites/default/files/2014_11_05_TTPBigMeat_BL.pdf) for years to further pry open Japan's market for their beef and pork.

The latest win for these big meat goliaths comes on the heels of the recently completed EU-Japan trade deal (https://trade.ec.europa.eu/doclib/press/index.cfm?id=1955), and the completion of what was previously called the Trans Pacific Partnership (the 11-nation CPTPP (https://www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/cptpp-ptpgp/text-texte/index.aspx?lang=eng&_ga=2.192991277.1231078389.1569527342-161143384.1569527342)) – an agreement that the Trump administration pulled out of. Both deals lowered Japanese tariffs on agriculture imports, aiding these companies' operations around the world. The latest deal with Japan will lock in many of the same wins for these global corporations' U.S.-based operations.

Earlier this year, U.S. and Japanese food and farm groups (including IATP) raised concerns that an agreement would only benefit global agribusiness. In a letter (https://www.iatp.org/documents/japanese-and-us-food-and-farm-organizations-urge-halt-trade-talks), the groups criticized a deal "that serves only to open our respective markets and strengthen corporate control over our rural economies. Market openings under previous trade agreements have contributed to the failure of independent family farms and increases in corporate concentration in agriculture, as well as environmental degradation and weakened standards for food safety."

Similar objections were raised during the fight over the original TPP. In 2016, more than 160 farm, food, rural and faith groups ripped (https://www.foodandwaterwatch.org/sites/default/files/farm-food_tpp_coalition_letter_4-27-16.pdf) the TPP for serving the interests of global trading firms over farmers. Part of the pushback against these deals is the continued growth in rural communities of controversial factory farms (operations with thousands, if not tens of thousands, of animals producing large amounts of manure) primarily to feed exporting agribusiness companies (https://www.iatp.org/sites/default/files/2014_11_05_TTPBigMeat_BL.pdf). These operations are facing rising opposition from rural residents, including independent family farmers themselves (https://www.desmoinesregister.com/story/opinion/columnists/2019/08/30/nafta-putting-family-farmers-out-business-since-1994/2129764001/). Rural communities suffer from air and water pollution associated with factory farm manure lagoons, while independent producers are driven out of the market.

Also like the TPP (https://www.iatp.org/blog/201902/tpps-climate-blindspot) and the proposed new North American Free Trade Agreement (NAFTA) agreement (https://www.iatp.org/documents/new-nafta-continues-damaging-climate-legacy), the Japan agreement completely ignores climate change. This omission represents another win for global meat companies, who are coming under increasing fire for their role in rising greenhouse gas emissions. Research published last year by IATP and GRAIN (https://www.iatp.org/emissions-impossible) found that the top five global meat and dairy companies combined were responsible for more GHGs than fossil fuel companies like ExxonMobil, Shell and BP.

Instead, the limited U.S.-Japan deal (https://ustr.gov/about-us/policy-offices/press-office/fact-sheets/2019/september/fact-sheet-us-japan-trade-agreement) covers agricultural products and a narrow set of industrial goods (like machine tools, bicycles and musical instruments). There is also a separate executive agreement on digital trade that appears to be lifted from the new NAFTA. Also referenced in public announcements by both countries is a verbal commitment from the Trump administration not to apply additional tariffs on Japanese auto parts entering the U.S. – at least in the immediate term.

Japan is the United States' third biggest agriculture export market according to the U.S. Trade Representative, and the country's biggest market for exported pork, beef and wheat. The deal lowers Japanese tariffs on those and a number of other U.S. agricultural exports (https://ustr.gov/about-us/policy-offices/press-office/fact-sheets/2019/september/fact-sheet-agriculture%E2%80%90related) to levels previously agreed to by Japan under the CPTPP.

Unlike the TPP, Japan's rice market was not included in the deal (https://www.bloomberg.com/news/articles/2019-09-17/japan-excludes-u-s-rice-in-initial-trade-agreement-on-tariffs?utm_campaign=socialflow-organic&utm_medium=social&utm_content=economics&utm_source=twitter&cmpid%3D=socialflow-twitter-economics&utm_source=FERN+Newsletter+Service&utm_campaign=5dd5836233-EMAIL_CAMPAIGN_2019_09_17_10_30&utm_medium=email&utm_term=0_c95f7f9b8b-5dd5836233-120469581). And five House members have written to the USTR (https://kind.house.gov/media-center/press-releases/dairyland-democrats-send-letter-expressing-concerns-after-administration) criticizing the dairy parts of the agreement, arguing that it provides less market access than enjoyed by dairy companies exporting to Japan from the CPTPP countries and the EU. The deal also opens up the U.S. market for more Japanese beef (a relatively small part of the U.S. market), while reducing 42 tariff lines for food and agriculture imports from Japan.

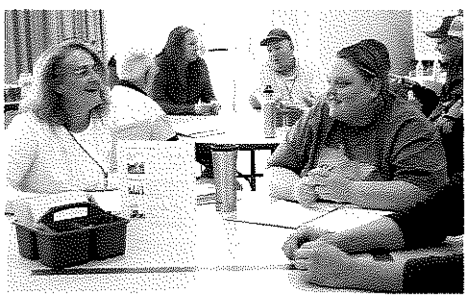
The Trump administration believes that because the agreement only involves tariff reductions in a small number of sectors, it does not require Congressional approval (https://fas.org/sgp/crs/misc/R44707.pdf). The final text of the deal has still not been published. The secrecy of the negotiations with Japan, including the exclusion of Congress throughout, represents another step backward in efforts to make trade negotiations more transparent, inclusive and accountable. The USTR's behind-closed-doors approach works well for plugged in multinationals like Cargill, Tyson and others well represented on its trade advisory committees (https://www.fas.usda.gov/atac-trade-animals-and-animal-products).

The agreement is contingent on approval of the Japanese parliament, expected this fall, and would go into effect on January 1. According to the USTR, phase two of the negotiations will begin in the spring of 2020, and include other elements of the CPTPP, such as dispute resolution, investor protections and rules on food safety, intellectual property and government procurement. That phase will likely take much longer to reach agreement and if agreed to, would require Congressional involvement and approval. It is unclear how much appetite Japan actually has for a phase two negotiation – with their primary goal, the prevention of new auto-related tariffs, already achieved in this initial agreement.

The trade win for global meat companies is just the latest favor the Trump administration has awarded the industry. From speeding up pork processing line speeds (https://qz.com/1716113/trump-gives-pork-industry-a-path-to-regulate-itself/), to refusing to include mandatory Country of Origin Labeling for meat in the new NAFTA (https://www.iatp.org/documents/farm-and-food-groups-congress-reject-usmca), to directly handing the companies tens of millions of dollars as part of its trade aid program (https://investigatemidwest.org/2019/07/01/jbs-a-big-winner-in-usda-trade-war-relief-contracts/) – the Trump administration is building quite a record of favoritism for these multinationals that now rivals its well-known allegiance to the fossil fuel industry (https://www.apnews.com/faca868339eb413f9a446ccb990dba05).

Filed under: Trade (/trade2), Agriculture (/agriculture2), Free trade agreements (/keyword/free-trade-agreements)

More from Trade (/trade2)



(https://www.iatp.org/blog/201909/exploring-future-wind-development-redwood-county)

RURAL DEVELOPMENT

Exploring the Future of Wind Development in Redwood County (/blog/201909/exploring-future-wind-development-redwood-county)

Sep 30, 2019

(https://www.iatp.org/blog/201909/usda-wants-again-cut-food-assistance)

AGRICULTURE

USDA wants (again) to cut food assistance (/blog/201909/usda-wants-again-cut-food-assistance)

Sep 26, 2019

Minneapolis | Washington, D.C. | Berlin

(https://

SUMMARY

Meeting with Hannah A. Hudson, Legislative Correspondent Office of Senator Susan Collins

Date: August 14, 2019
Location: Cross Office Building, Augusta, ME
Persons Present:

- Hannah A. Hudson, Legislative Correspondent, Office of Senator Susan Collins
- Representative Craig Hickman, Chair CTPC
- Senator Justin Chenette, Member CTPC
- Lock Kiermaier, CTPC Staff Person

This informal meeting was convened to discuss various free trade issues with Ms. Hudson of Senator Collins' staff. All members of the CTPC were notified of this meeting and were encouraged to attend.

After brief introductions, Ms. Hudson was asked to broadly discuss Senator Collins' perspective on various current trade topics:

Impact of Retaliatory Tariffs

- Senator Collins' efforts (along with other members of Maine's Congressional Delegation) to get financial support from the current administration and the federal government for Maine's lobster industry which has been hard hit by President Trump's imposition of tariffs with China and the subsequent loss of market share to Canada;
- Ms. Hudson referenced the CTPC's 2018 biennial Assessment ("Turbulent Time For Trade", authored by Debbie Barker) which highlighted the lobster tariff issue and the increasing possibility that tariffs might soon adversely affect Maine's wild blueberry and potato industries;
- Ms. Hudson also discussed the current efforts by Senator Collins to meet with federal agencies like the Department of Agriculture to advocate for the broadening of existing agricultural aid programs to include the unique circumstances of the lobster industry;
- Ms. Hudson was not optimistic that the current use of tariffs would come to an end during this administration;

- While understanding the purpose of tariffs (to deal with undesirable trade practices by China), Senator Collins does not believe that the current use of tariffs is the right approach to changing current Chinese trade policy;
- Ms. Hudson also mentioned the several pieces of legislation that are currently being considered in the Senate which would change the ways in which national security can be invoked to justify the use of certain tariffs;
- In addition, Ms. Hudson mentioned the efforts to address the technological influence of the giant Chinese technological firm Huawei as an alternative means of avoiding the use of tariffs;
- Ms. Hudson also cited the missed opportunity for the U.S. to have taken a leadership role in the TPP which would have provided a more unified international approach to unfair Chinese trade policies; and
- When asked what the CTPC's most effective tool would be to address the various tariff issues, Ms. Hudson suggested that the CTPC could most effectively seek to highlight the impact of these tariffs on Maine industry and agriculture.

<u>Poultry Imports from China</u>

- Ms. Hudson was asked about the Commission's interest in the issue of poultry imports from China- an issue highlighted in the 2018 Assessment. In brief, in previous meetings the CTPC has learned of a current arrangement in which slaughtered poultry is exported to China from the U.S. for processing and then exported back to United States for retail sale. The CTPC has expressed concern about public health questions surrounding the inadequate inspection process used by China for poultry processing and the seemingly unfair low retail price for unlabeled poultry processed in China. The CTPC has not been satisfied with the bureaucratic and non-substantive response from the current administration. While relatively unfamiliar with the specifics of this issue, Ms. Hudson indicated her intention to talk to officials in the USDA to find out more about this issue on behalf of Senator Collins.

<u>United States Mexico Canada Agreement (USMCA)</u>

- Ms. Hudson was informed by those present that the CTPC has had a number of ongoing concerns about certain issues that are common to recent free trade agreements including;
    - the lack of transparency and degree of secrecy in which these agreements are negotiated and approved;

- the inability of Congress to amend the text of a proposed trade agreement;
- the Investor-State Dispute Resolution (ISDS) process which allows private companies to sue sovereign governments for alleged violations of a particular trade agreement; the ISDS process makes use of a 3 person panel made up largely of industry lawyers and does not make use of past precedent, due process or right of appeal;
- the widespread us of "harmonization" in recent trade agreements in which a "lowest common denominator" approach is used to determine appropriate levels of regulation to protect the public health and welfare;
- the ongoing issue of "country of origin" which is centered on the ability through trade agreements to provide for the proper labeling of the origin of a particular product;
- the relative lack of substantive responses from USTR and other governmental entities to formal CTPC letters on these subjects

- Ms. Hudson mentioned the small possibility that the USMCA would be approved this fall and, if not, it probably would not be considered in an election year; and
- Ms. Hudson also mentioned the opportunity that the 2018 CTPC Assessment represents to Senator Collins as a means of discerning the trade issues which are deemed to be important by the CTPC

Inside U.S. Trade

McCarthy: USMCA must be passed by Thanksgiving or it won't get done
By Brett Fortnam
https://insidetrade.com/daily-news/mccarthy-usmca-must-be-passed-thanksgiving-or-it-won%E2%80%99t-get-done

09/19/2019
House minority leader Kevin McCarthy (R-CA) said on Thursday that Congress must pass the U.S.-Mexico-Canada Agreement by Thanksgiving or the deal won't be ratified at all, putting the onus solely on House Speaker Nancy Pelosi (D-CA) to bring an implementing bill to the House floor.

"If it came to the floor it would pass," McCarthy told Fox Business News on Thursday. "[Pelosi] has all the power to bring the bill up."

The Trump administration has not yet submitted an implementing bill to Congress as it is waiting for a signal from Pelosi that the bill will get a vote. Under the 2015 Trade Promotion Authority law, the House must vote on an implementing bill within 60 days of its submission to Congress. However, Pelosi has previously avoided those deadlines via other legislative measures.

McCarthy said if USMCA does not come up for a vote by Thanksgiving, Congress will fail to pass it. "If this does not get done by Thanksgiving, it won't get done and then the decision will have been made by the speaker that it was a political decision, not about the country," he said. "They are concerned about tearing the president down instead of building America up."

Democrats have flagged four areas of the USMCA -- labor, environment, pharmaceuticals and enforcement -- as problematic and are negotiating with U.S. Trade Representative Robert Lighthizer to address them. But McCarthy dismissed Democrats' concerns with enforcement.

"Look, the president makes the protection for American workers inside this agreement," he said. "You have NAFTA today. What the president saw with NAFTA was jobs were leaving American. Jobs will actually come back to America. This is modernizing NAFTA, giving better protections to American workers."

McCarthy said Canadian Prime Minister Justin Trudeau has also voiced concerns over USMCA's enforcement, but is happy with the deal's current provisions. "I've been in meetings where the prime minister of Canada is sitting there, Trudeau, they raise these same issues. Trudeau will say, 'I raised it too, we got the agreement inside USMCA.' So I don't know why we're holding. We should have done this prior to departure in summer."

USTR has presented House Democrats with counterproposals on how to address concerns with USMCA.National Economic Council Director Larry Kudlow took a markedly different view of Pelosi's handling of USMCA, telling Fox Business News on Thursday that "she's been very accommodating to us on USMCA."

"My hat's off to Speaker Pelosi, who I think has been a great help," he said.

McCarthy said there was a "60-40" chance the House voted on USMCA. Kudlow said he was "increasingly bullish" on the prospects for a vote.

Neil Bradley, executive vice president and chief policy officer at the U.S. Chamber of Commerce, said on Thursday he too was optimistic, predicting a vote before Thanksgiving.

AFL-CIO Executive Council Statement
Chicago
September 12, 2019

WITHOUT FIXES, WE MUST OPPOSE THE NEW NAFTA

When the new NAFTA was signed, the AFL-CIO warned that we would oppose the agreement without major changes. As we said in our March 2019 Executive Council statement, the labor movement will mobilize to defeat the new NAFTA if it is not changed to "meaningfully address what is wrong with the original NAFTA." We urged the Trump administration to incorporate the changes we have insisted must be made to reverse a legacy of lost jobs in the United States and lower living standards for working people throughout North America.

Unfortunately, to date, the administration has failed to offer sufficient workable solutions to fix the significant weaknesses we identified. We are hopeful that the current engagement with the House Democrats' Trade Working Group will lead to progress, but we will oppose any agreement that undermines the interests of working people. In light of the administration's plan to submit the new NAFTA for a vote this fall, we reiterate that if changes are not made, the labor movement will do everything in our power to defeat it.

In our March statement, we laid out a specific list of concerns we have repeated numerous times in both public statements and in private meetings with the Office of the U.S. Trade Representative. The list begins with the need to strengthen NAFTA's labor standards and include new tools to facilitate their swift and effective enforcement. The agreement's labor standards should be based explicitly on the relevant International Labor Organization Conventions, which include the freedom of association, collective bargaining, equal remuneration, prohibitions on child labor, forced labor and discrimination, rather than vague references to the principles that underlie those rights.

Changes to the text must also include the elimination of loopholes, which provide that a party must demonstrate a violation was committed through a "sustained or recurring course of action or inaction" and "in a manner affecting trade or investment between the parties." This requirement has proved insurmountable in the only case ever to be arbitrated under the labor chapter of a U.S. free trade agreement, and it must be removed. In addition, the provisions on forced labor, discrimination and migrant workers are intentionally weak and must be strengthened. Specific language also should be added to ensure nondiscriminatory consumer information laws, such as Country of Origin Labeling, are not considered trade violations.

The agreement itself must contain effective enforcement tools, including the ability of the United States to deny entry of any goods produced in violation of the new labor standards. There is ample precedent for this in the Peru Free Trade Agreement, which permits the United States to block the importation of illegally harvested lumber. This would match the relief afforded to businesses that find their intellectual property rights violated. Without this enforcement tool, companies will continue to exploit workers and treat any lesser penalties, such as fines or the loss of tariff-free entry, as a cost of doing business.

The proposed labor chapter of the new NAFTA also includes important provisions that require Mexico to end corporatist unions and their protection contracts, recognize independent unions, and establish independent labor courts. We have made it clear that Mexico must demonstrate both the political will and the capacity to implement these reforms before it enjoys any benefits under the deal. Without these changes, the new NAFTA, like its predecessor, will continue to give global firms free rein to exploit workers in a race to the bottom.

Measurable progress must be made in all these areas before the agreement takes effect. Unfortunately, there are early indications that progress in Mexico will be slow or halted altogether. For example, incumbent protection unions have filed hundreds of constitutional challenges against the recent labor reforms, and injunctions have been granted in several cases already.

Another glaring failure of the new NAFTA is its treatment of pharmaceuticals. Under the agreement, the monopoly power of Big Pharma is further enhanced, harming consumers in the United States, Mexico and Canada. We have said from the beginning that this provision must be dropped, but to date we have seen no evidence that the administration intends to do so.

The administration also has exaggerated the benefits of its proposed rules of origin, which will need to be strengthened and applied to sectors beyond autos if they are to have any positive effect at all. For example, while the content requirement rises from 62.5% under the existing NAFTA to 75% under the new agreement, the details of the new calculation are unclear. Further, the proposed rules only require that products be produced in North America, not in the United States, thus limiting the promised job benefits to America's workers.

The new NAFTA does include a provision requiring that a percentage of content be produced by workers making $16 an hour—but requires that level be an average rather than a minimum, with the calculation including highly paid engineers and assembly workers. Many autos produced in Mexico already meet that threshold, as do most made in the United States, so the benefits may be limited. In addition, while the agreement covers steel and aluminum in autos, it does not require that all of the core components be produced in North America. As a result, auto parts produced from Chinese steel slabs could qualify for benefits.

Although the Mexican government prevents American rail employees from working in Mexico, U.S. officials last year allowed Mexican rail crews who do not meet U.S. safety rules to provide rail service 10 miles past our border. A new NAFTA must end this double standard and provide the same protections for American rail workers that their Mexican counterparts enjoy.

While President Donald Trump claims that the new NAFTA will stop outsourcing and create hundreds of thousands of jobs in the United States, the administration has provided no credible evidence to back that up. We are reminded that similar baseless claims were made when the original NAFTA was first negotiated and that other administrations have made the same empty promises when they presented similar FTAs to Congress. America's workers are tired of being misled when it comes to the so-called benefits of corporate trade agreements.

Without incorporating the changes we have been advocating for all along, the new NAFTA would do little to stop the continued outsourcing of jobs in a wide range of industries, from aerospace and autos to food processing and call centers. As we said in March, it is possible to negotiate a trade agreement that lifts wages and living standards in all three countries. The agreement we have before us will not get us there. If the new NAFTA is not dramatically improved along the lines we have suggested, we will have no choice but to forcefully oppose it.

###

Inside U.S. Trade

House USMCA working group members to meet with Lighthizer on Friday
By Isabelle Hoagland
https://insidetrade.com/daily-news/house-usmca-working-group-members-meet-lighthizer-friday

09/19/2019
Members of the House Democrats' U.S.-Mexico-Canada Agreement working group plan to meet again with U.S. Trade Representative Robert Lighthizer on Friday, with some lawmakers suggesting progress was being made while noting that the negotiations are far from over.

Rep. Jan Schakowsky (D-IL), a co-chair of the working group's biologics task force, said on Thursday that the talks with Lighthizer still had a ways to go.

"We're not done and they're not done," Schakowsky said.

Asked if USTR had presented a way to ensure what she believes would be an adequate biologics exclusivity period threshold, a key concern for many Democrats, Schakowsky said "No. Negotiations will continue."

USTR last week gave the working group its first counterproposals on labor, environment, enforcement and biologics.

The working group members, who met on Wednesday, were slated to sit down with House Speaker Nancy Pelosi (D-CA) on Thursday before convening with Lighthizer a day later, according to Schakowsky.

Rep. Terri Sewell (D-AL), a co-chair of the group's enforcement task force, told Inside U.S. Trade she believed Lighthizer had "heard what we've said" to date.

"I think that we are still in the middle of a process but I do believe that there is a good-faith effort on both sides to try to figure out how we can get to yes," she said, adding that she was "pleased with the process" to date.

As for whether USTR adequately addressed the issue of panel blocking -- a key issue with the state-to-state dispute settlement portion of USMCA for many Democrats -- Sewell said "of course," but declined to offer more details on how. Democrats believe USMCA as it stands today would preserve what some call a "loophole" in NAFTA that effectively neutered the deal's dispute settlement mechanism.

Rep. Ron Kind (D-WI), a member of the House Ways & Means trade subcommittee, said his caucus was looking for more substantive proposals on enforcement and biologics.

Kind, though not a member of the USMCA working group, said he had been on the phone with Lighthizer "a lot" and planned to "delve into this tomorrow morning including with committee staff."

"What we are looking for is a stronger substantive proposal to address enforcement and to find a solution to the biologics issue," he said.

On panel blocking, Kind said USTR's response "was one geared to not blowing up the process," adding there were "also not a lot of details in it."

Kind also addressed labor. "I just don't know what more we can ask Mexico to do when it comes to labor reform," he said. "They passed historic legislation; now it's a question of implementation and then making sure we have sufficient enforcement language that this does get done."

After speaking with Lighthizer last week, House Ways & Means trade subcommittee ranking member Vern Buchanan (R-FL) told Inside U.S. Trade he felt "like both parties are moving in a good direction" following the USTR's submission of its initial counteroffer.

"I know he submitted it and I think they've given him some feedback; that's kind of what I've heard. I feel like both parties are moving in a good direction" he said. "My general feeling is that we are going to get there sooner than later."

Buchanan added that he thought a USMCA vote before Thanksgiving was plausible.

House Minority Leader Kevin McCarthy (R-CA) on Thursday said if Congress failed to approve USMCA before the holiday, the deal would not be ratified.