

# ABC Global Update

## U.S. China Trade Talks Continue

U.S. and Chinese trade negotiators have been in continuous contact since the last face to face negotiating round, which took place the first week of April. But talks took an unexpected turn – again – after President Trump tweeted his frustration with the slow progress and China's revisiting of previously agreed provisions. On Monday, U.S. Trade Representative Bob Lighthizer said the administration was prepared to raise import tariffs on \$200 billion worth of Chinese goods early Friday – which in fact has been notified in the Federal Register with effect from 12:01am EST on May 10.

Needless to say, this additional uncertainty and “tit-for-tat” style of negotiating is a concern to the export market.

The 50% tariff on California shelled and inshell almonds has presented an opportunity for Australia, which has significantly increased their shipments to China. Combined with a 0% tariff which went into effect on January 1 (following implementation of the China-Australia free trade agreement), FY 18/19 Australia shipments (March-February) from Australia directly to China were up 2100% over the prior year – while U.S. FY 18/19 exports (August-April) to China/Hong Kong shipments were down 33%.

## U.S. and Japan Begin High-Level Trade Talks

U.S. Trade Representative Robert Lighthizer and Japanese Economy Minister Toshimitsu Motegi kicked off trade talks on April 15 in Washington DC.

The meetings are the first high-level meetings and will serve to determine the scope of what could be included in a trade agreement between the U.S. and Japan. Following the first meeting, Motegi told reporters that thus far, the focus of discussions has been trade in goods.

Motegi also stressed that currency should be discussed outside the context of a trade agreement. The comment comes after U.S. Treasury Secretary Steven Mnuchin said over the weekend that he was looking to include a currency provision in any trade agreement to avoid currency manipulation.

Japan finalized its negotiating topics last week for a potential free trade agreement; in December 2018, the U.S. published its **negotiating objectives**. Concerns raised by the almond industry are reflected in the U.S.' priorities, including greater regulatory compatibility and expedited/streamlined customs procedures.

The U.S. is hopeful of gaining further access to Japan's agricultural sector, while Japan hopes to resolve the trade friction with the U.S. over autos.

Currently, the tariff for shelled/inshell almonds in Japan is 2.4%.

## Rapid Alerts in EU for Salmonella

ABC staff are closely following several rapid alert notifications in the past month concerning almonds and *Salmonella*. It is unclear what strains were detected, which would help identify if the contamination was related to the almonds or the result of cross-contamination.

Discussions are also underway with the Commission and Member States

to better understand how microbial contamination is handled. In Germany, it appears any “positive” finding by a laboratory must be reported to authorities, even if the goods are under the control of the manufacturer and have not been distributed.

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 3<sup>rd</sup> 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 3<sup>rd</sup> country). ABC is continuing to engage with authorities, and to raise these concerns to the European Commission.

In addition, ABC staff are also reaching out to FDA in DC, in an effort to clarify procedures for handling U.S. consignments returned to the U.S. Experience has been mixed, but generally has involved confusion over procedures and considerable delays in the release of consignments. ABC's objective to reach consensus with FDA on standardized procedures for returned

consignments, particularly for reconditioning plans and aflatoxin testing.

## EU Approves Negotiating Objectives for U.S. Trade Talks

On April 15, The European Union (EU) approved its negotiating objectives to launch trade talks with the United States. The EU is focused on two potential agreements with the U.S. – one limited to the elimination of tariffs for industrial goods, excluding agriculture; and the second to establish joint standards for the testing, inspection, and verification of new products.

The U.S. is still pushing for a more comprehensive trade agreement that would include agriculture. The difference over the inclusion of agriculture poses a significant hurdle to the start of trade negotiations.

The specter of tariffs still looms over any potential negotiations. In response to the EU negotiating directives, President Trump threatened the EU with auto tariffs if agriculture was not included in the negotiations.

Brussels has stated that trade talks would be immediately suspended if the U.S. were to impose auto tariffs on the EU and that a deal would not be reached if tariffs on steel and aluminum were not removed prior to the conclusion of negotiations.

## International Trade Commission Publishes Report on Economic Impact of the USMCA

On April 18, the International Trade Commission (ITC) **published** its economic analysis of the U.S.-Mexico-Canada Agreement (USMCA).

The ITC report forecasts that the USMCA would increase U.S. GDP by 0.35 percent (\$68.2 billion) over its first 6 years.

The ITC projects slight increases in the trade of dairy, poultry, and eggs between the U.S. and Canada and negligible increases in Canadian exports of sugar and sugar containing products to the U.S. The agreement is projected to have little if any impact on agricultural trade with Mexico.

The report also projects the creation of 28,000 jobs in the auto sector. This estimate is much more conservative than 76,000 auto jobs that the USTR previously projected.

Some Congressional Democrats have claimed that the comparatively meager economic benefit does little to make up for their stated concerns with the agreement's labor, environmental and intellectual property provisions.

## Canada Releases Final Regulatory Decisions for Neonicotinoids Related to Pollinators

Health Canada's Pest Management Regulatory Agency (PMRA) **released** its final regulatory decisions on the use of three neonicotinoids in regard to pollinators: imidacloprid, clothianidin, and thiamethoxam.

The PMRA will allow the continued registration of imidacloprid, clothianidin, thiamethoxam products with several label amendments.

Seed treatments with the three neonicotinoids will also be permitted to continue with additional label statements to minimize pollinator exposure to imidacloprid during planting.

Foliar applications will be subject to new restrictions. Foliar applications of imidacloprid to some tree nuts will be restricted. Foliar applications of clothianidin or thiamethoxam to orchard trees will not be permitted.

Information on further restrictions can be found in the following USDA **GAIN report**.

At this time, there has been no indication from the PRMA that

maximum residue limits for these neonicotinoids will be changed, though this may change in the future. PMRA's final regulatory decision related to aquatic life are expected by mid-2020.

These changes will be fully implemented for the majority of Canadian crops for the 2021 growing season.

## Upcoming Travel

- **May 12-19, 2019**  
Guangwei Huang in Shanghai for SIAL.
- **May 20, 2019**  
Julie Adams in Washington, DC for Ag Trade Advisory Committee meetings.
- **May 22-26, 2019**  
Julie Adams, Karen Lapsley, and Richard Waycott in Florida for the International Nut Conference.

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