

APRIL 10, 2018

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**A REPORT FOR
THE CALIFORNIA
CHERRY BOARD**

GENERAL ISSUES OF INTEREST TO THE CCB:

United States and China Escalate Retaliatory Trade Actions

- On April 4, China put forth a [proposed list](#) of 106 U.S. origin goods worth around \$50 billion that would see retaliatory tariffs of 25 percent. The move is in response to the Trump administration releasing a [list](#) of 1,333 products under consideration for the proposed 25 percent tariffs.
- The Chinese proposed list included agricultural goods such as soybeans, sorghum, maize, cotton, cranberries, and beef, while the U.S. proposed list focused mainly on machinery, mechanical appliances, and electrical equipment. Both trade actions are in response to the Section 301 investigation and report regarding China's unfair trade practices on the forced transfer of U.S. technology and intellectual property.
- The U.S. Trade Representative has published a [notice](#) in the *Federal Register* requesting comments and scheduling a public hearing on the list of goods under consideration for tariffs. All written comments must be filed by May 11 and the public hearing is set for May 15.
- The Trump administration has since indicated that it is considering tariffs on an additional \$100 billion in Chinese goods in response to China's retaliatory actions. However, Chinese President Xi Jinping promised to open the Chinese economy and lower import tariffs on cars in a March 10 speech that has been seen as an attempt to de-escalate the trade dispute.

U.S. Request for Consultation with India Regarding Indian Export Subsidy Programs

- In early March, the U.S. [requested](#) dispute settlement consultations with India at the World Trade Organization (WTO) challenging Indian export subsidy programs. Since the request, the European Union and Canada have both asked to join the consultations.
- The U.S. alleges that India is providing export subsidies contrary to the WTO Agreement on Subsidies and Countervailing Measures with export subsidy programs such as the Merchandize Exports from India Scheme, Specific Economic Zones, and Export Oriented Units Scheme. The Merchandize Exports from India Scheme since its inception in 2015 has expanded to include more than 8,000 eligible products, and exports from Special Economic Zones have increased over 6,000 percent since 2000, and accounted for over \$82 billion in exports in 2016, according to an Office U.S. Trade Representative [press release](#).
- On April 5, USTR published a [notice](#) in the *Federal Register* requesting comments on the Indian export subsidy measures. Comments must be submitted on or before April 16, 2018.

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Chinese Government Restructuring

- China's National People's Congress recently approved the most comprehensive government restructure in decades. The new plan will be implemented in the coming weeks. The most notable change includes the establishment of the State Marketing Regulatory Administration (SMRA).
- The SMRA will take on the responsibilities of nine government bodies including:
 - General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ)
 - China Food and Drug Administration (CFDA)
 - Certification and Accreditation Administration (CAC)
 - Standardization Administration of China (SAC)
- The CFDA will be dismantled and reformed as the State Drug Administration (SDA) operating under the SMRA, and AQSIQ will also be dismantled and absorbed by the SMRA. All other bodies will remain the same but have their functions merged within SMRA.
- According to media sources, the SMRA will not be operational until mid-April and will likely reach full capacity after June.

U.S. Department of Agriculture Reminds Food Facilities Exporting to Korea to Renew Registration

- The U.S. Department of Agriculture has recently [published](#) an update regarding the implementation of Korea's Special Act on Imported Food Safety Management.
- The Act went into effect in March 2016 and required all foreign food facilities that process, pack, and export food products to Korea to pre-register.
- The registration is valid for two years, unless renewed. Any foreign food facilities that wish to renew their registration should apply for renewal to the Korean Ministry of Food and Drug Safety through the on-line registration system. Additional information as well as the steps for the renewal process can be found in Section II of the report.

South Korea and Japan Proposing to Suspend Concessions with the United States

- South Korea and Japan have begun the process of requesting compensation from the U.S. for the tariffs the U.S. levied on imported washing machines and solar panels in February 2018. Both have notified the World Trade Organization (WTO) that they seek to suspend concessions equivalent to the amount of trade affected by the U.S. safeguard measures.
- Under WTO rules, a country has the right to suspend concessions of a trading partner after safeguard measures have been in effect for three years. Under these rules, trade concessions made to the United States by both countries could be suspended in February 2021 or sooner if the WTO's Dispute Settlement Body finds that safeguard measures imposed by the United States are incompatible with WTO Agreements.
- A specific list of U.S. commodities that would be affected by either country's suspension of trade concessions has not been made available.

African Countries Sign African Continental Free Trade Area Treaty

- On March 21, 44 African countries [signed](#) on to the African Continental Free Trade Area (AfCFTA) which aims to create a single market for goods and services as well as a customs union within the African Continent.
- The draft agreement commits countries to removing tariffs on 90 percent of goods, liberalizing services, and tackling non-tariff barriers. If all 55 African countries join the agreement, AfCFTA would cover more than 1.2 billion people with a gross domestic product (GDP) of over \$2 trillion.
- Eleven African countries did not sign the agreement, the most notable of which were Nigeria and South Africa. Together, the two represent close to 1/3 of the GDP of the entire African Continent. Additionally, only 30 of the 55 countries have signed the Free Movement Protocol, which allows for the free movement of people, the right of residence, and the right of establishment. A breakdown of which nations signed the AfCFTA text and the Free Movement Protocol is available [here](#).
- AfCFTA will come into force 30 days after a minimum of 22 countries ratify the agreement in their national parliaments. Each country has 120 days from the date of signing to ratify the agreement.