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INSIDE THIS ISSUE

- **U.S. and Japan Begin High-Level Trade Talks**
- **EU Approves Negotiating Objectives for U.S. Trade Talks**
- **Brexit Postponed Until October 31**
- **Japan's Consumption Tax to Increase October 1**
- **Brazil Considering Tax System Change**
- **Australia Requesting Comments on Documentary and Import Declaration Requirements**
- **U.S.-China Trade Talks Continue**

A REPORT FOR
THE CALIFORNIA
CHERRY BOARD

GENERAL ISSUES OF INTEREST TO THE CCB:

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 between the two nations 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, while the U.S. published its [negotiating objectives](#) in December 2018 (*BCI Monitor* 01-02-19). 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.
- Japan, which continues to urge the U.S. to rejoin the Trans-Pacific Partnership (TPP), could insist on the market access arrangement agreed to under that agreement.

EU Approves Negotiating Objectives for U.S. Trade Talks

- On April 15, The European Union (EU) approved [negotiating directives](#) to launch trade talks with the United States.
- The EU negotiating directives cover two potential agreements with the U.S. – one limited to the elimination of tariffs for industrial goods, excluding agriculture; The second to establish joint standards for the testing, inspection, and verification of new products.
- U.S. [negotiating objectives](#), published in January (*BCI Monitor* 01-22-19), push 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.

Brexit Postponed Until October 31

- Following a lengthy leaders' summit on April 10, the European Union (EU) granted the United Kingdom a near six-month extension to Brexit.
- The new leave date for the United Kingdom is now October 31, 2019.
- Brexit was originally set for March 29, then later extended until April 12 after Members of Parliament (MPs) rejected Prime Minister Theresa May's withdrawal deal three times.
- The U.S. and other World Trade Organization (WTO) members are calling for the UK and the EU to use the Brexit extension to address the split of tariff rate quotas (TRQ) once the UK has departed the bloc.
- The EU previously proposed changing its TRQs on imports relative to the UK's amount of imports. The proposal continues to be met with criticism, with many WTO members arguing that it would diminish some members' access to the markets.

Japan's Consumption Tax to Increase October 1

- In less than six months, Japan will increase as scheduled its Consumption Tax (i.e. VAT) from 8 percent to 10 percent. However, there will be a reduced tax rate of 8 percent on daily necessities, including food.
- Japan's tax increase is set for October 1, 2019.
- The rise is part of a two-stage tax increase. The first stage occurred in 2014 when the Consumption Tax rose from 5 percent to 8 percent. The second stage was postponed twice; however, the Japanese government approved the increase in October 2018.

Brazil Considering Tax System Change

- Brazil is considering a bill to implement a Value Added Tax (VAT) regime to replace and consolidate a range of federal, state and local indirect taxes. Brazil's indirect tax regime is considered one of the most complex in the world.
- The core of the proposal is to replace the five current consumption taxes – PIS, COFINS, IPI, ICMS and ISS – with a new consolidated federal tax called the *Imposto Único sobre Bens e Serviços* (IBS).
- There is a ten-year implementation plan for IBS. The COFINS and IBS taxes will be set at 2 percent for two years, and in the following eight years, the other taxes will be slowly reduced to a single rate.
- The bill will require approval by Brazil's parliamentary commissions before progressing.

Australia Requesting Comments on Documentary and Import Declaration Requirements

- Australia's Department of Agriculture and Water Resources (DAWR) has opened a [public consultation](#) regarding the current policy for minimum documentary and import declaration requirements.
- The minimum documentary and import declaration requirements policy will be updated to add requirements for Imported Food Inspection Scheme (IFIS) importer declarations and requirements for Food Safety Management Certificates. Additionally, the policy draft offers improved clarity on requirements for food safety certification, declaring the producer of imported food, and requirements for the Lot Code List.
- The consultation closes May 24, 2019.

U.S.-China Trade Talks Continue

- This week, President Trump reiterated that negotiators are making progress towards a trade deal with China, and U.S. Treasury Secretary Steven Mnuchin told reporters that he was hopeful the U.S. and China were close to the final round of talks.
- Negotiators have been in continuous contact since the last face to face negotiating round, which took place the first week of April.
- According to [Bloomberg](#), China is considering a U.S. request to shift tariffs away from certain agricultural goods to non-agricultural imports.
- The shift could be due to the U.S. not agreeing to lift its duties on \$50 billion worth of Chinese imports even if a trade deal is reached or to make it easier for China to meet its goal of buying an additional \$30 billion worth of U.S. agricultural goods.