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**A REPORT FOR
THE CALIFORNIA
CHERRY BOARD**

SPECIFIC ISSUES OF INTEREST TO THE CCB:

U.S.-Japan Trade Agreement to Eliminate Tariffs on Cherries

- At a meeting of the United Nations, President Trump and Japanese Prime Minister Shinzo Abe announced the signing of a limited U.S.–Japan trade deal that covers agriculture and digital trade. Trump and Abe described the deal as the first stage for a future, more comprehensive free trade agreement.
- According to the [USTR summary](#) of the agreement, Japan will eliminate or reduce tariffs on \$7.2 billion in U.S. products. The U.S. will eliminate or reduce tariffs on \$40 million in Japanese products.
- While specific schedules for the reduction of tariffs have not yet been made public, Japanese tariffs on fresh cherries will be gradually eliminated.
- More information will be available once the full text of the agreement is released. No date for this has been given.
- The agreement does not require Congressional approval, but it must be ratified by the Japanese legislature. The Japanese Diet is expected to vote on the agreement in the next two months.

GENERAL ISSUES OF INTEREST TO THE CCB:

U.S. International Trade Commission Launches Study of MRL Barriers

- The U.S. International Trade Commission (USITC) is launching [an investigation](#) on the impact of plant protection product maximum residue level (MRL) policy on U.S. agricultural exports and global agricultural trade. The investigation was requested by the U.S. Trade Representative on August 30.
- The ITC will report on international and national approaches to setting MRL policies, MRL-related challenges for exporting countries, and the economic and production impacts of international MRL policies on U.S. and global agriculture. The report will be released in two volumes, on April 30 and November 2, 2020.
- A hearing on the investigation will be held on October 29, 2019. Written submissions are requested, and due by December 13 for the first report and June 5, 2020 for the second report. Both electronic and paper copies of submissions are required, as described in the Federal Register notice.

Japan to Increase Consumption Tax to 10%

- On October 1, the Japanese government raised the consumption tax on most transactions from 8% to 10%. This increase has been planned for several years, but was delayed twice due to economic concerns.
- This tax increase applies to both business-to-business and end-user transactions, including imports. Japanese exports are exempt from the tax.
- The tax increase does not apply to food sold in retail, which will still be taxed at the previous rate of 8%. However, foodservice transactions are now taxed at 10%.

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Chile and China Notify WTO of Changes to Free Trade Agreement

- China and Chile have [notified the WTO](#) that the two countries have implemented changes to their 2006 [free trade agreement](#).
- According to the Chinese Ministry of Commerce, the changes give Chile the highest level of open trade of any of China's trading partners. Within 10 years, 97% of trade between Chile and China will be duty free.
- While the agreement does not reduce tariffs on cherries, it increases technical cooperation and eases customs procedures between the two countries.

WTO Downgrades Global Trade Forecast

- Due to ongoing trade tensions, the World Trade Organization (WTO) has downgraded its [forecast](#) for global trade.
- Total merchandise trade volume is expected to rise only 1.2% in 2019, a sharp downgrade from the WTO's April projection, which was 2.6% growth. Due to a high level of uncertainty, the WTO estimates a wide range of realistic outcomes, from 0.5% to 1.6%.
- The report notes that risks are weighted towards the downside, due to trade tensions and the possibility of a disruptive Brexit.
- In 2020, the strongest growth in import demand is projected in South and Central America and Asia. Import growth in North America and Europe is expected to decline.