RENEGOTIATING NAFTA--what's at stake?

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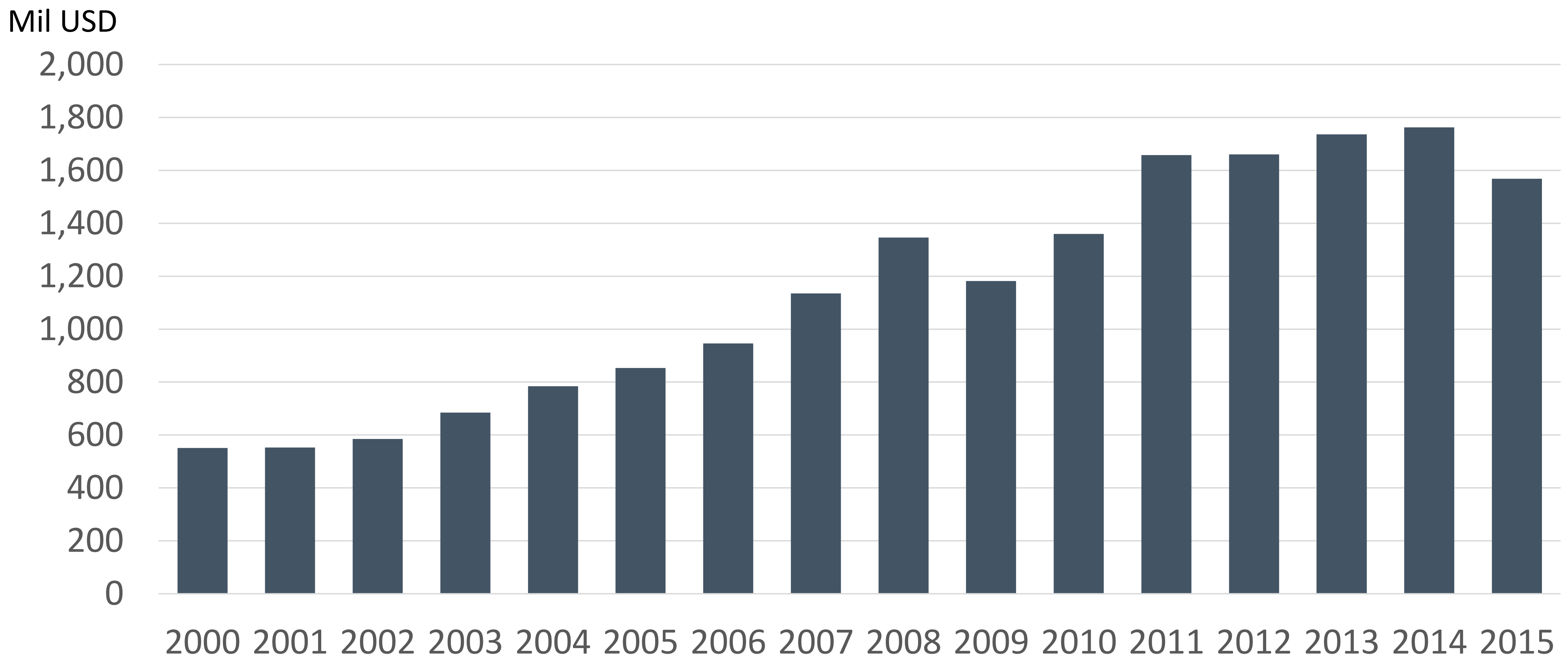
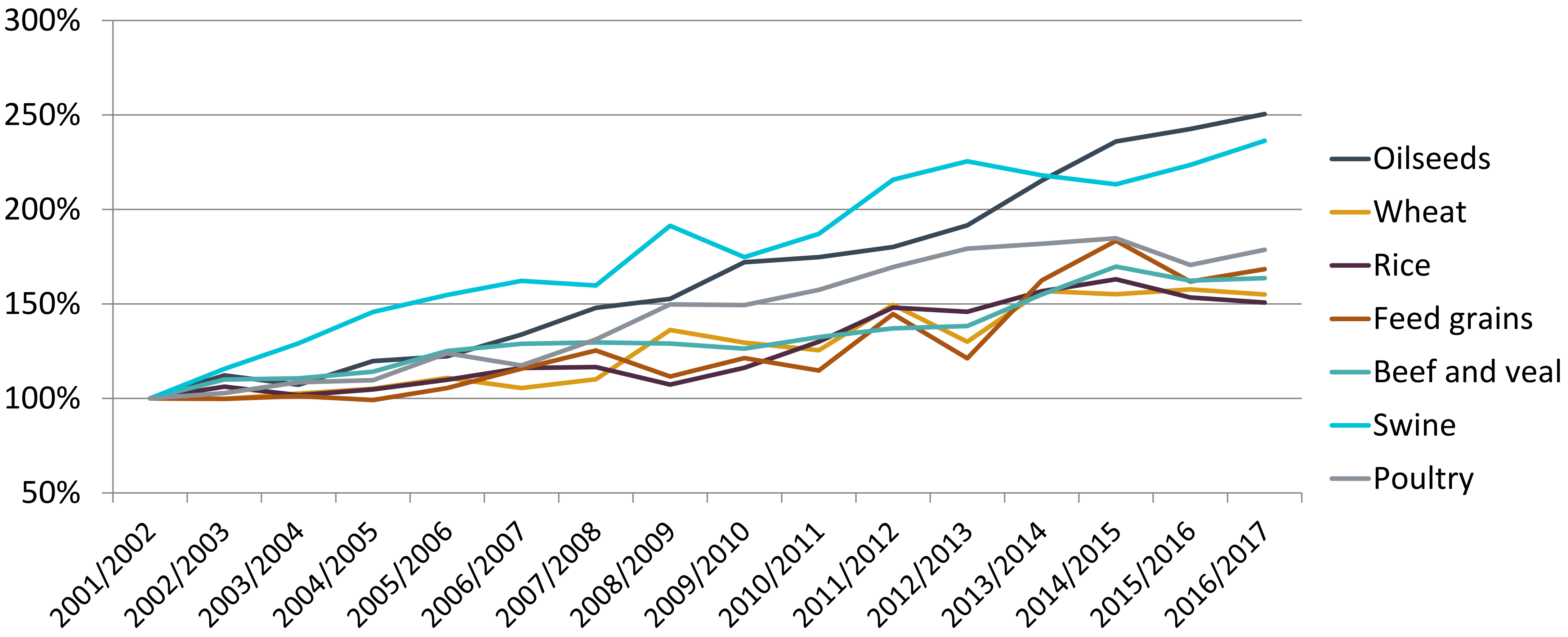
Midwest Agriculture's Ties to Global Economy
Federal Reserve Bank of Chicago

World agricultural exports, 2000-2015



Source: WTO 2017

Growth in global trade volumes, selected product groups



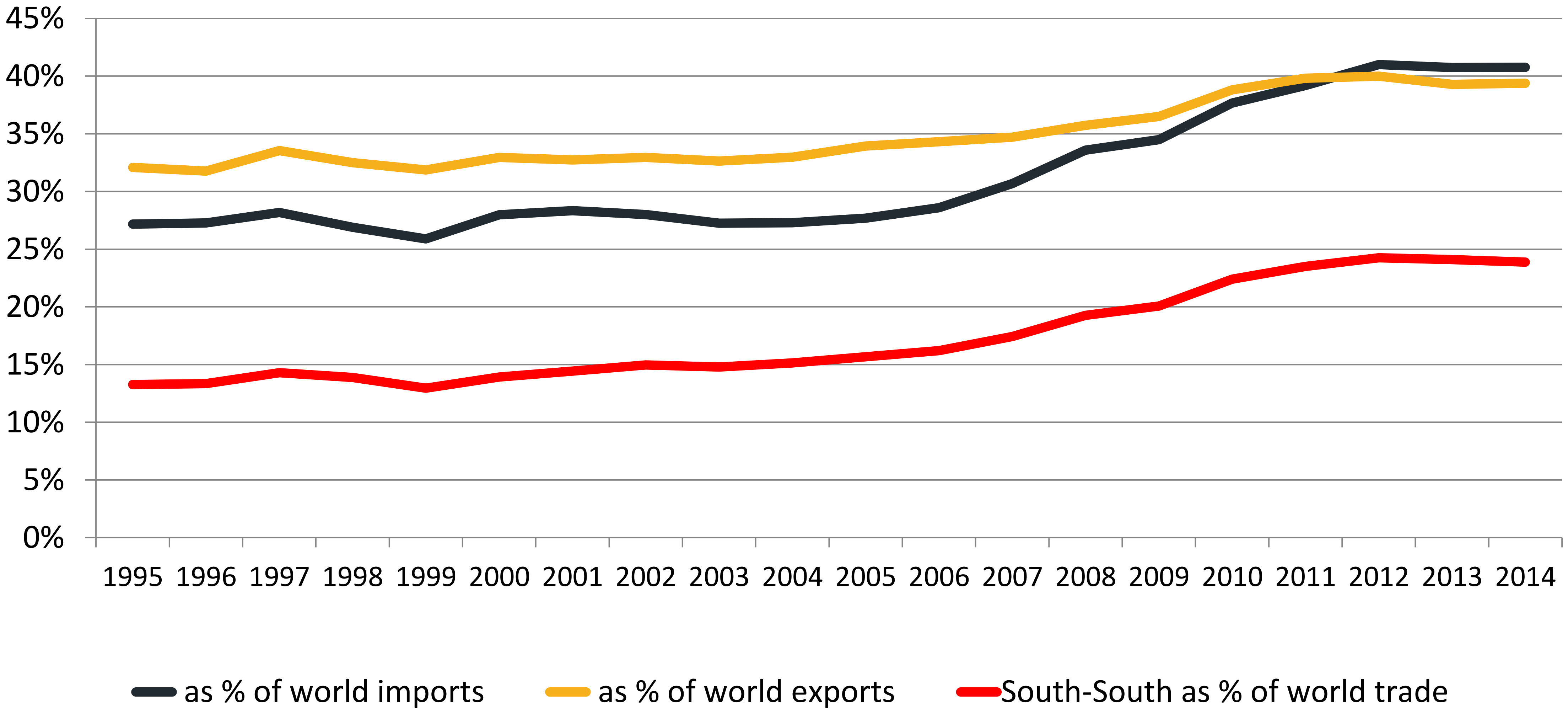
Source: USDA, PSD database

Global import penetration

Commodity	2000/2001	2005/2006	2010/2011	2015/2016	2016/2017
Wheat	17.3%	19.0%	20.3%	24.4%	24.5%
Rice	6.1%	7.2%	7.9%	8.6%	8.6%
Sugar	29.4%	34.5%	34.6%	31.0%	32.1%
Soybeans	31.4%	29.6%	36.4%	42.0%	43.1%
Vegetable oil	32.7%	34.1%	38.5%	41.8%	42.8%
Feed grains	12.5%	11.4%	10.8%	13.5%	15.2%
Swine meat	3.6%	5.3%	5.9%	6.6%	7.6%
Poultry meat	9.1%	10.9%	11.6%	11.8%	12.3%
Beef and veal	11.2%	13.2%	13.4%	16.5%	16.0%

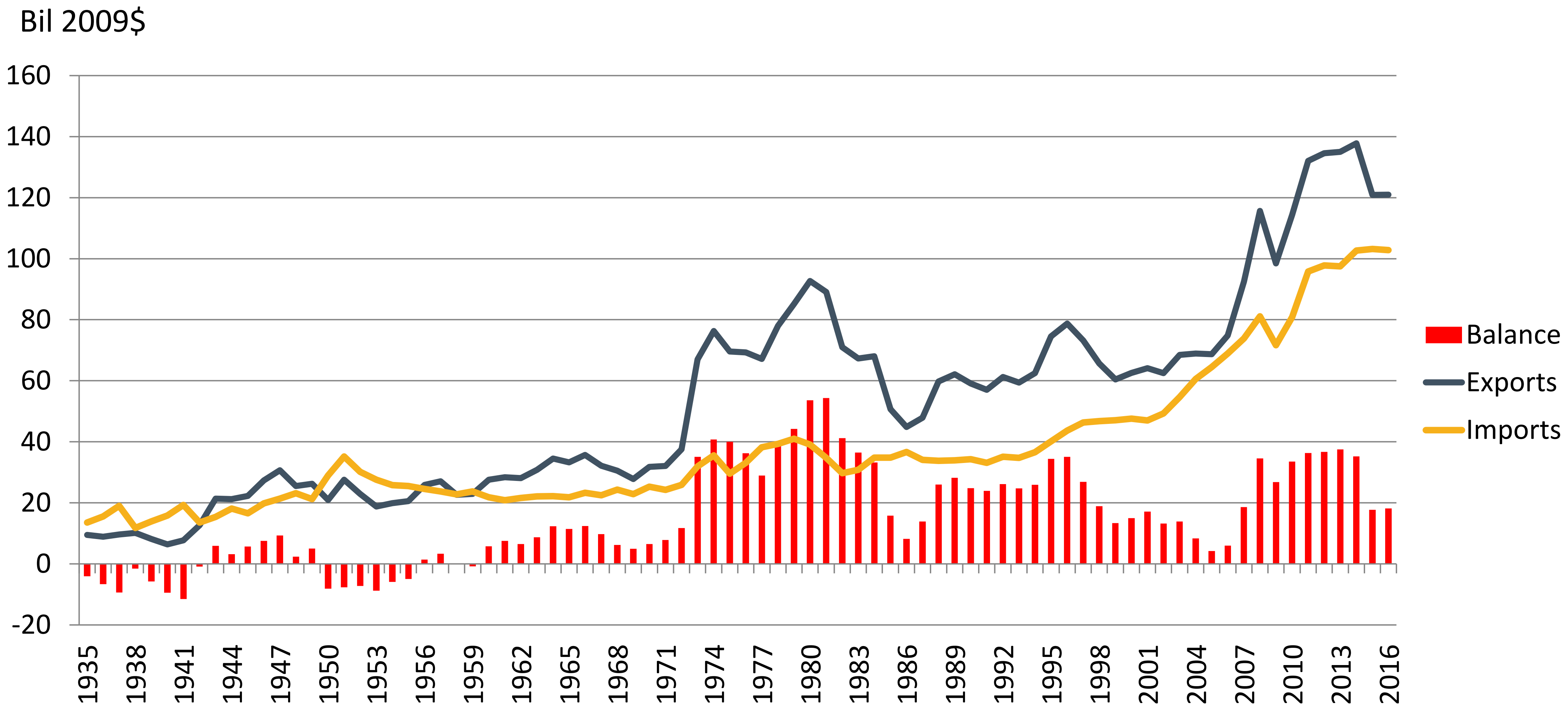
Source: USDA, PS&D database

Growth of South-South trade



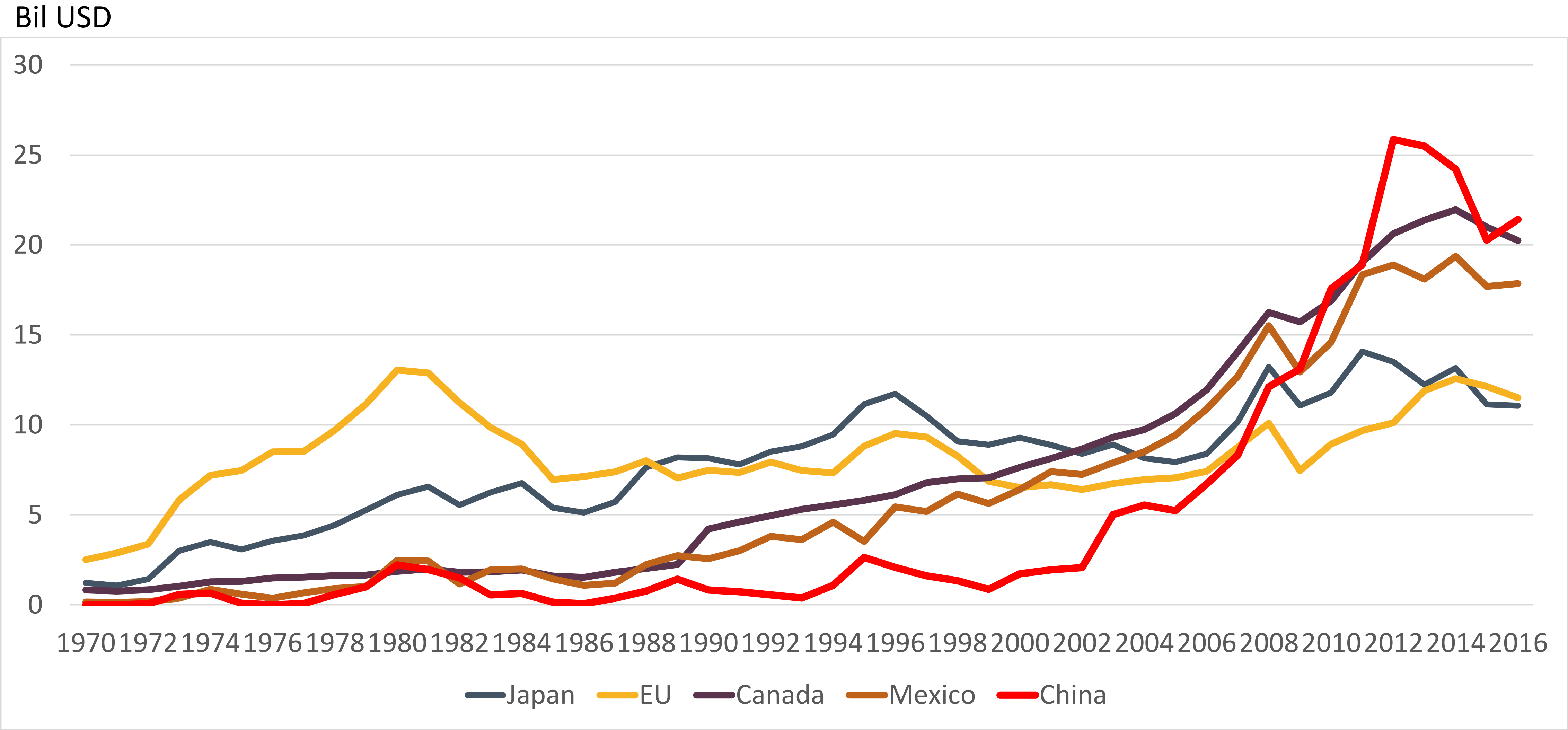
Source: UNCTAD

US Agricultural Trade



Source: USDA, GATS

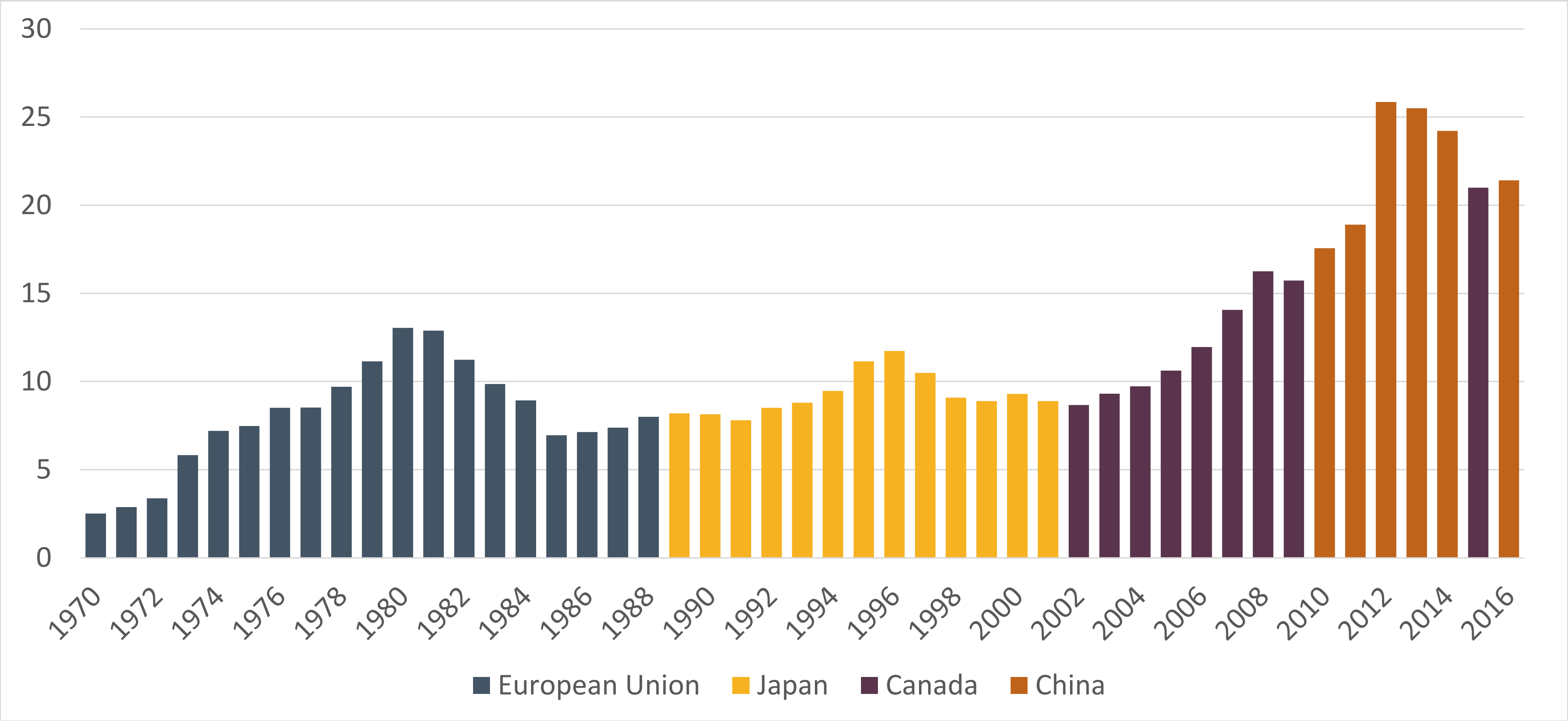
US Ag Trade by Destination



Source: USDA, GATS

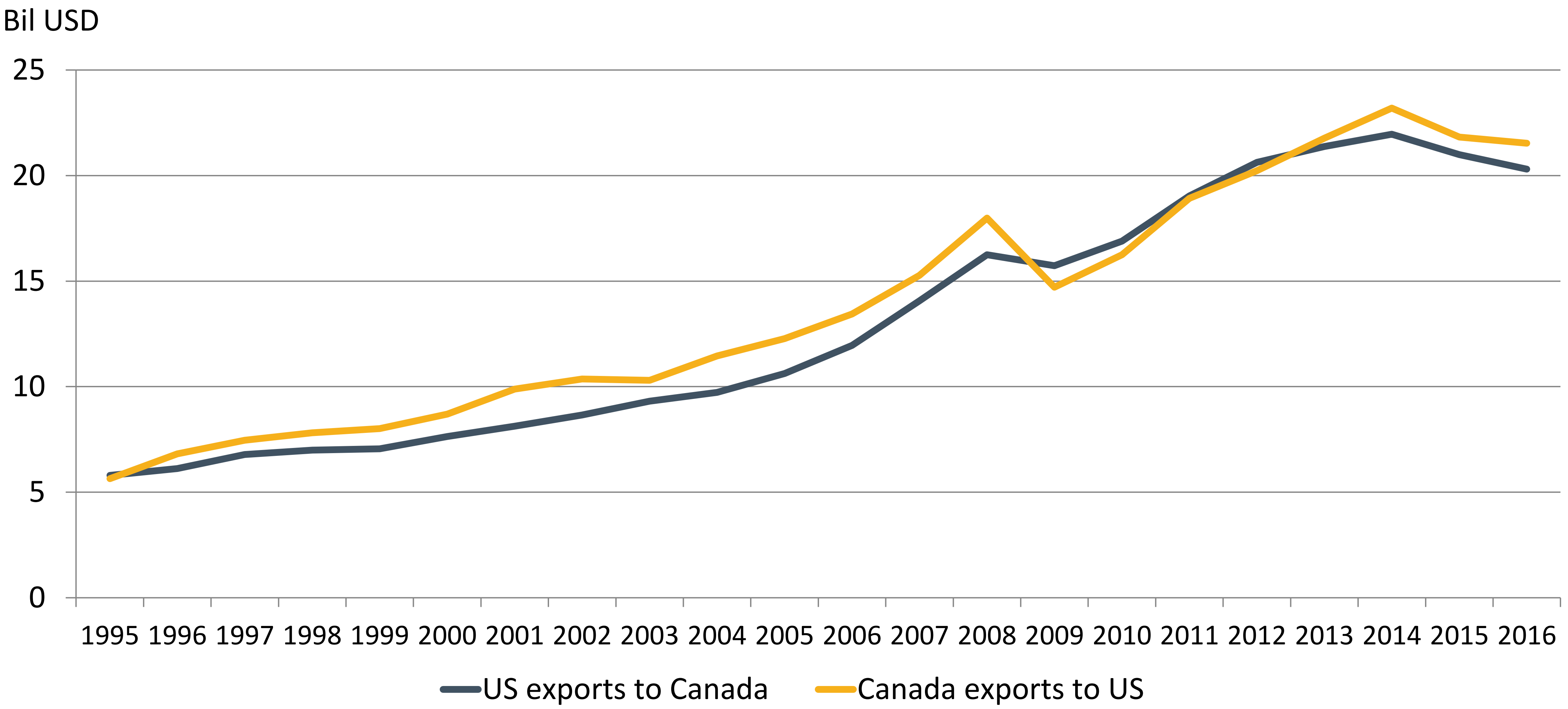
Top US agricultural export destination

Bil USD

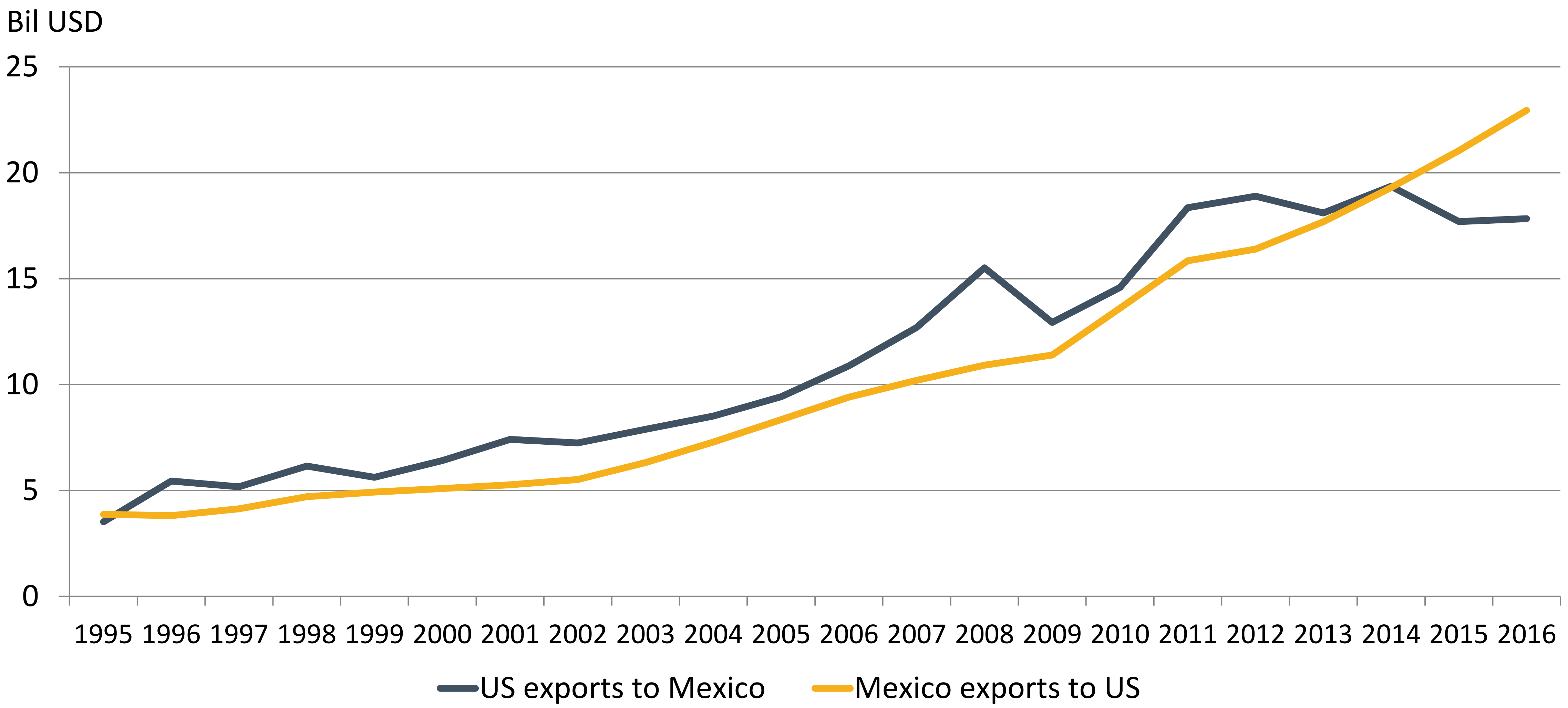


Source: USDA, GATS

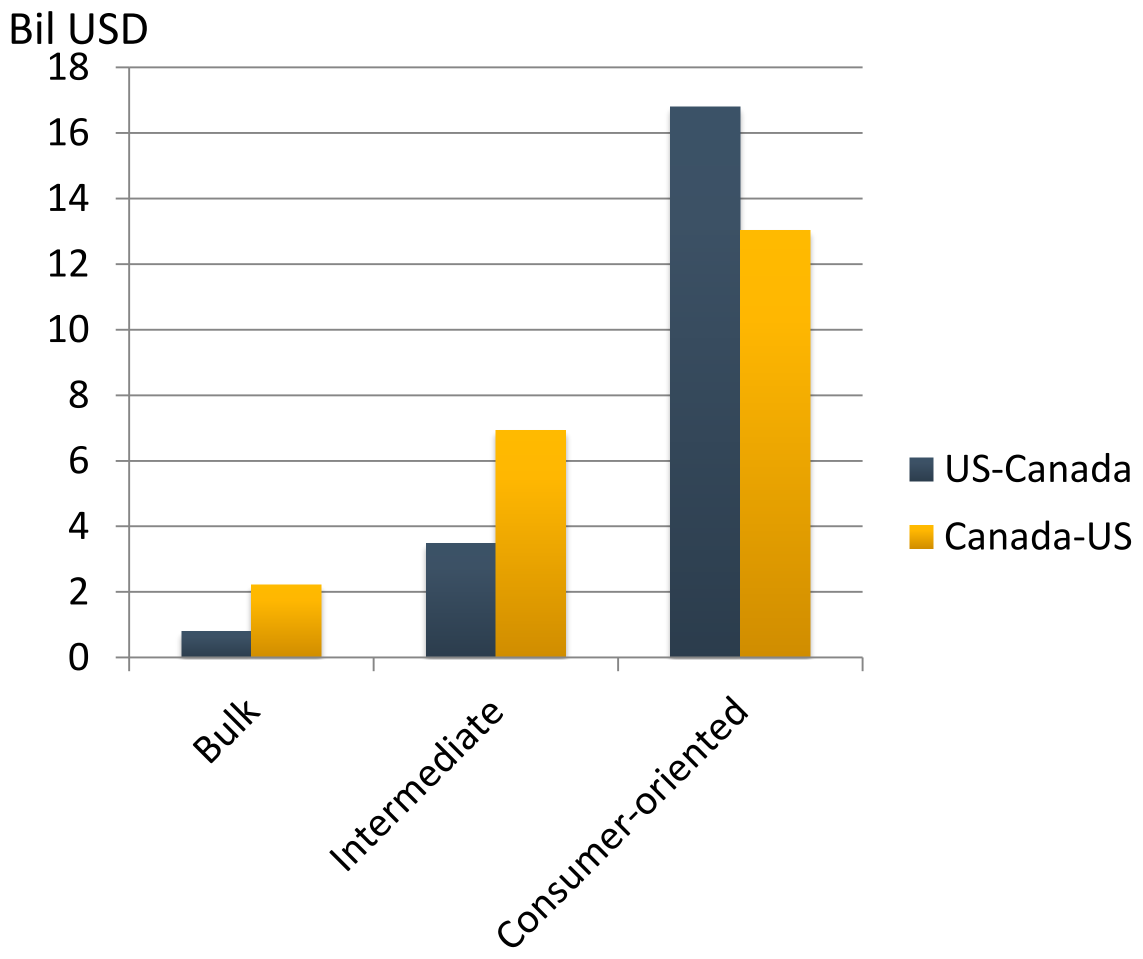
US-Canada agricultural trade

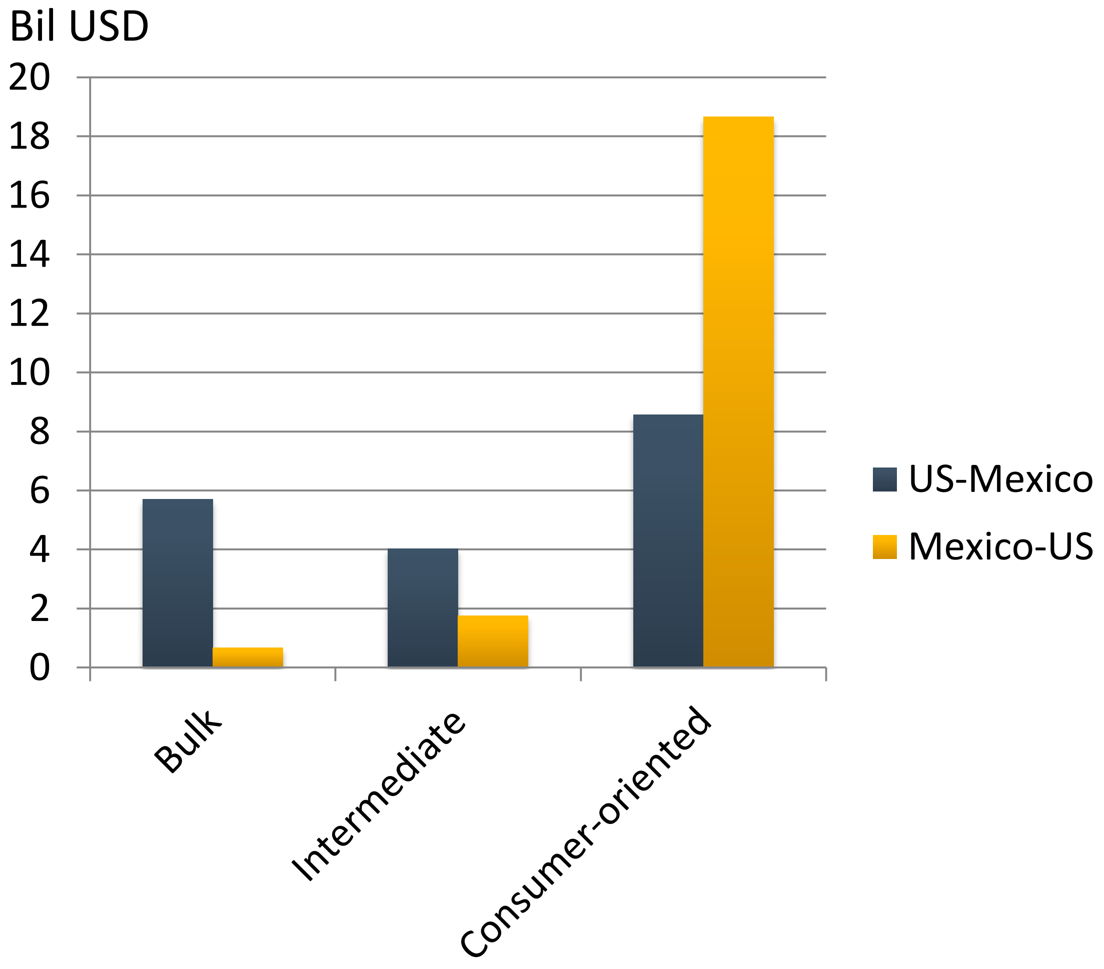


US-Mexico agricultural trade

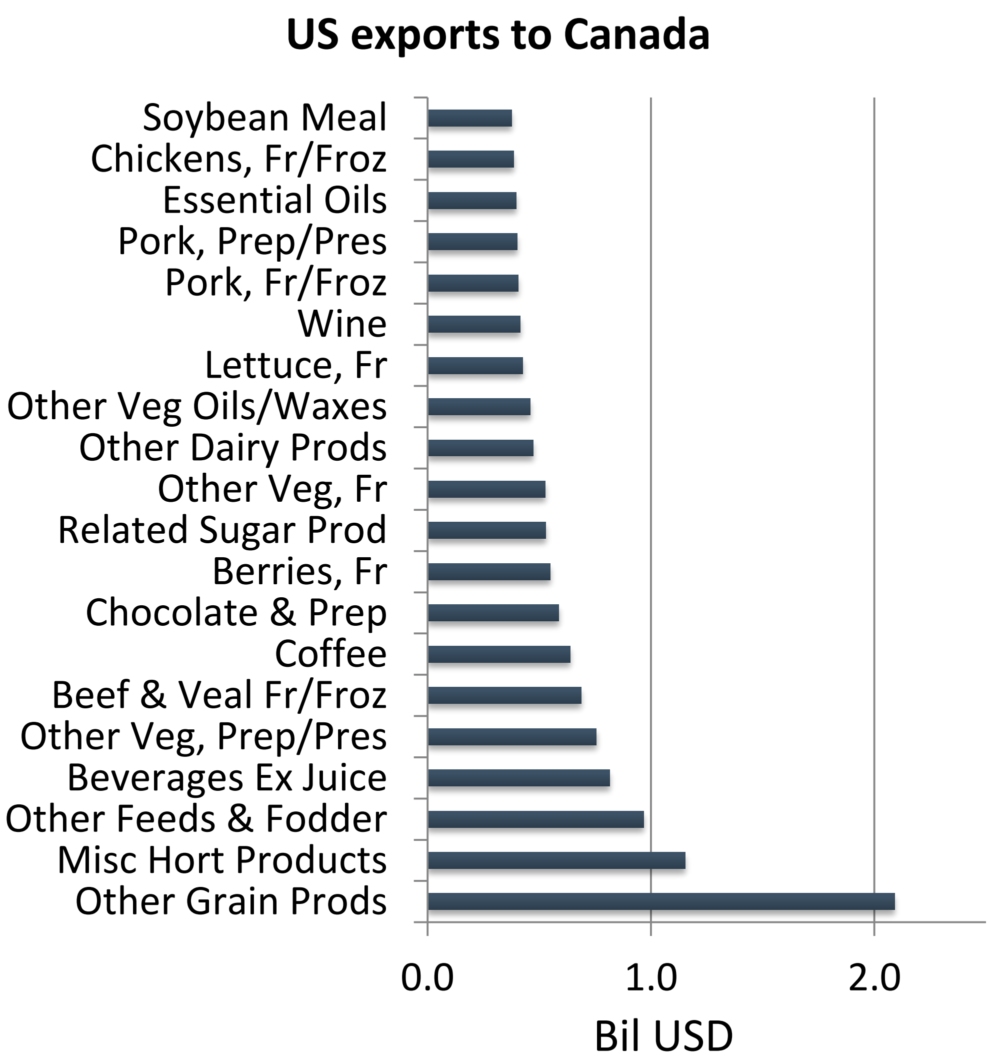


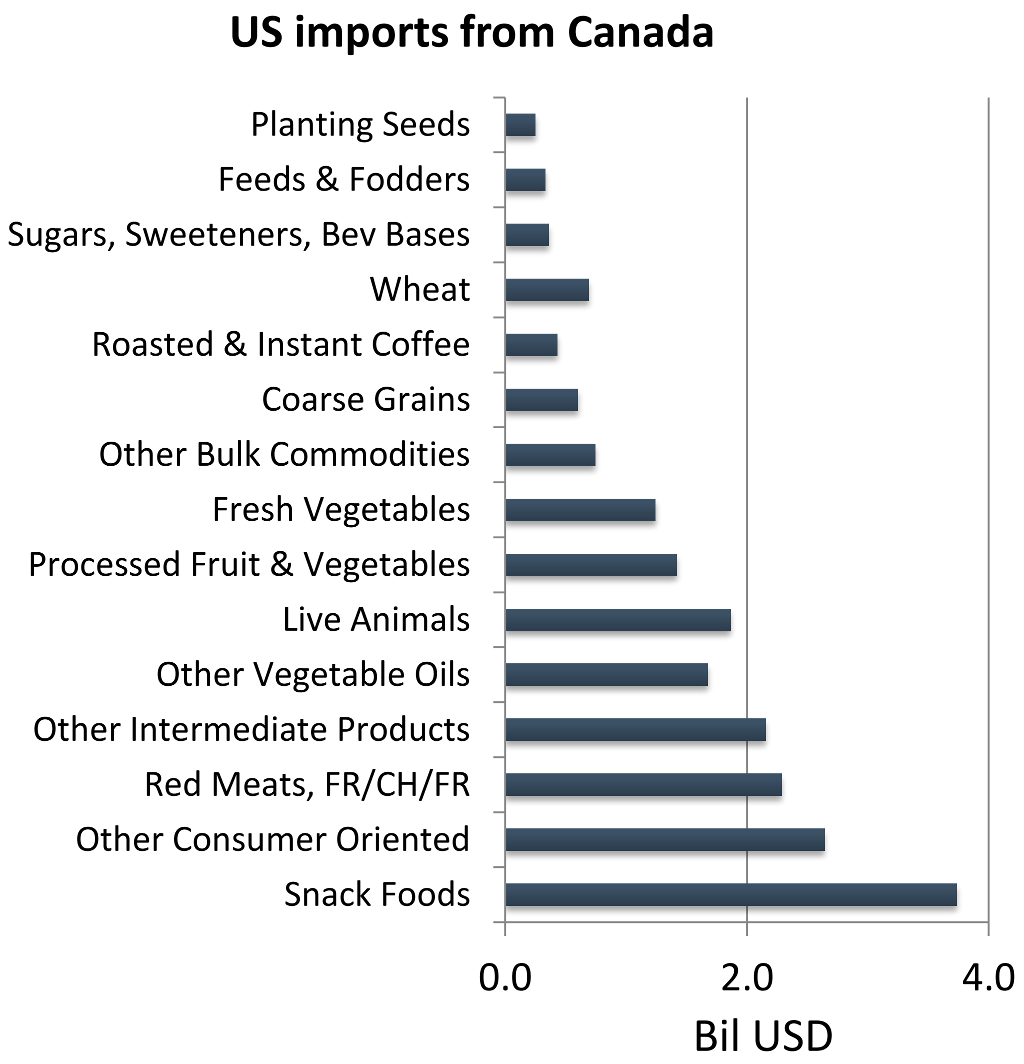
Bilateral flows with the United States, 2014-16



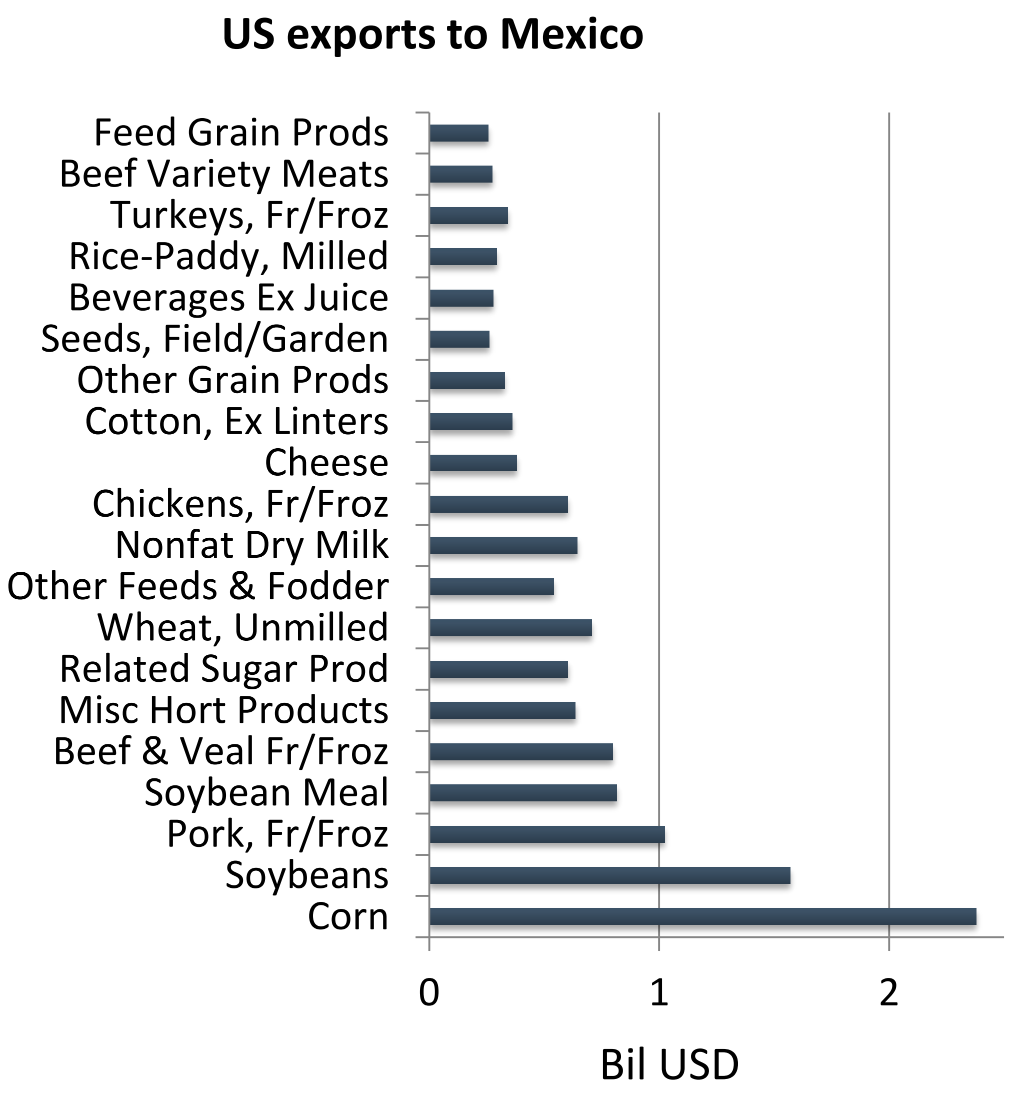


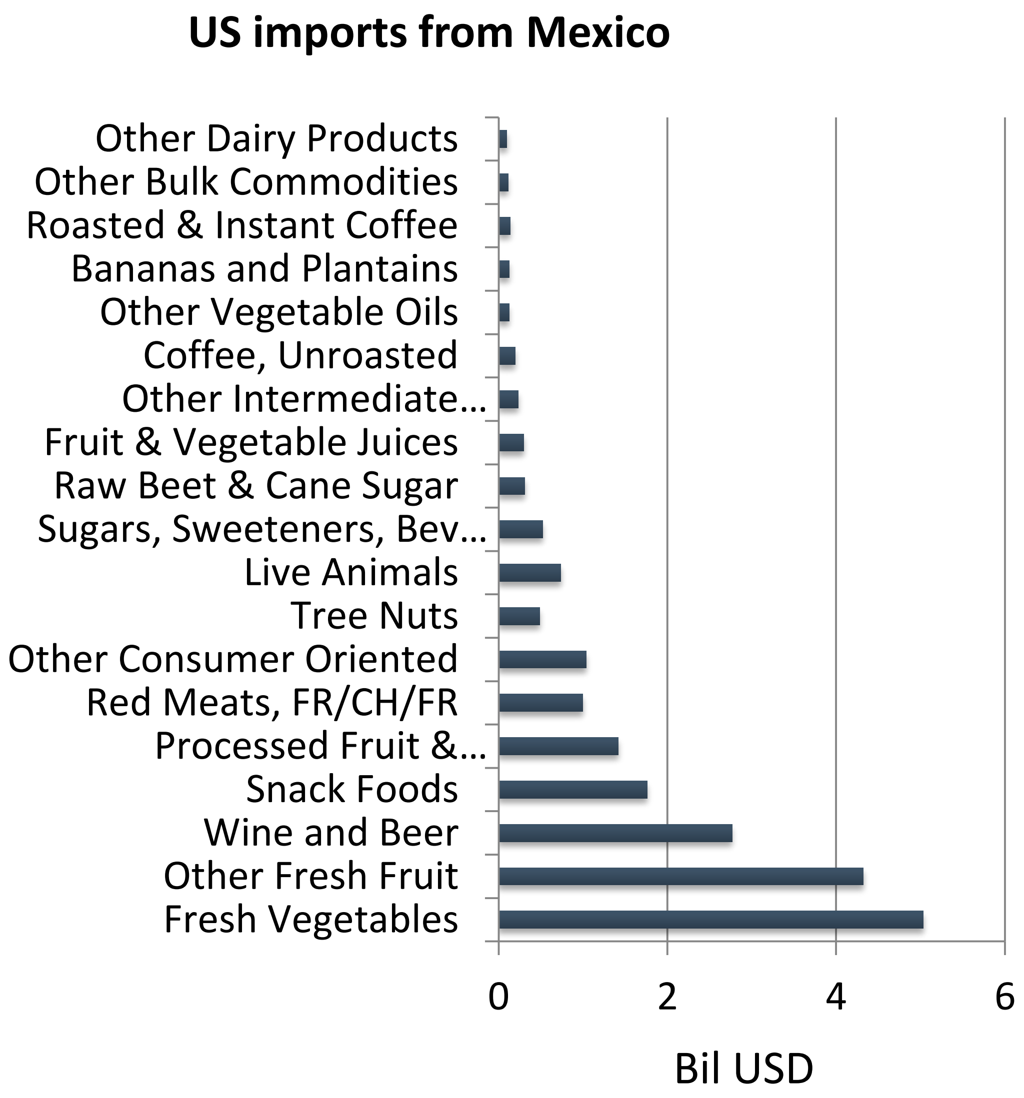
Bilateral trade with Canada, 2014-16



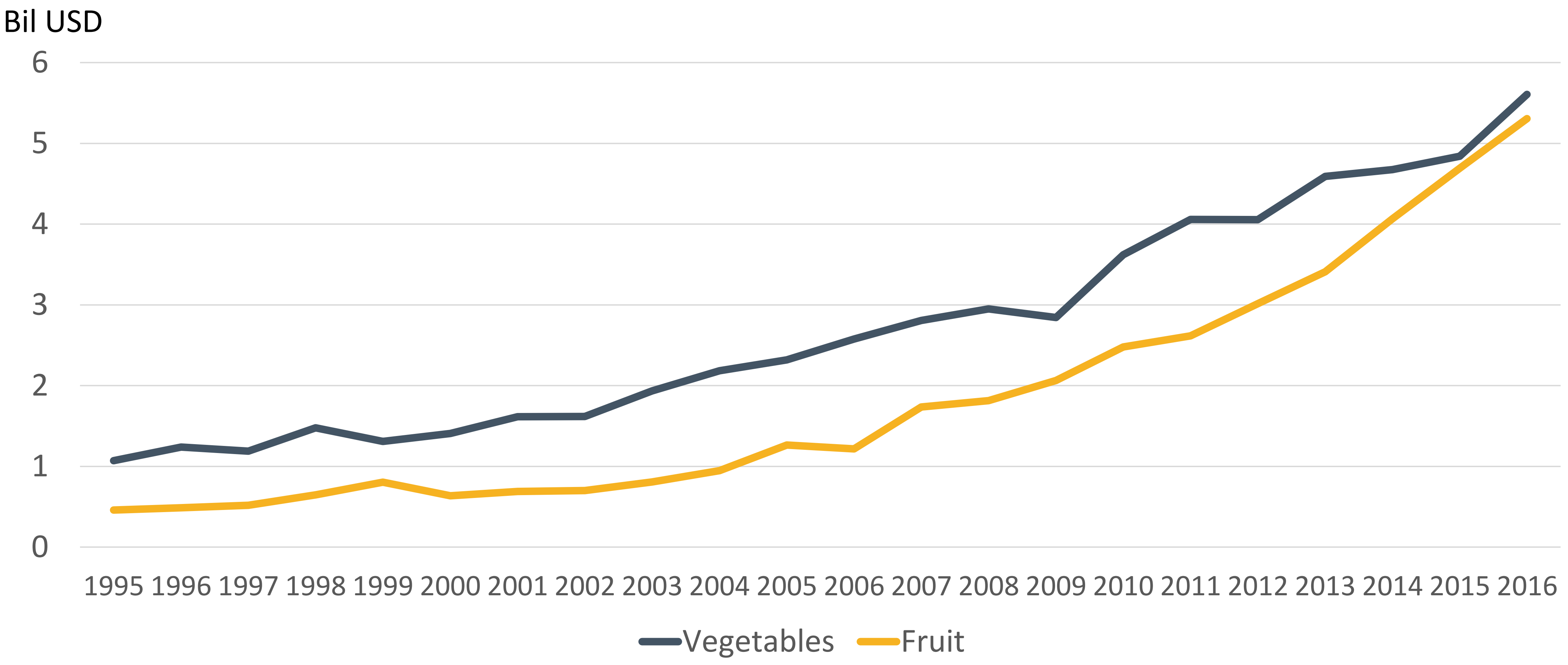


Bilateral trade with Mexico, 2014-16

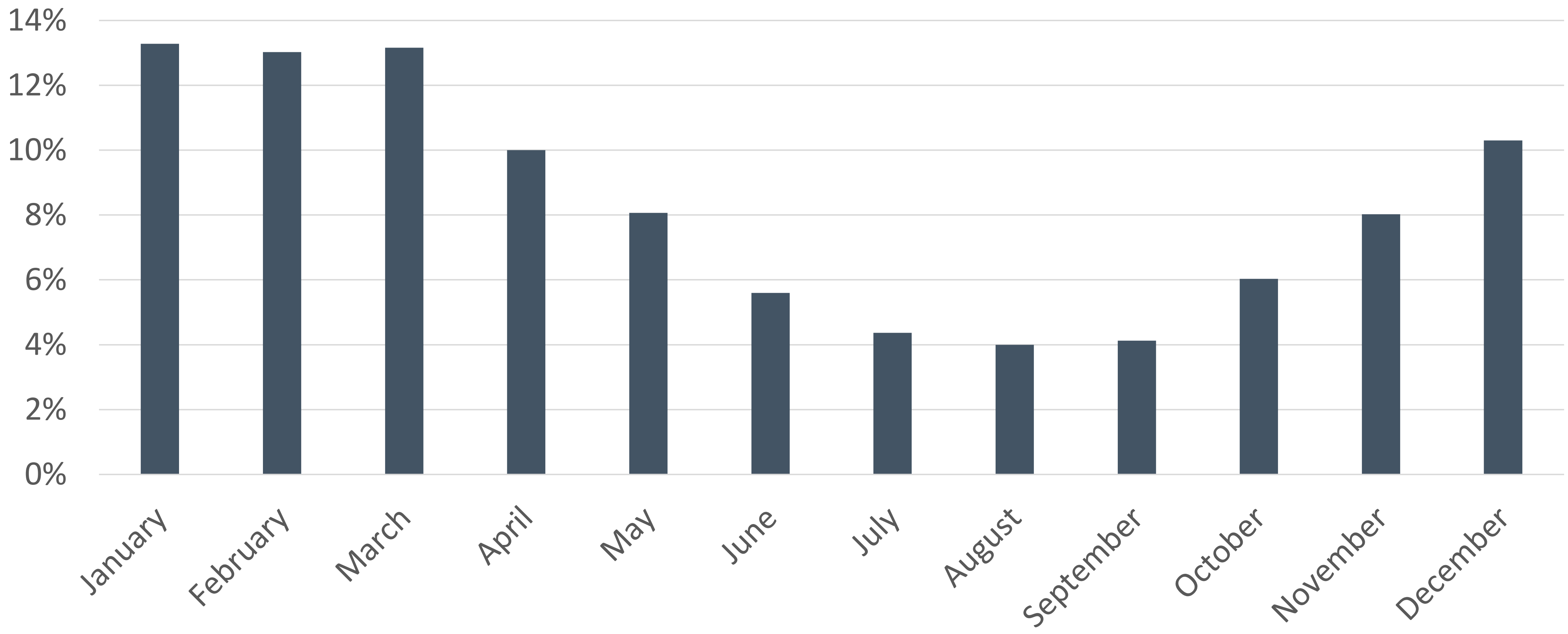




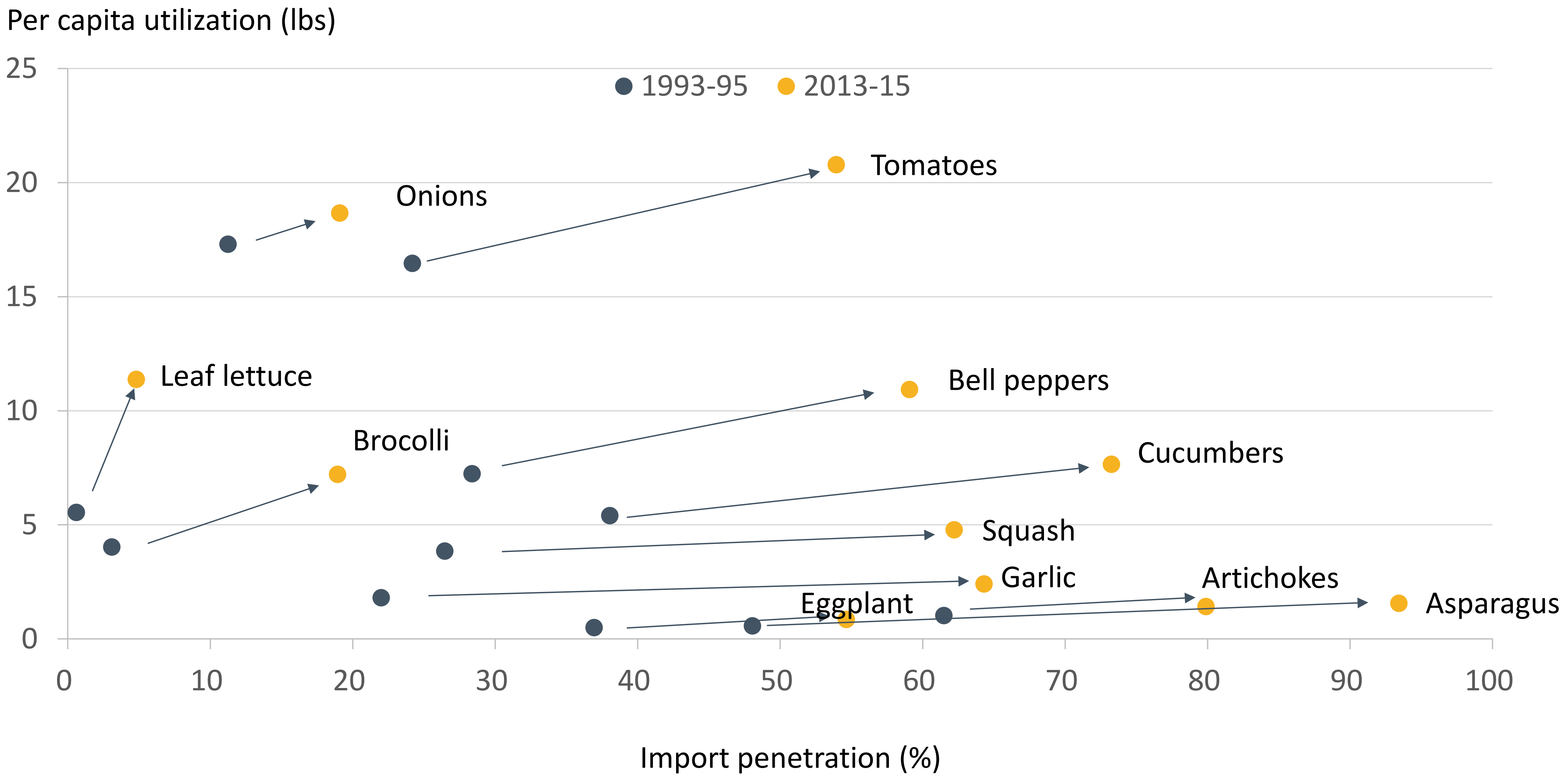
US fresh fruit and vegetables imports from Mexico



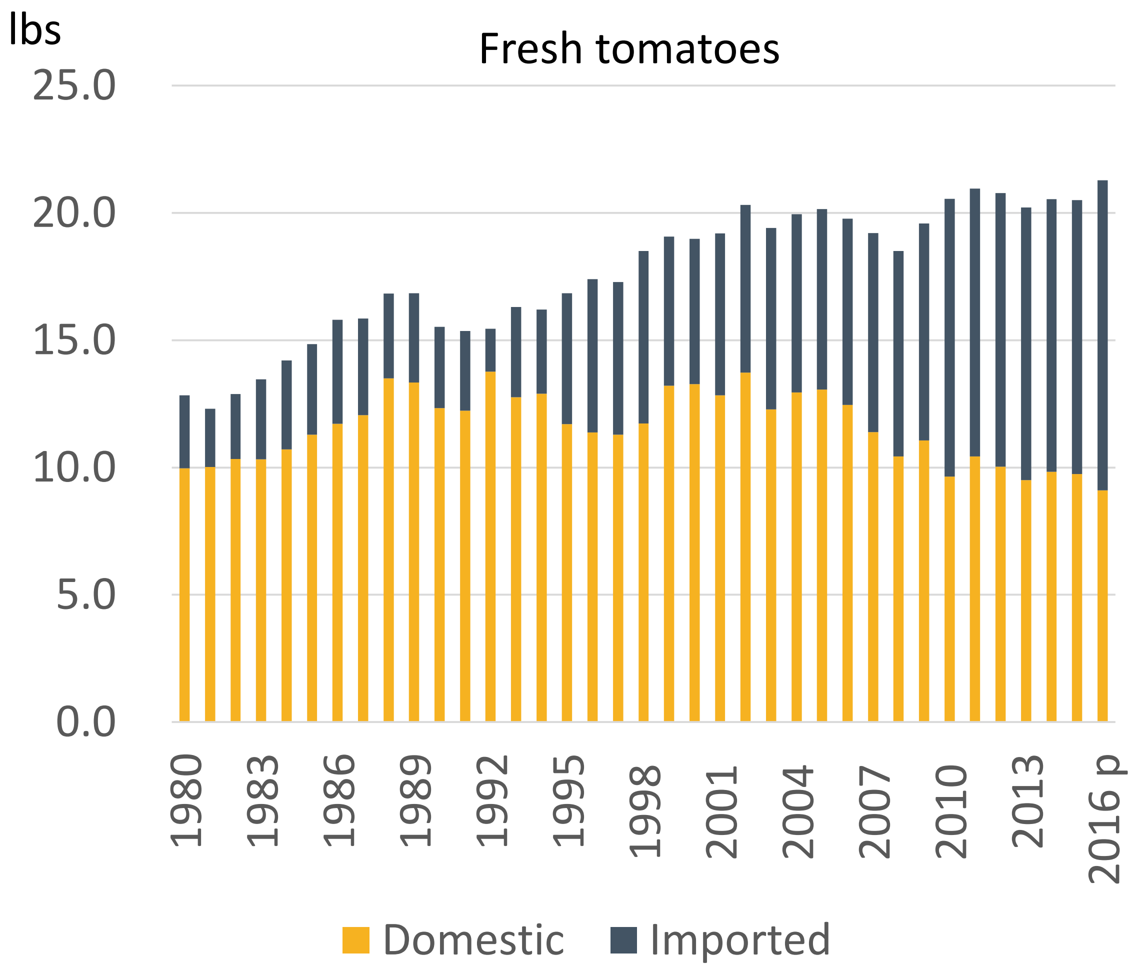
Percent of annual Mexican fresh vegetables exports to the US by month, 2010-16

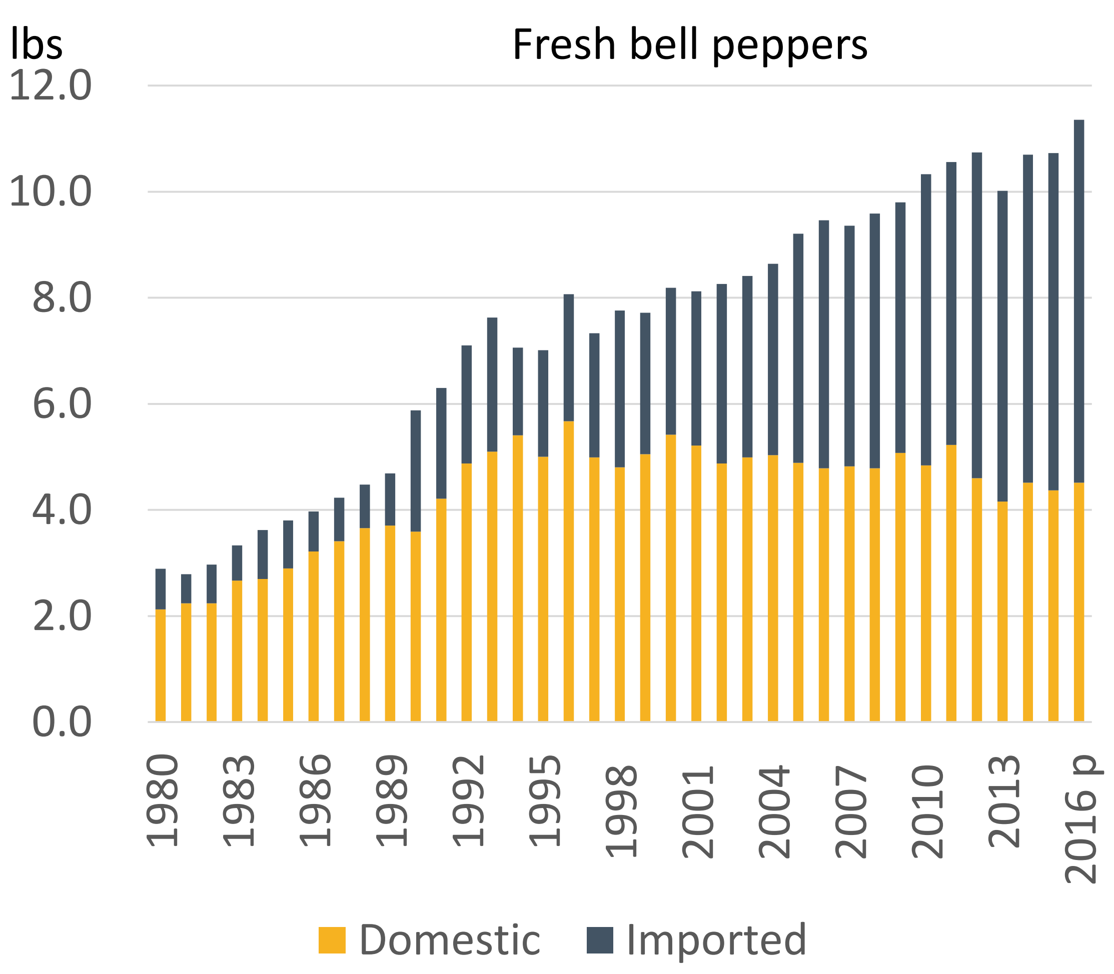


US utilization of selected fresh vegetables

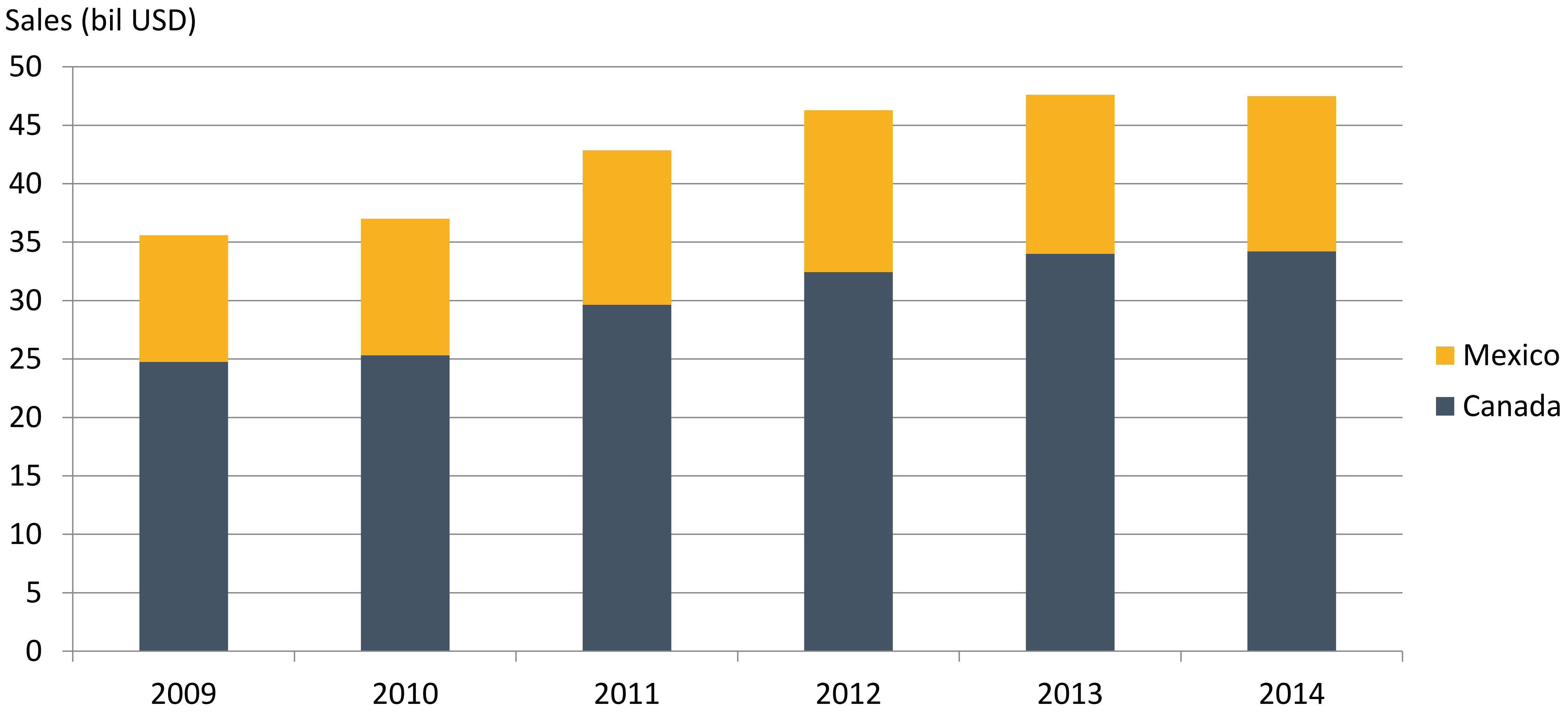


US per capita utilization





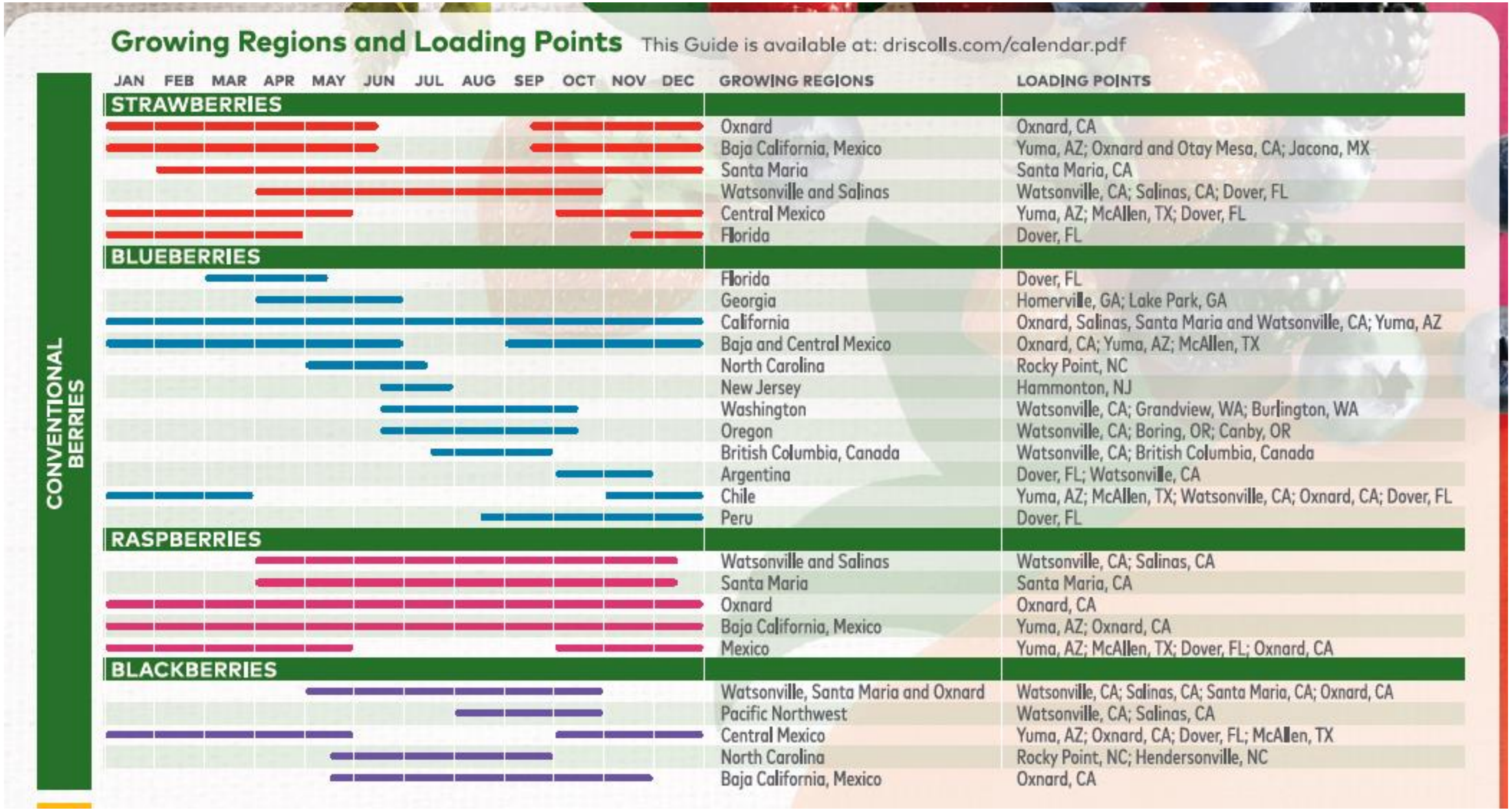
Food processing sales of US affiliates in NAFTA markets



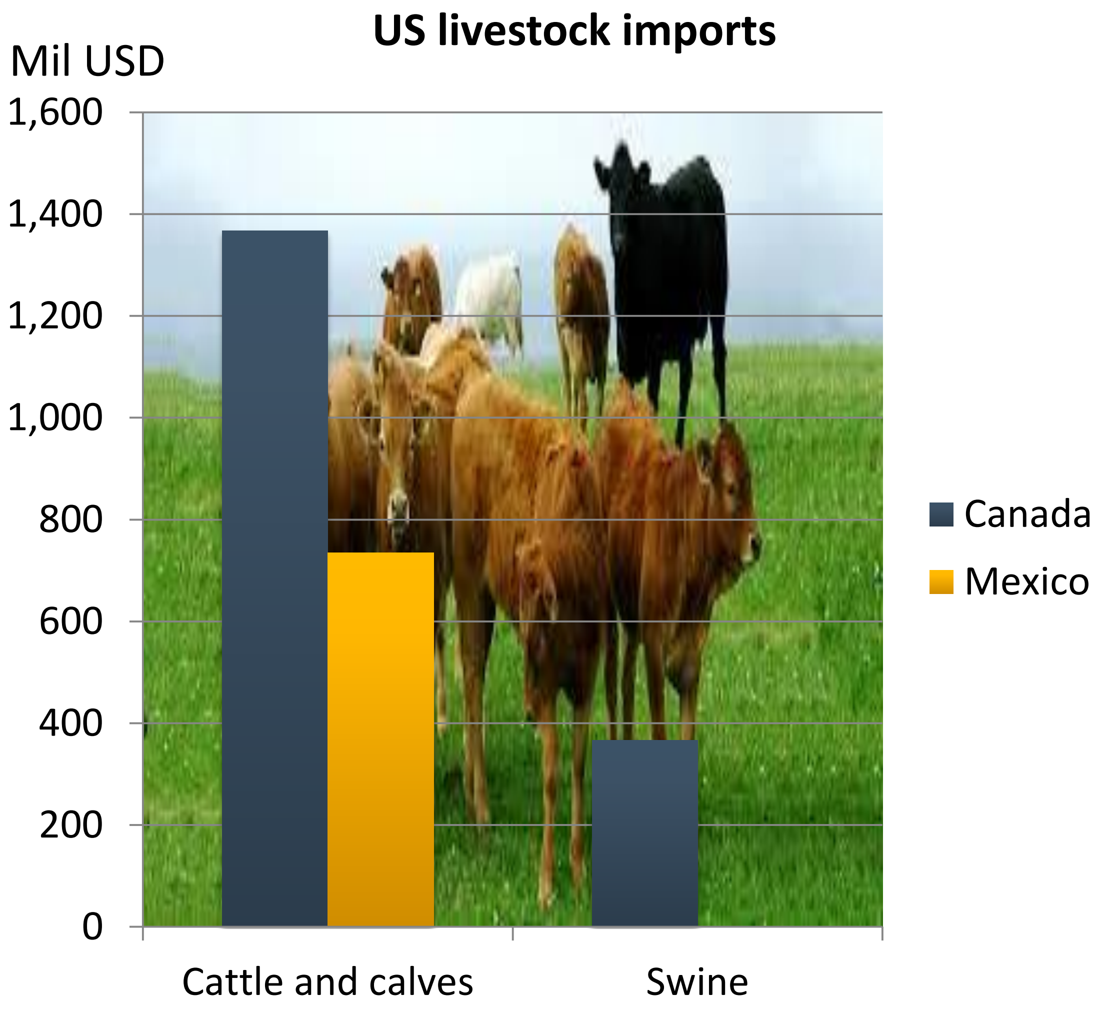
Source: US Department of Commerce, Bureau of Economic Analysis

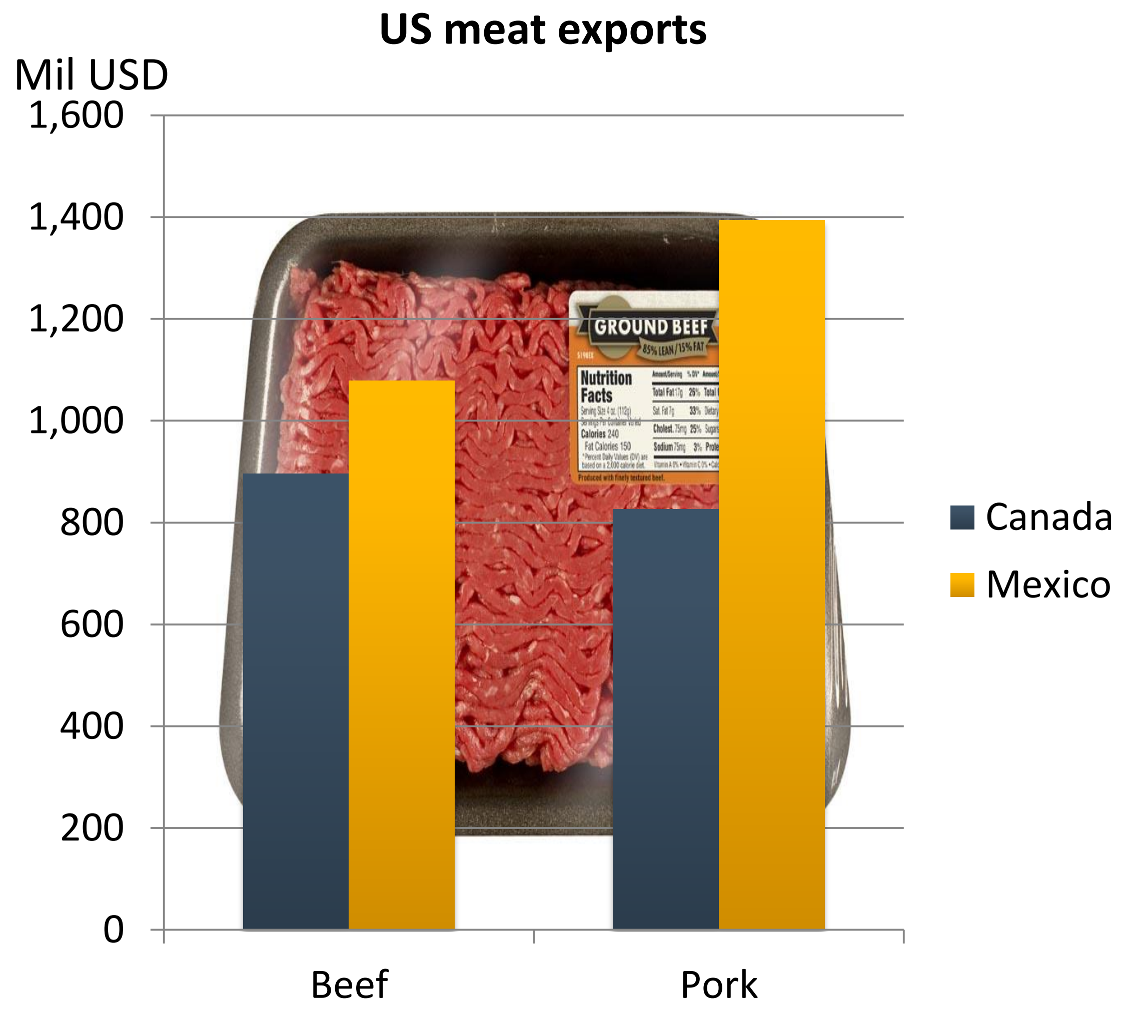
Global value chains—f&v

Driscoll's
Only the Finest Berries™

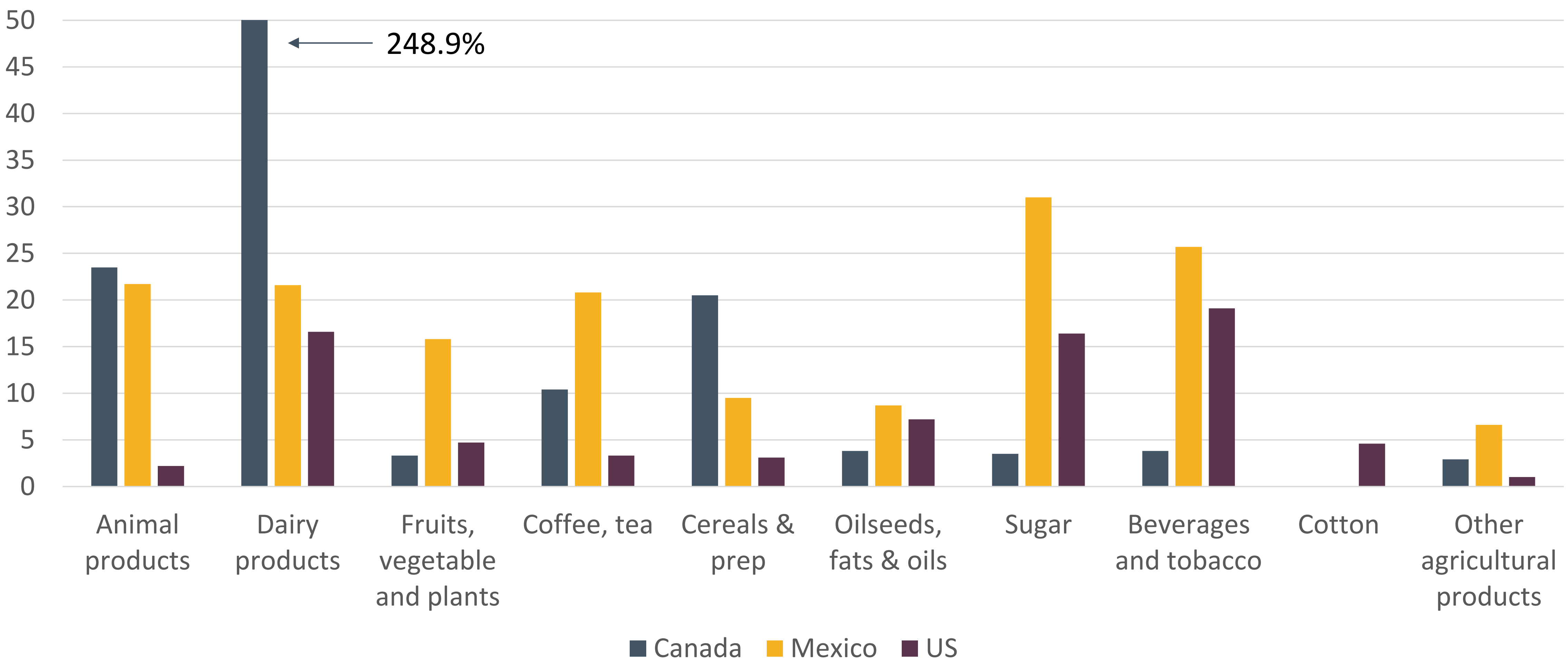


Global value chains—livestock, 2014-16

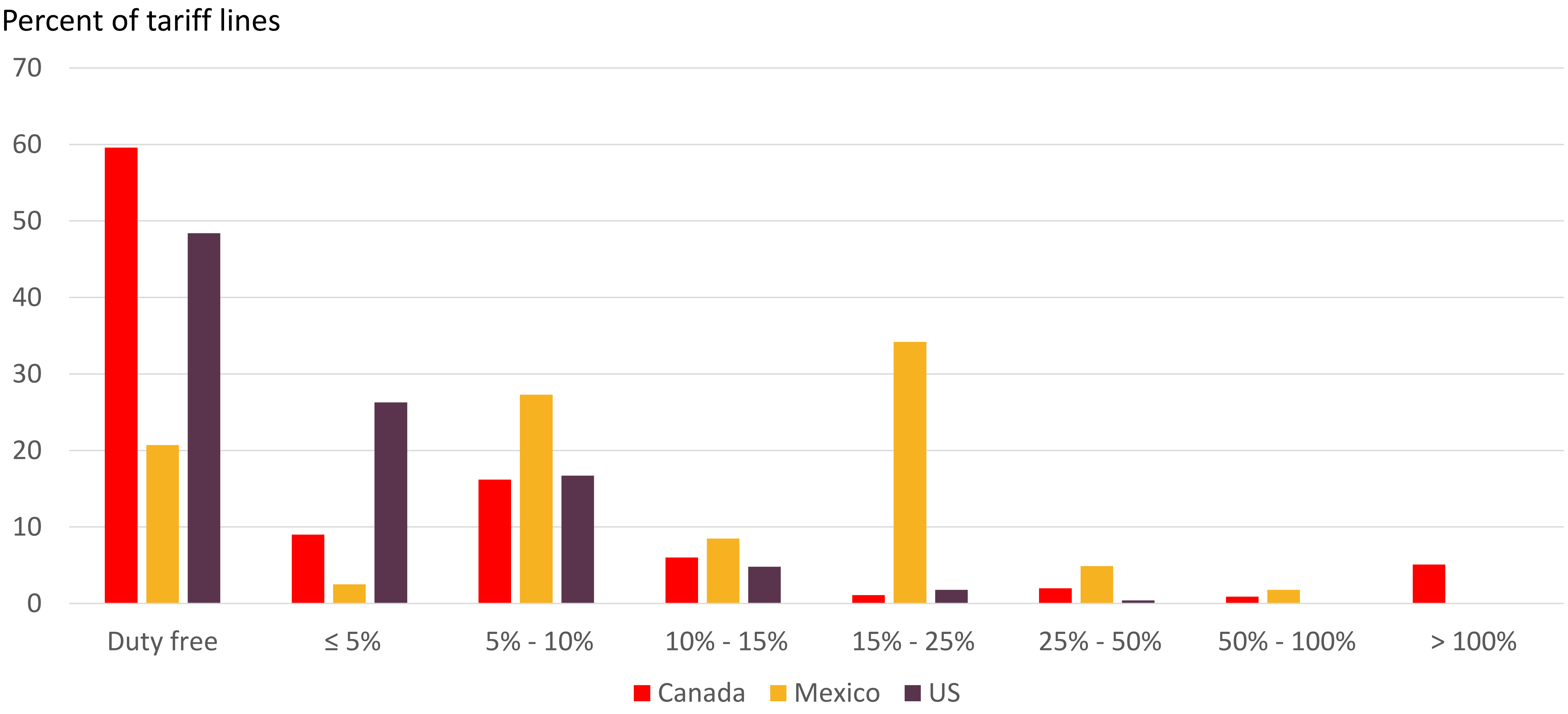




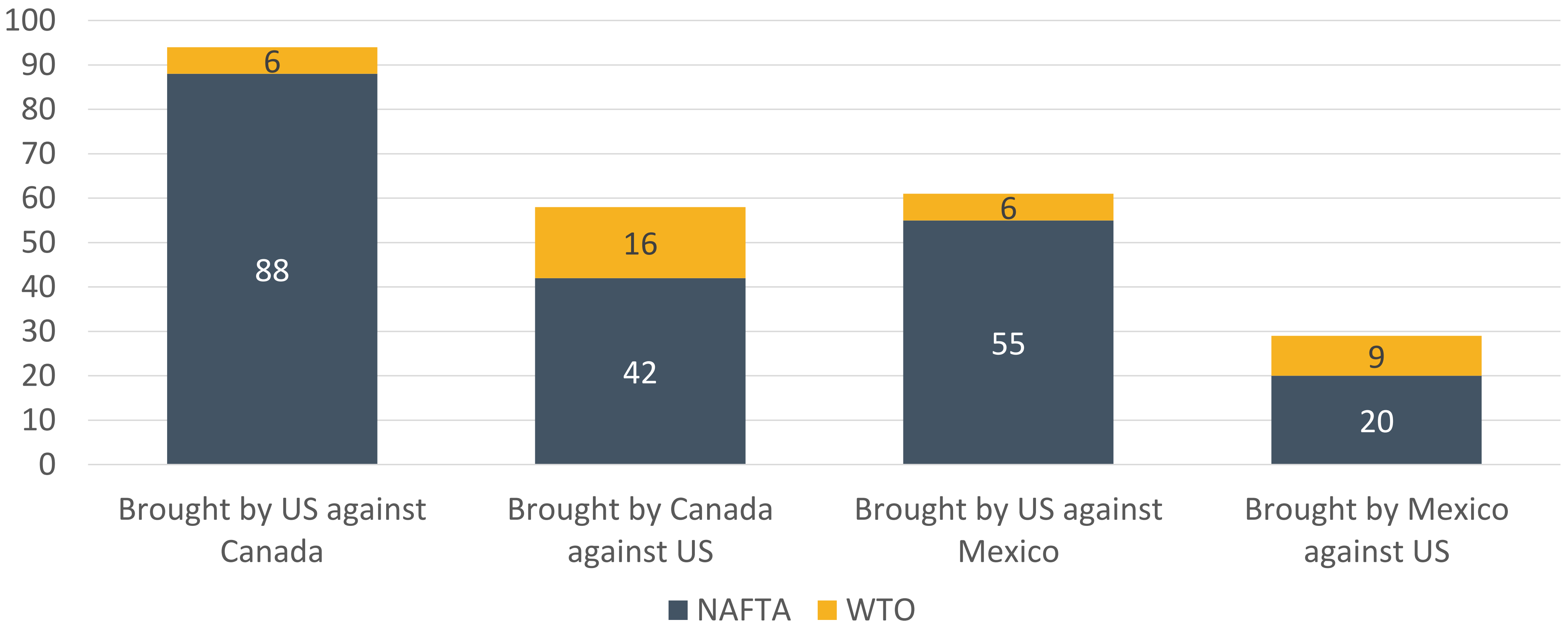
MFN applied duties



Agricultural tariff profiles—applied MFN rates



Trade disputes involving the US and its NAFTA partners



Looking forward

- Market access gains unlikely (without substantial tradeoffs)
  - Big tradeoffs necessary: dairy (US, Canada), poultry (Canada), sugar (US)
  - Seasonal trade remedy actions would be double-edged (f&v versus pork)
- Modernizing NAFTA:
  - TPP (e-commerce, dispute settlement, SPS, IP)
  - Greater efforts to harmonize standards, reduce regulatory barriers for trade
  - Single Window Environments
- "Do no harm" but will the "harm" come from other areas of contention (Chapter 19, rules of origin, domestic content, softwood lumber, …) where agriculture suffers collateral damage?
- Opportunity costs of negotiations: ***renegotiating the past rather than negotiating the future***