RENEGOTIATING NAFTA--what’s at stake?

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Senior Research Fellow, IFPRI
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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

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>17.3%</td>
<td>19.0%</td>
<td>20.3%</td>
<td>24.4%</td>
<td>24.5%</td>
</tr>
<tr>
<td>Rice</td>
<td>6.1%</td>
<td>7.2%</td>
<td>7.9%</td>
<td>8.6%</td>
<td>8.6%</td>
</tr>
<tr>
<td>Sugar</td>
<td>29.4%</td>
<td>34.5%</td>
<td>34.6%</td>
<td>31.0%</td>
<td>32.1%</td>
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<tr>
<td>Soybeans</td>
<td>31.4%</td>
<td>29.6%</td>
<td>36.4%</td>
<td>42.0%</td>
<td>43.1%</td>
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<tr>
<td>Vegetable oil</td>
<td>32.7%</td>
<td>34.1%</td>
<td>38.5%</td>
<td>41.8%</td>
<td>42.8%</td>
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<tr>
<td>Feed grains</td>
<td>12.5%</td>
<td>11.4%</td>
<td>10.8%</td>
<td>13.5%</td>
<td>15.2%</td>
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<tr>
<td>Swine meat</td>
<td>3.6%</td>
<td>5.3%</td>
<td>5.9%</td>
<td>6.6%</td>
<td>7.6%</td>
</tr>
<tr>
<td>Poultry meat</td>
<td>9.1%</td>
<td>10.9%</td>
<td>11.6%</td>
<td>11.8%</td>
<td>12.3%</td>
</tr>
<tr>
<td>Beef and veal</td>
<td>11.2%</td>
<td>13.2%</td>
<td>13.4%</td>
<td>16.5%</td>
<td>16.0%</td>
</tr>
</tbody>
</table>

Source: USDA, PS&D database
Growth of South-South trade

- as % of world imports
- as % of world exports
- South-South as % of world trade

Source: UNCTAD
US Agricultural Trade

Balance
Exports
Imports

Source: USDA, GATS
US Ag Trade by Destination

Source: USDA, GATS
Top US agricultural export destination

Source: USDA, GATS
US-Canada agricultural trade

Bil USD


US exports to Canada
Canada exports to US
US-Mexico agricultural trade

US exports to Mexico  
Mexico exports to US
Bilateral flows with the United States, 2014-16
### US exports to Canada

<table>
<thead>
<tr>
<th>Product</th>
<th>Bil USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soybean Meal</td>
<td></td>
</tr>
<tr>
<td>Chickens, Fr/Froz</td>
<td></td>
</tr>
<tr>
<td>Essential Oils</td>
<td></td>
</tr>
<tr>
<td>Pork, Prep/Pres</td>
<td></td>
</tr>
<tr>
<td>Pork, Fr/Froz</td>
<td></td>
</tr>
<tr>
<td>Wine</td>
<td></td>
</tr>
<tr>
<td>Lettuce, Fr</td>
<td></td>
</tr>
<tr>
<td>Other Veg Oils/Waxes</td>
<td></td>
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<tr>
<td>Other Dairy Prods</td>
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<tr>
<td>Other Veg, Fr</td>
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<tr>
<td>Related Sugar Prod</td>
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<tr>
<td>Berries, Fr</td>
<td></td>
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<tr>
<td>Chocolate &amp; Prep</td>
<td></td>
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<tr>
<td>Coffee</td>
<td></td>
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<tr>
<td>Beef &amp; Veal Fr/Froz</td>
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</tr>
<tr>
<td>Other Veg, Prep/Pres</td>
<td></td>
</tr>
<tr>
<td>Beverages Ex Juice</td>
<td></td>
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<tr>
<td>Other Feeds &amp; Fodder</td>
<td></td>
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<tr>
<td>Misc Hort Products</td>
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<tr>
<td>Other Grain Prods</td>
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</table>

### US imports from Canada

<table>
<thead>
<tr>
<th>Product</th>
<th>Bil USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planting Seeds</td>
<td></td>
</tr>
<tr>
<td>Feeds &amp; Fodders</td>
<td></td>
</tr>
<tr>
<td>Sugars, Sweeteners, Bev Bases</td>
<td></td>
</tr>
<tr>
<td>Wheat</td>
<td></td>
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<tr>
<td>Roasted &amp; Instant Coffee</td>
<td></td>
</tr>
<tr>
<td>Coarse Grains</td>
<td></td>
</tr>
<tr>
<td>Other Bulk Commodities</td>
<td></td>
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<tr>
<td>Fresh Vegetables</td>
<td></td>
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<tr>
<td>Processed Fruit &amp; Vegetables</td>
<td></td>
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<tr>
<td>Live Animals</td>
<td></td>
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<tr>
<td>Other Vegetable Oils</td>
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<tr>
<td>Other Intermediate Products</td>
<td></td>
</tr>
<tr>
<td>Red Meats, FR/CH/FR</td>
<td></td>
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<tr>
<td>Other Consumer Oriented</td>
<td></td>
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<tr>
<td>Snack Foods</td>
<td></td>
</tr>
</tbody>
</table>
Bilateral trade with Mexico, 2014-16

**US exports to Mexico**

- Feed Grain Prods
- Beef Variety Meats
- Turkeys, Fr/Froz
- Rice-Paddy, Milled
- Beverages Ex Juice
- Seeds, Field/Garden
- Other Grain Prods
- Cotton, Ex Linters
- Cheese
- Chickens, Fr/Froz
- Nonfat Dry Milk
- Other Feeds & Fodder
- Wheat, Unmilled
- Related Sugar Prod
- Misc Hort Products
- Beef & Veal Fr/Froz
- Soybean Meal
- Pork, Fr/Froz
- Soybeans
- Corn

**US imports from Mexico**

- Other Dairy Products
- Other Bulk Commodities
- Roasted & Instant Coffee
- Bananas and Plantains
- Other Vegetable Oils
- Coffee, Unroasted
- Other Intermediate...
- Fruit & Vegetable Juices
- Raw Beet & Cane Sugar
- Sugars, Sweeteners, Bev...
- Live Animals
- Tree Nuts
- Other Consumer Oriented
- Red Meats, FR/CH/FR
- Processed Fruit &...
- Snack Foods
- Wine and Beer
- Other Fresh Fruit
- Fresh Vegetables
US fresh fruit and vegetables imports from Mexico

Bil USD


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

Per capita utilization (lbs)

Import penetration (%)

1993-95  2013-15

- Tomatoes
- Onions
- Leaf lettuce
- Broccoli
- Bell peppers
- Cucumbers
- Squash
- Eggplant
- Garlic
- Artichokes
- Asparagus
US per capita utilization

Fresh tomatoes

- Domestic
- Imported

Fresh bell peppers

- Domestic
- Imported
Food processing sales of US affiliates in NAFTA markets

Source: US Department of Commerce, Bureau of Economic Analysis
Global value chains—f&v

### Growing Regions and Loading Points

<table>
<thead>
<tr>
<th>JAN</th>
<th>FEB</th>
<th>MAR</th>
<th>APR</th>
<th>MAY</th>
<th>JUN</th>
<th>JUL</th>
<th>AUG</th>
<th>SEP</th>
<th>OCT</th>
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<th>DEC</th>
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<tr>
<td><strong>STRAWBERRIES</strong></td>
<td>Ozard</td>
<td>Baja California, Mexico</td>
<td>Santa Maria</td>
<td>Watsonville and Salinas</td>
<td>Florida</td>
<td>Ozard</td>
<td>Baja California, Mexico</td>
<td>Santa Maria</td>
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<td>Florida</td>
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<td>Mexico</td>
<td>CA</td>
<td>CA</td>
<td>FL</td>
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<td>Mexico</td>
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<td>CA</td>
<td>FL</td>
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<td>California</td>
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<td>North Carolina</td>
<td>New Jersey</td>
<td>Washington</td>
<td>Oregon</td>
<td>British Columbia, Canada</td>
<td>Argentina</td>
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<tr>
<td></td>
<td>Dover, FL</td>
<td>Homerville, GA, Lake Park, GA</td>
<td>Ozard, Salinas, Santa Maria and Watsonville, CA, Yuma, AZ</td>
<td>Ozard, CA, Yuma, AZ, McAllen, TX</td>
<td>Rocky Point, NC</td>
<td>Hampton, NJ</td>
<td>Watsonville, CA, Grandview, WA, Burlington, WA</td>
<td>Watsonville, CA, Boring, OR, Canby, OR</td>
<td>Watsonville, CA, British Columbia, Canada</td>
<td>Dover, FL, Watsonville, CA</td>
<td>Yuma, AZ, McAllen, TX, Watsonville, CA, Ozard, CA, Dover, FL</td>
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<td><strong>RASPBERRIES</strong></td>
<td>Watsonville and Salinas</td>
<td>Santa Maria</td>
<td>Ozard</td>
<td>Baja California, Mexico</td>
<td>Mexico</td>
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<td>Pacific Northwest</td>
<td>Central Mexico</td>
<td>North Carolina</td>
<td>Baja California, Mexico</td>
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<tr>
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<td>Watsonville, CA, Salinas, CA</td>
<td>Santa Maria, CA</td>
<td>CA</td>
<td>Yuma, AZ, Ozard, CA</td>
<td>Yuma, AZ, McAllen, TX, Dover, FL; Ozard, CA</td>
<td>Watsonville, CA, Salinas, CA</td>
<td>Watsonville, CA, Salinas, CA, Santa Maria, CA, Ozard, CA</td>
<td>Yuma, AZ, Ozard, CA, Dover, FL, McAllen, TX</td>
<td>Rocky Point, NC, Hendersonville, NC</td>
<td>Ozard, CA</td>
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<tr>
<td></td>
<td><strong>BLACKBERRIES</strong></td>
<td>Watsonville, Santa Maria and Ozard</td>
<td>Pacific Northwest</td>
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<td>North Carolina</td>
<td>Baja California, Mexico</td>
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<tr>
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<td>Watsonville, CA, Salinas, CA, Santa Maria, CA, Ozard, CA</td>
<td>Watsonville, CA, Salinas, CA</td>
<td>Watsonville, CA, Salinas, CA</td>
<td>Rocky Point, NC, Hendersonville, NC</td>
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</tbody>
</table>
MFN applied duties

- Animal products
- Dairy products
- Fruits, vegetable and plants
- Coffee, tea
- Cereals & prep
- Oilseeds, fats & oils
- Sugar
- Beverages and tobacco
- Cotton
- Other agricultural products

Canada: 248.9%
Agricultural tariff profiles—applied MFN rates

Percent of tariff lines
Trade disputes involving the US and its NAFTA partners

- Brought by US against Canada: 88
- Brought by Canada against US: 16
- Brought by US against Mexico: 55
- Brought by Mexico against US: 9

- NAFTA
- WTO
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*