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## **Agricultural Trade Policy Outlook: Emerging Trends and Research Topics**

**Robert Johansson**

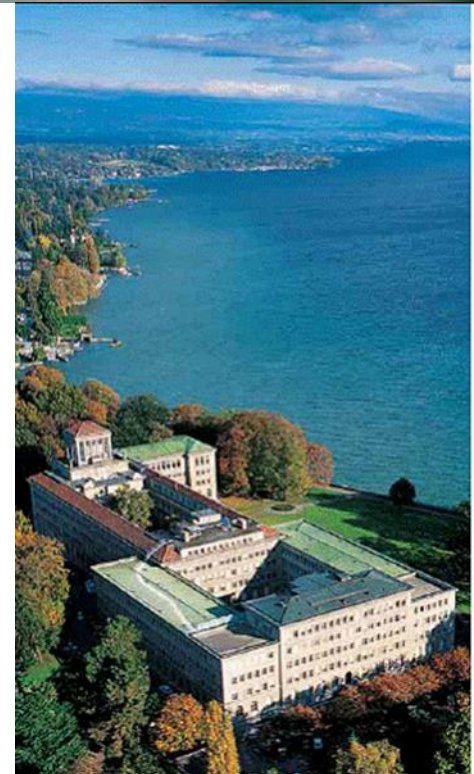
*Selected Paper prepared for presentation at the International Agricultural Trade Research Consortium's (IATRC's) 2015 Annual Meeting: Trade and Societal Well-Being, December 13-15, 2015, Clearwater Beach, FL.*

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# AGRICULTURAL TRADE POLICY OUTLOOK: EMERGING TRENDS AND RESEARCH TOPICS

Robert Johansson  
Chief Economist, USDA



# Recent Developments

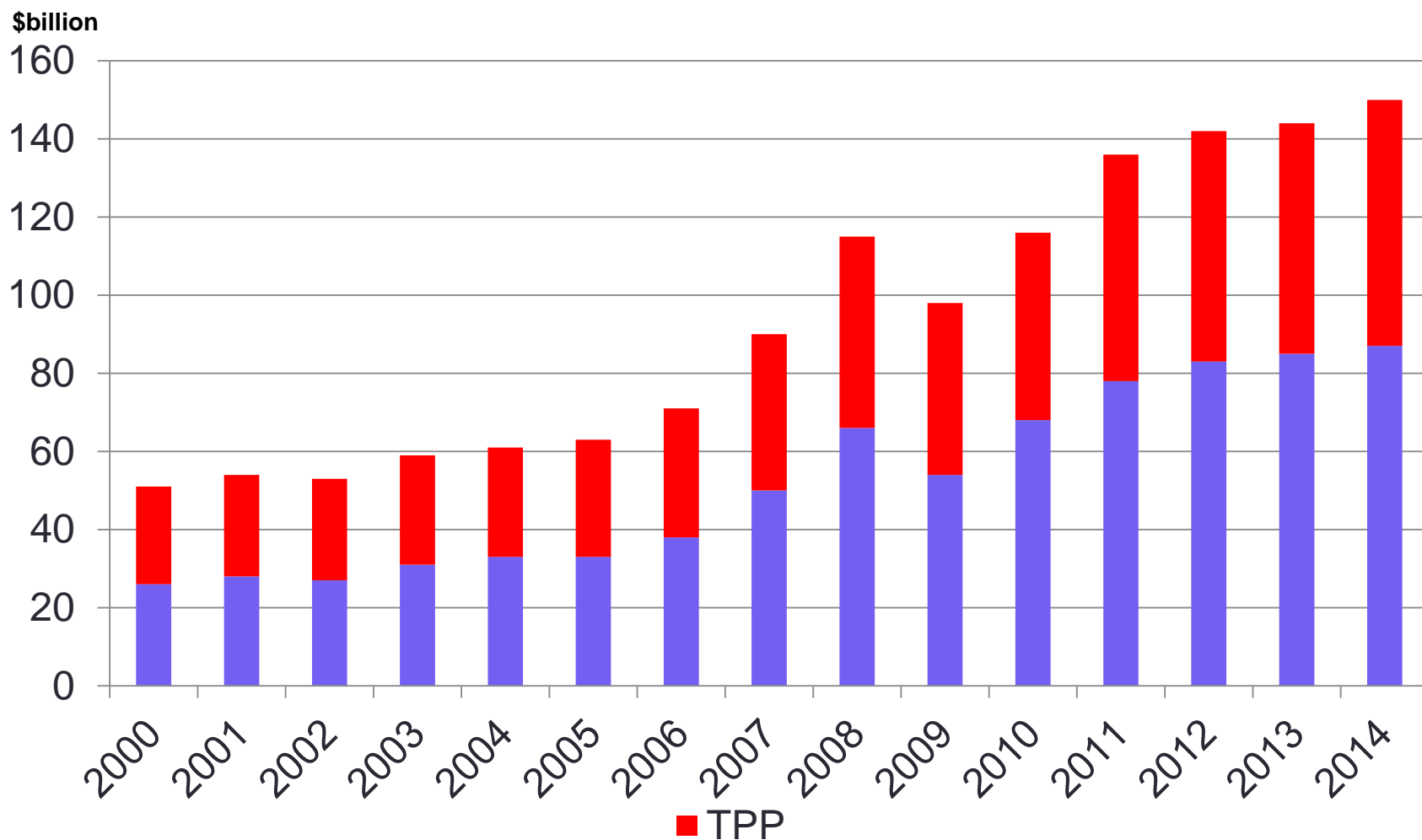
- Free Trade Agreement Negotiations
  - Trans Pacific Partnership (TPP)
  - Transatlantic Trade and Investment Partnership (TTIP)
- World Trade Organization
  - Ministerial Conference/DDA
  - Dispute Settlement
- Other
  - Animal/crop diseases
  - Climate change
  - Economic outlook / U.S. competitiveness

# Trans Pacific Partnership (TPP)

- Agreement reached on Oct. 5 and notified to Congress on Nov. 3 (signature Feb. 2016)
- TPP region: [Japan](#), [Vietnam](#), [Malaysia](#), [New Zealand](#), [Brunei](#), Canada, Mexico, Australia, Chile, Peru, Singapore, U.S. – nearly 40% of world GDP
- Agriculture Package:
  - Most tariffs eliminated; some preferential TRQs and safeguards for sensitive products
  - SPS “Plus”
  - GIs/Ag Biotech/Organics

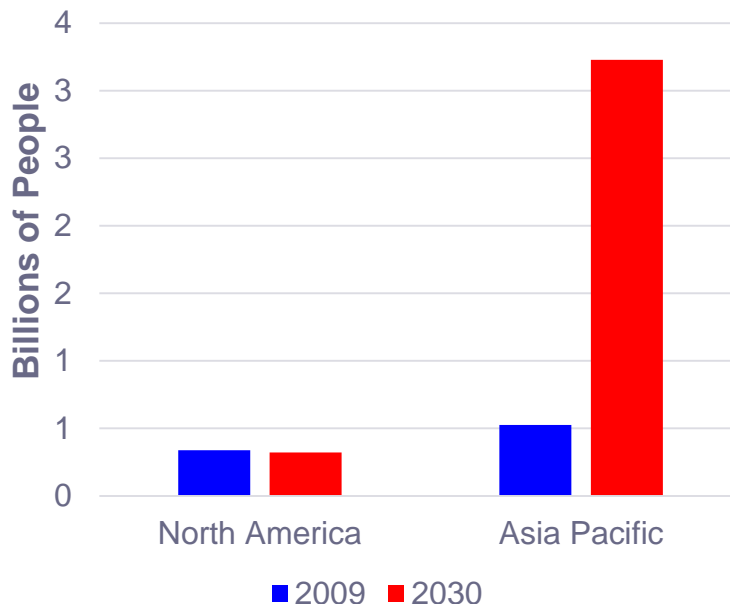
# U.S. Agricultural Exports

## TPP accounts for 40-50% of total



# Importance of FTAs to U.S. Trade: The TPP and Asia-Pacific Integration

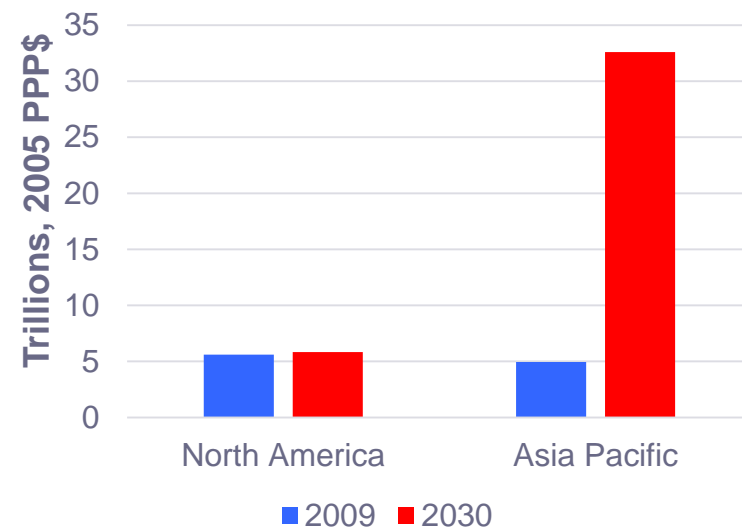
Asia's **middle class** is the fastest growing market in the world...



In 2030: **66% of the world's middle class** will be in Asia

Source: OECD

...And will drive **global middle class demand** in the coming decades.



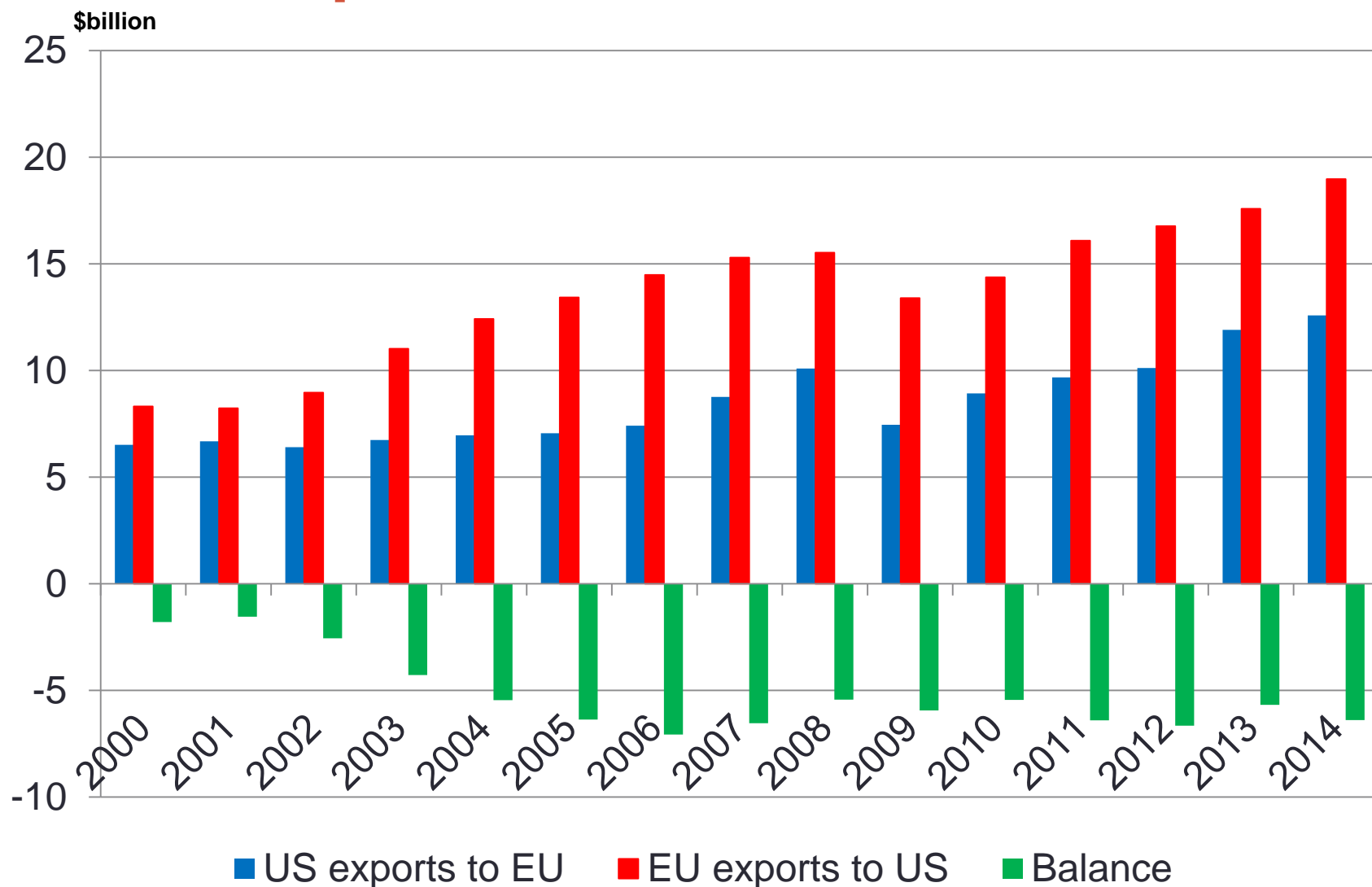
In 2030: **59% of the world's middle class consumption** will be in Asia

# Transatlantic Trade and Investment Partnership

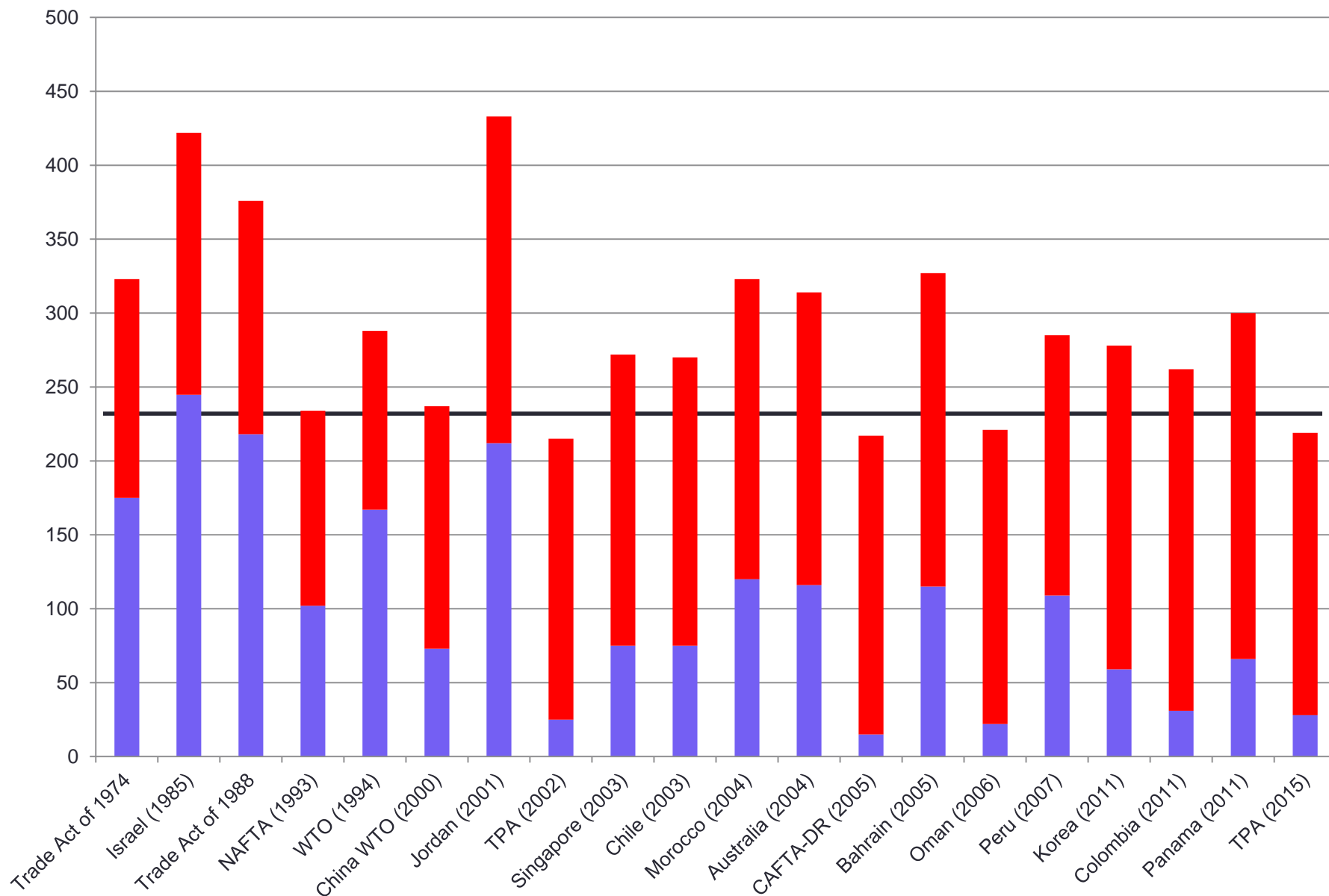
- To date, eleven negotiating rounds. Next round is in Feb. 2016
- Key issues for agriculture:
  - Tariffs (13.7% simple average for US exports to EU vs. 4.7% for EU export to US) (ERS, 2015)
  - Nontariff measures (SPS, TBT, GIs, licensing)
    - Beef, pork, poultry, dairy, grains, oilseeds, processed products



# Transatlantic Trade and Investment Partnership



# House Trade Votes



# World Trade Organization

- 10<sup>th</sup> Ministerial, Nairobi, Kenya (Dec. 15-18)
  - Possible outcome on export competition for agriculture
- Developing countries pushing for safeguards and public stockholding flexibility (e.g., price supports)
- Other issues (ecommerce, TRIPs, SVEs, LDCs, accessions of Afghanistan and Liberia)

# World Trade Organization

- Dispute Settlement Cases
  - 500 cases (as of October 2015)
    - In comparison, around 300 cases during the 47 years of the GATT
  - Most cases concern trade remedies / nonag
  - 6 new ag panels in 2015:
    - US – Chinese export subsidies for ag/non-ag enterprises
    - EU – Russian tariffs on ag and non-ag products
    - China – EU modification of poultry tariff concessions
    - US/NZ – Indonesia ag import restrictions
    - Japan – Korean ag import restrictions
    - Brazil – Indonesian poultry import restrictions

# World Trade Organization

## Country of Origin Labeling (COOL)

- Started in December 2008
- Final AB report (compliance) in May 2015
- Arbitration began in June 2015
- Arbitration report issued December 7
  - Canada: \$781 million (requested \$2.3 bil.)
  - Mexico: \$228 million (requested \$713 mil.)
- DSB will meet on December 18

# Post Mortem

- How do Economists present sophisticated modeling (econometric / PE / GE) to a relatively unsophisticated audience?
- The lawyers understand Econ 101 yet we are using relatively sophisticated econometric and modeling techniques that are not easy for non-economists to grasp.
- Some post-mortem critique of that case is needed from objective researchers.
  - Lots of material out there to sift through.

# Other Trade Issues

## Economic Factors Affecting U.S. Trade

- Sluggish global economic growth
- Strong U.S. dollar
- Lower commodity prices
- Other countries' economic situation and policies (China, India, Brazil, Russia)

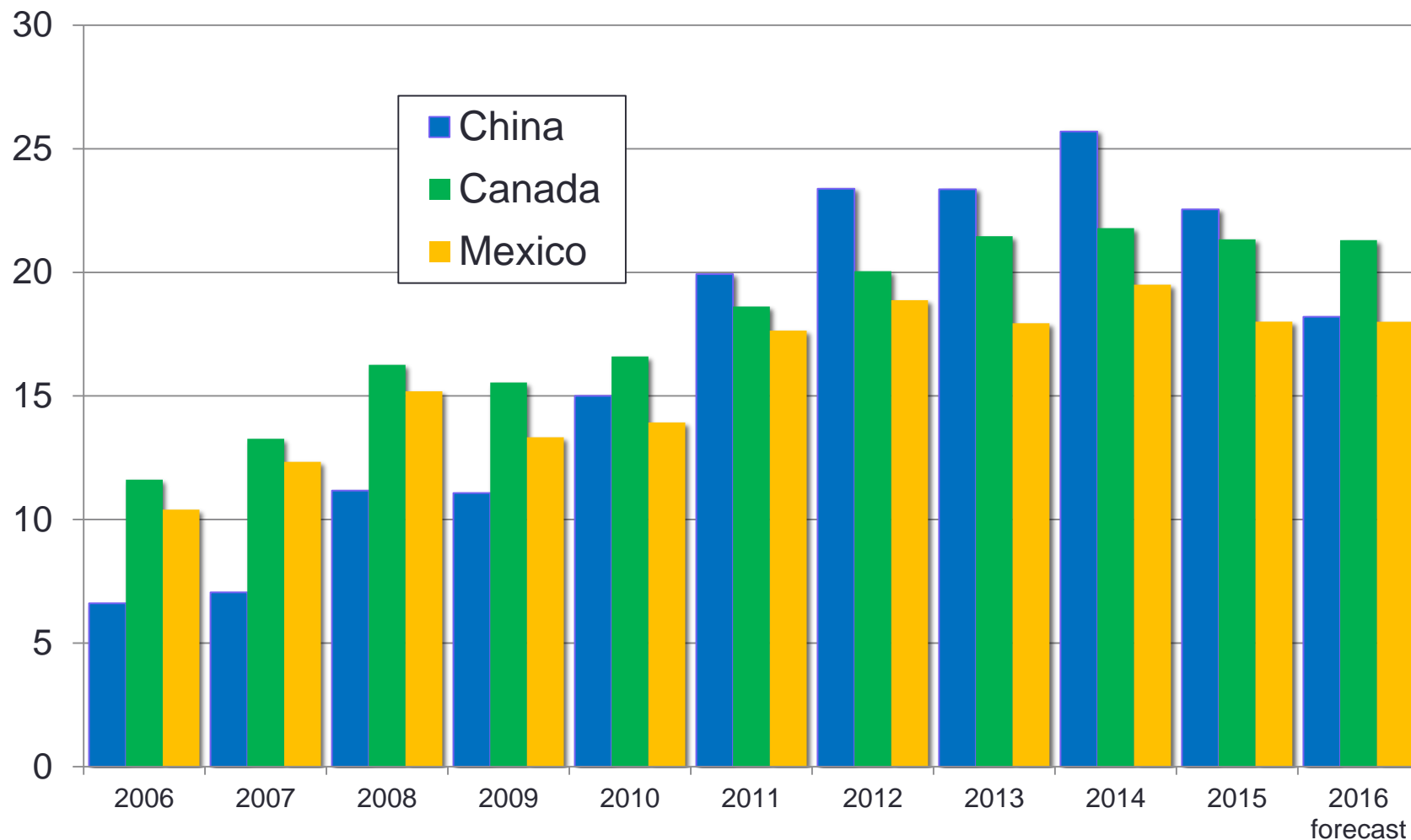
## Other Trade Issues

- Livestock / Crop Disease Outbreaks
  - HPAI/BSE – looking at effects on trade
  - Citrus plant diseases and impact on citrus products
- Climate change
  - COP 21
  - USDA report --- Food Security and Climate Change
  - Improved trade will reduce impacts of climate related supply shocks.

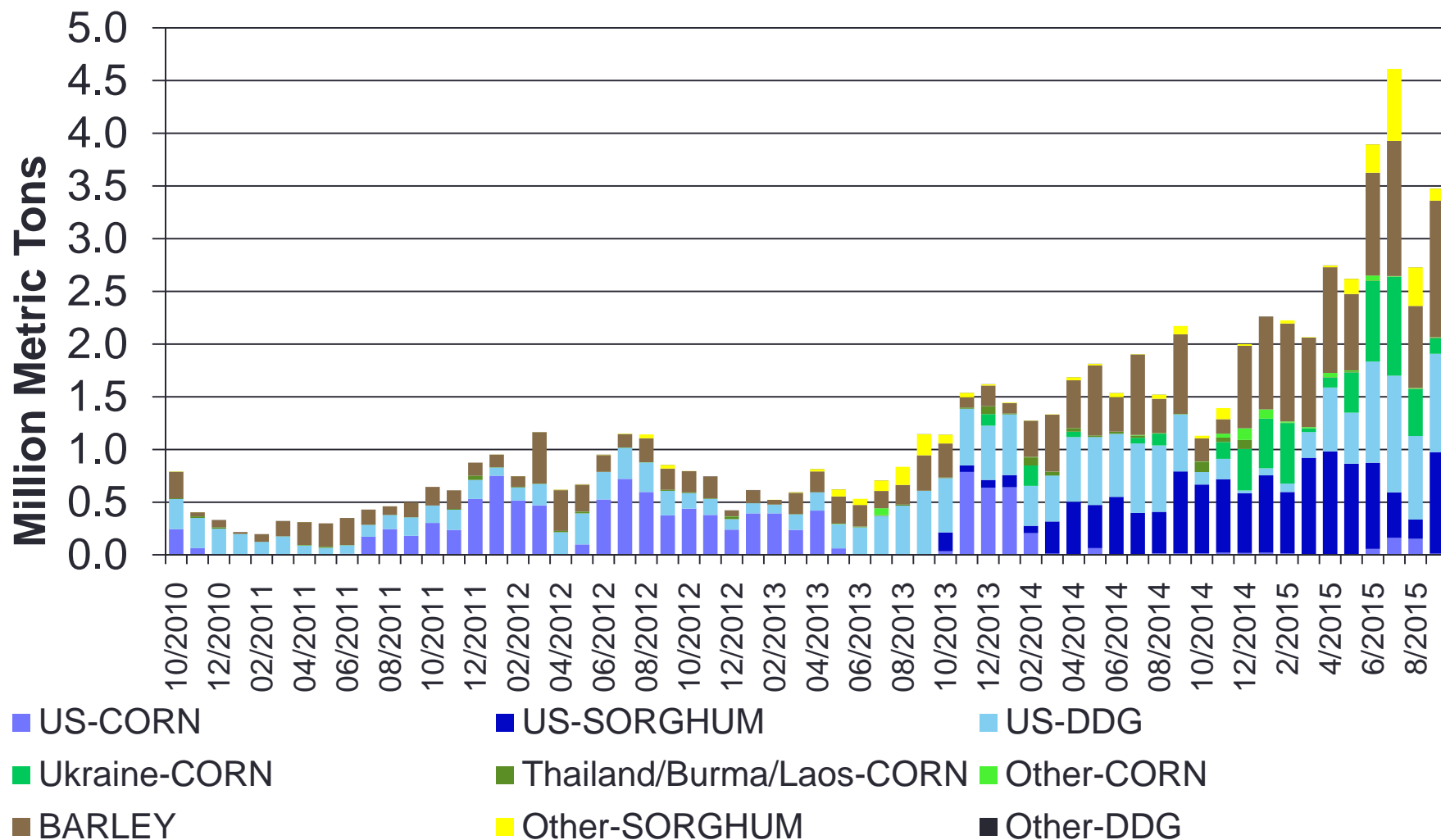


# China Falls to Number Two for U.S. Agricultural Exports, Canada Returns to Top Spot

Billion dollars



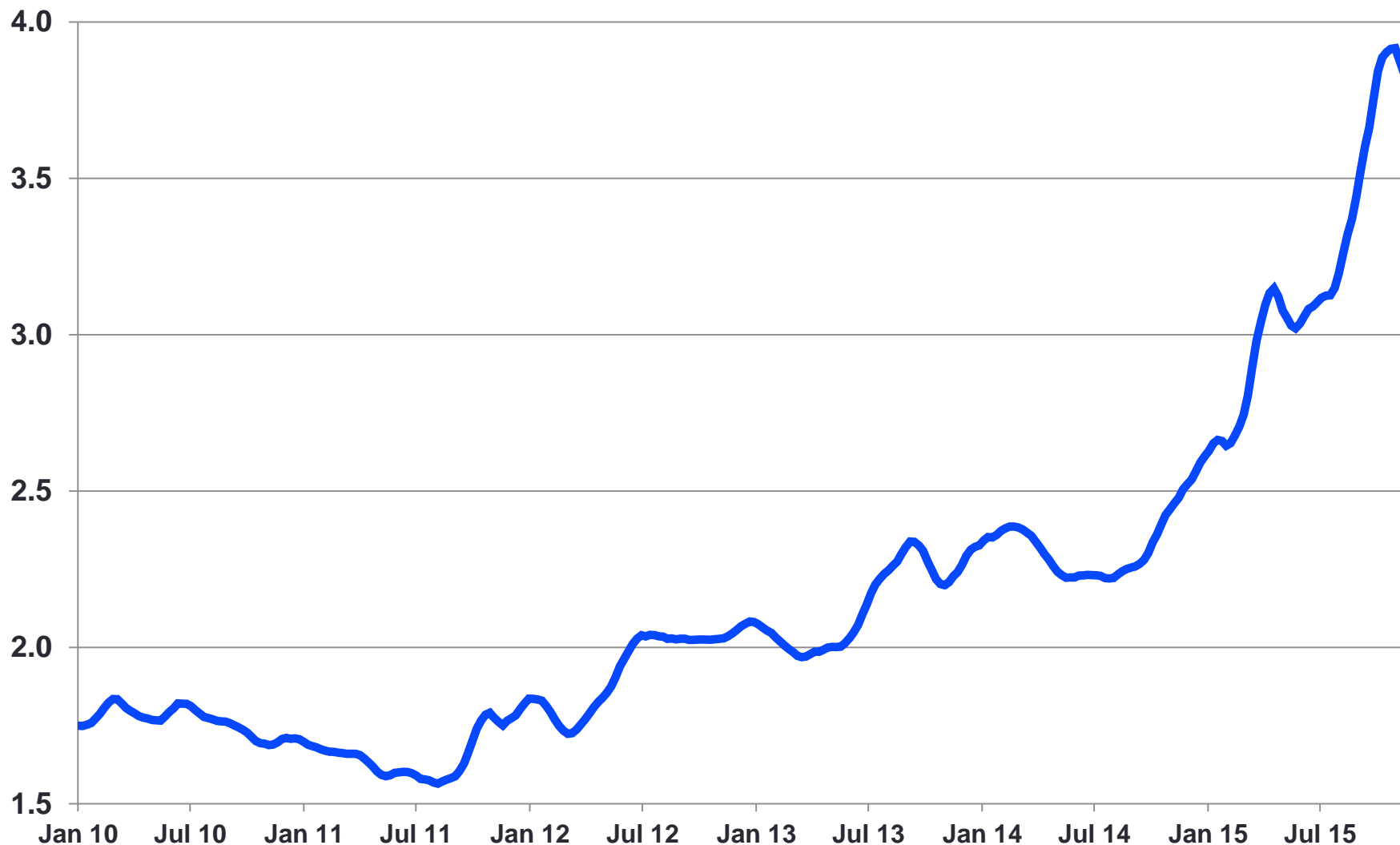
# Monthly Chinese Corn/Barley/Sorghum Imports by Origin



Source: Global Trade Information Services (GTIS)

# The dollar and the Brazilian real

Real per dollar, 6-week moving average

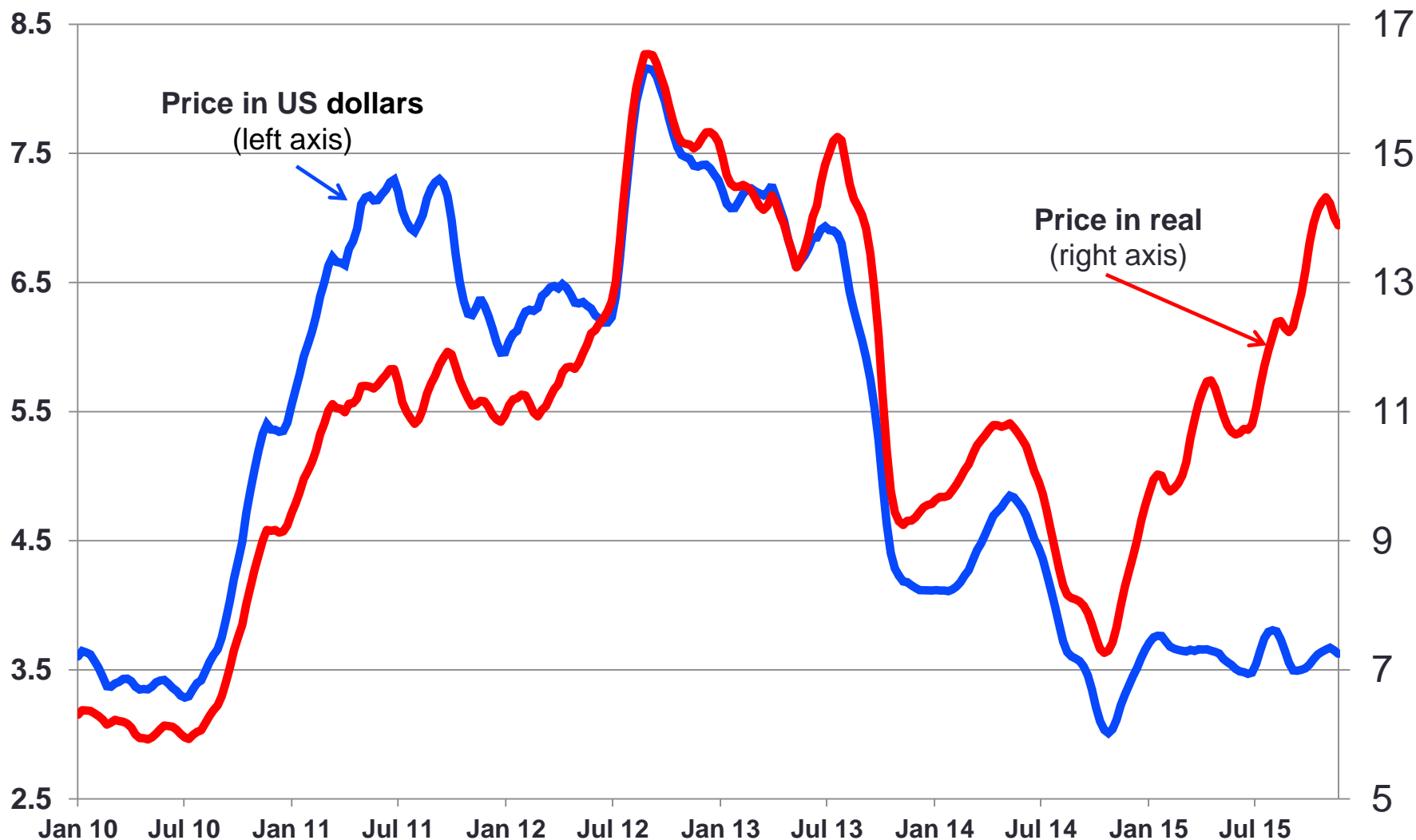


Source: Eikon/Datastream

# The price of corn\* in dollars and real

Dollars per bushel, 6-week moving average

Reals per bushel, 6-week moving average

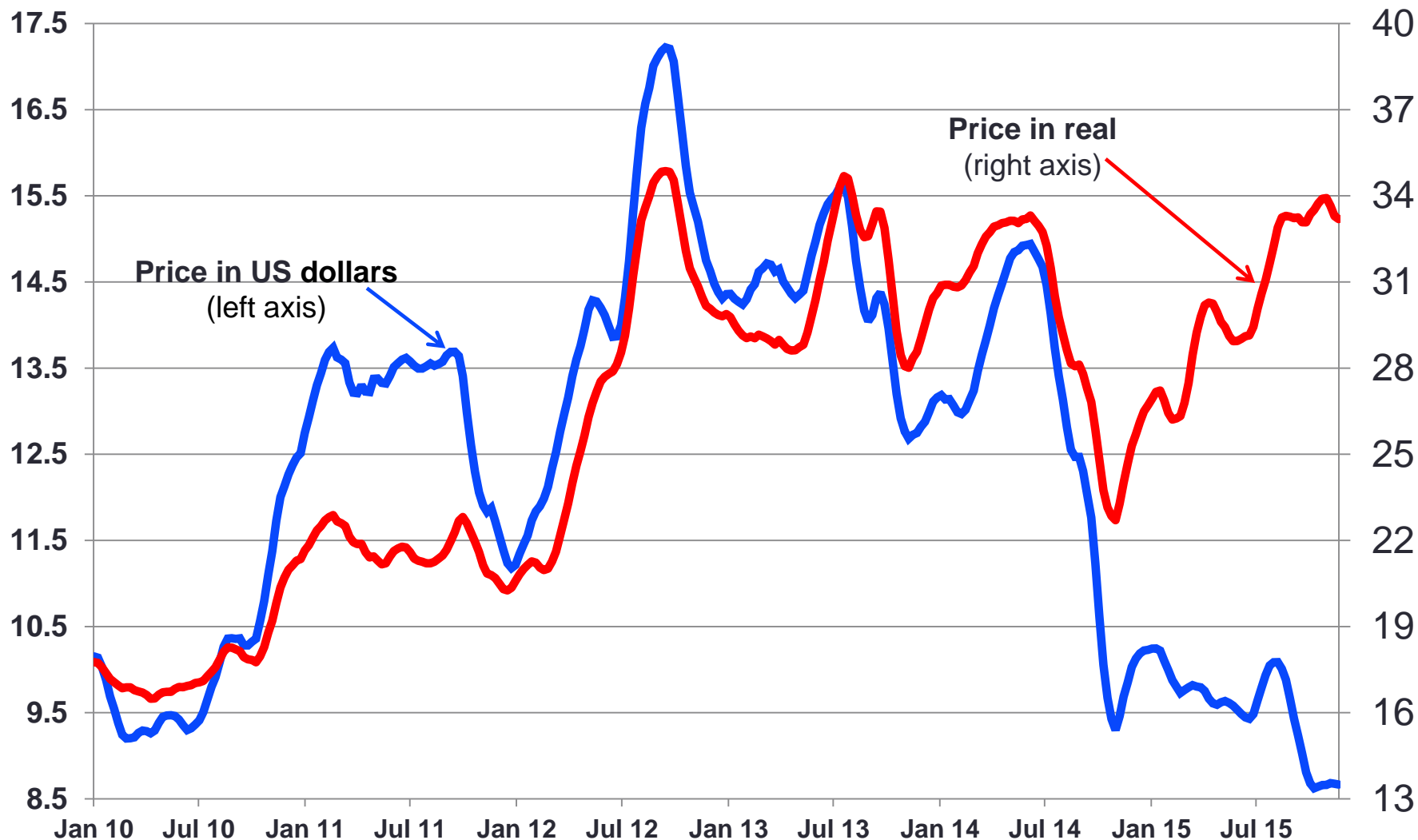


\*Central Illinois, from USDA Agricultural Marketing Service

# The price of soybeans\* in dollars and real

Dollars per bushel, 6-week moving average

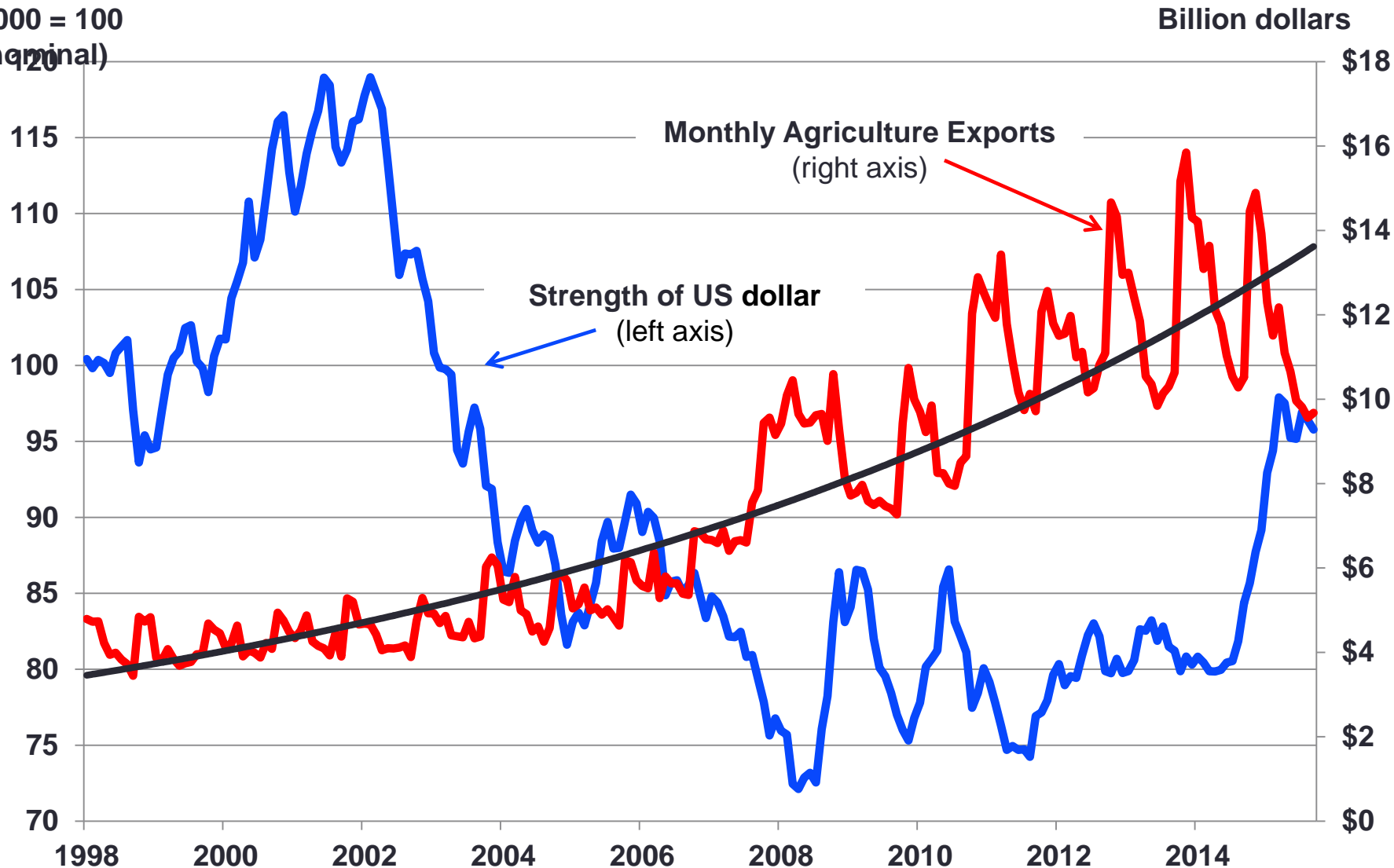
Reals per bushel, 6-week moving average



\*Central Illinois, from USDA Agricultural Marketing Service

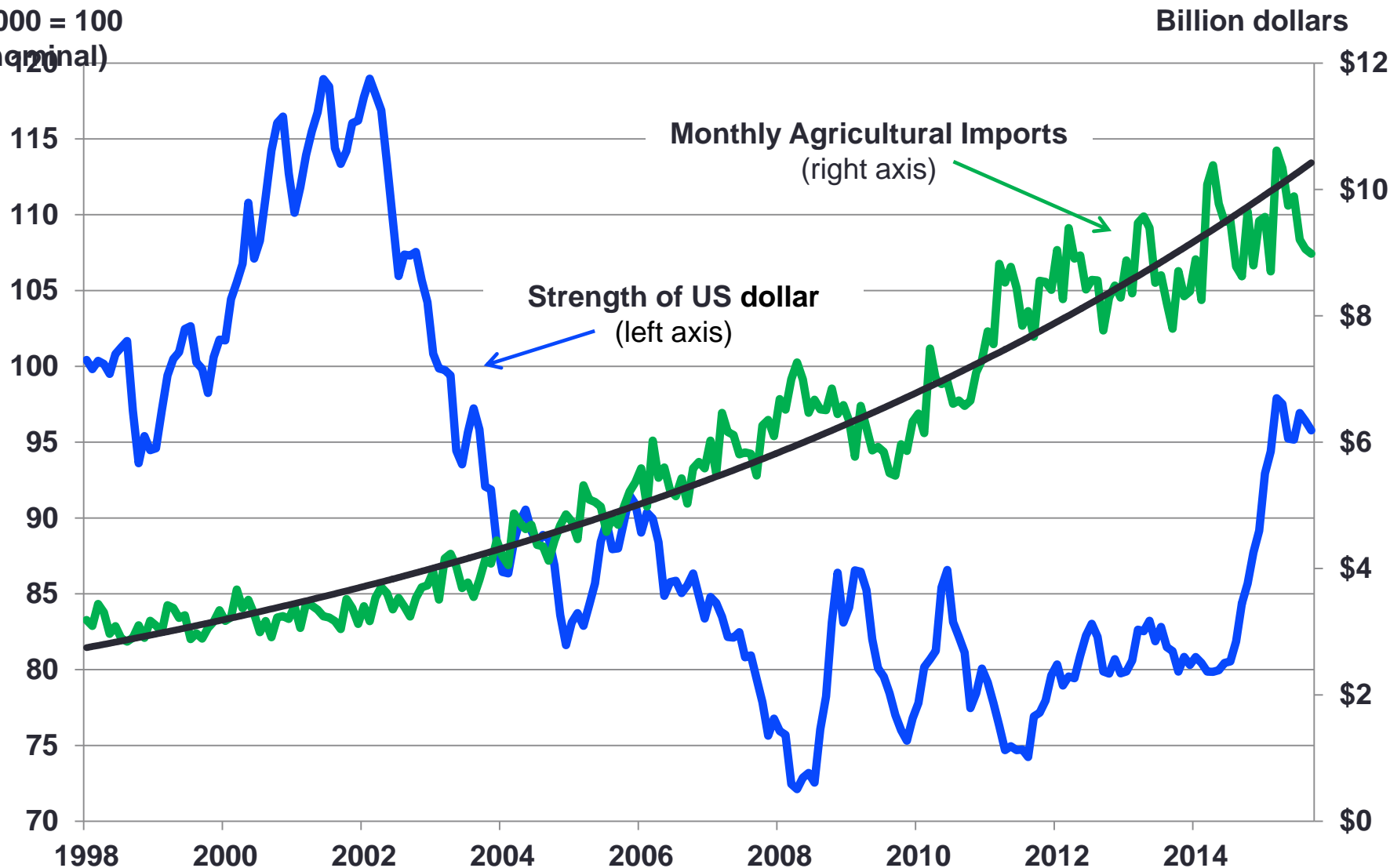
# Dollar strengthens, exports falling below trend

2000 = 100  
(nominal)

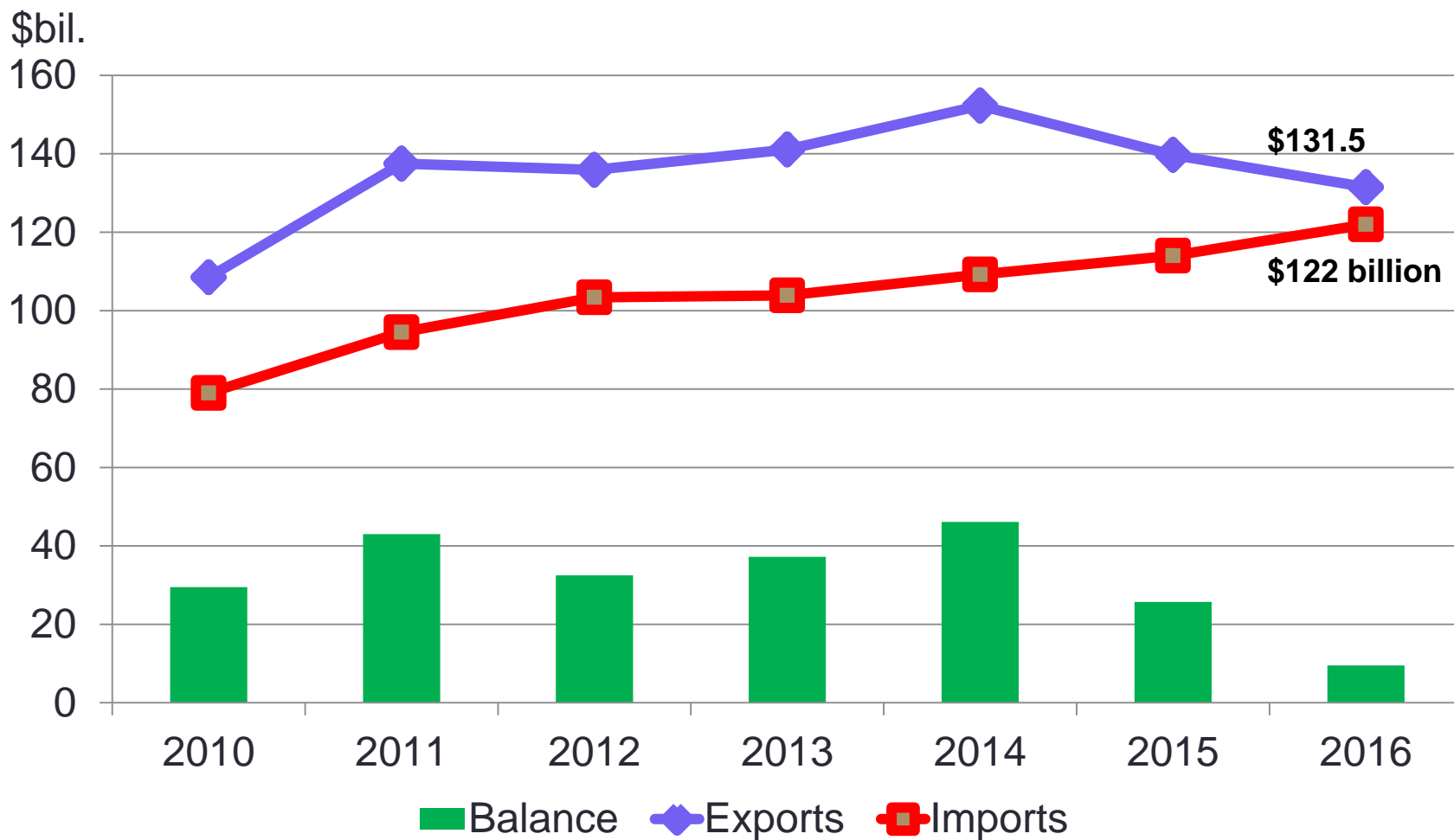


# Dollar strengthens, imports rise

2000 = 100  
(nominal)



# FY U.S. Ag Trade



FY 2016 projected as of 12/1/15.

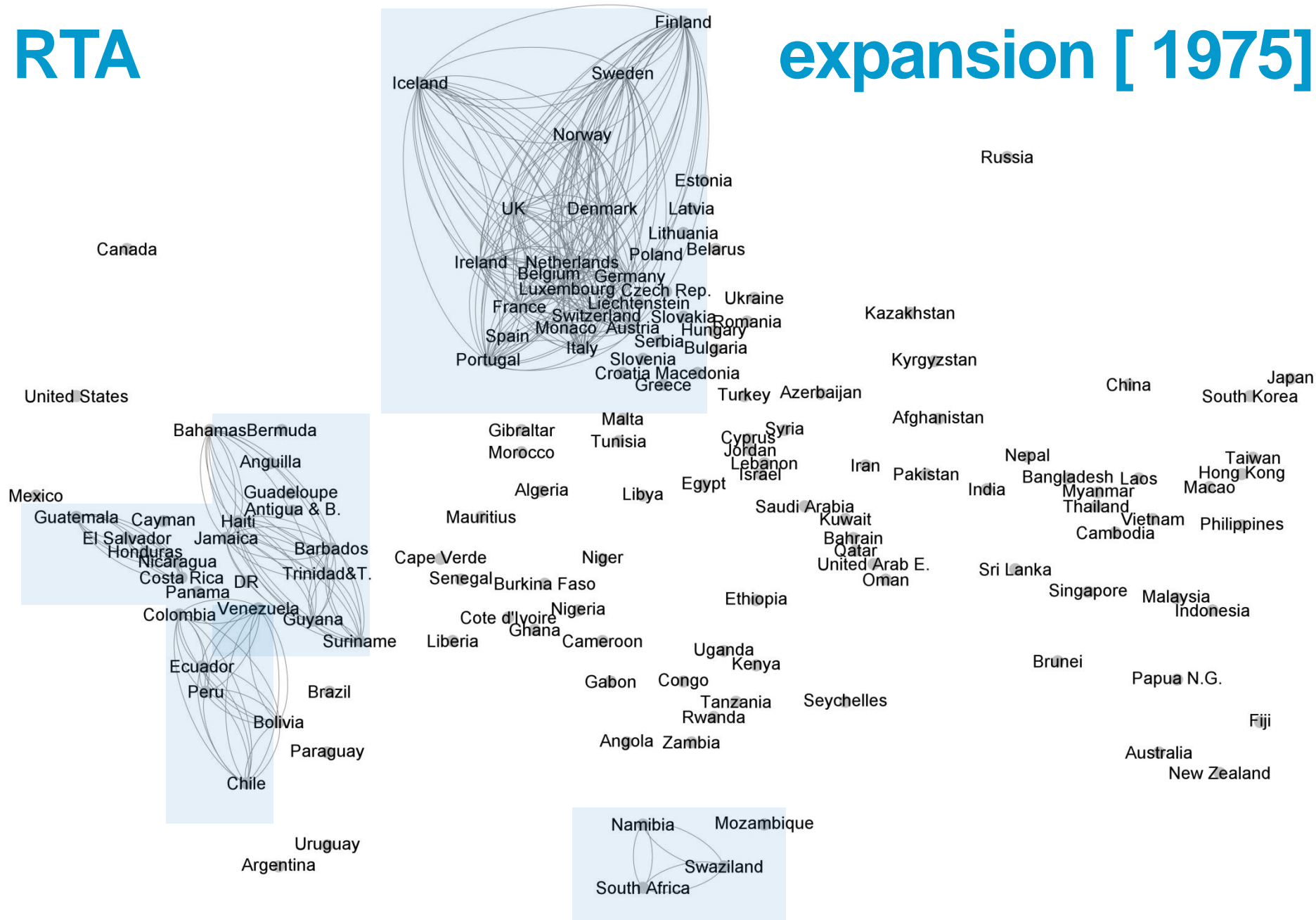


# Outlook

- Regional trade agreements will continue to flourish in absence of multilateral reform
- WTO largely becoming a dispute settlement body, unless the Ministerial sets a new course
- Developing country policies increasingly important in terms of global market distortions
- “Wild card” issues: livestock/plant disease outbreaks, climate change/natural disasters, transportation, economic outlook

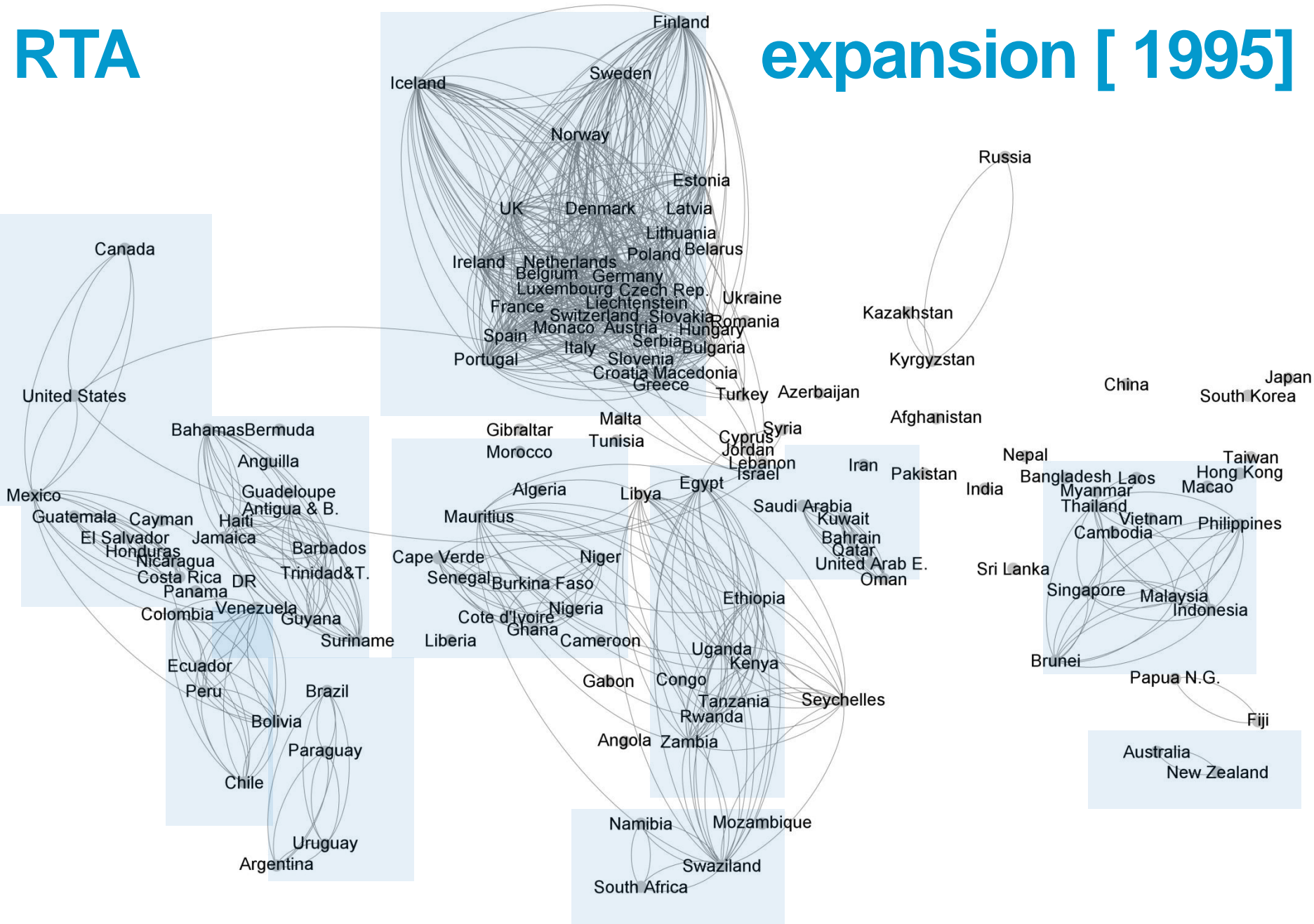
RTA

expansion [ 1975]



RTA

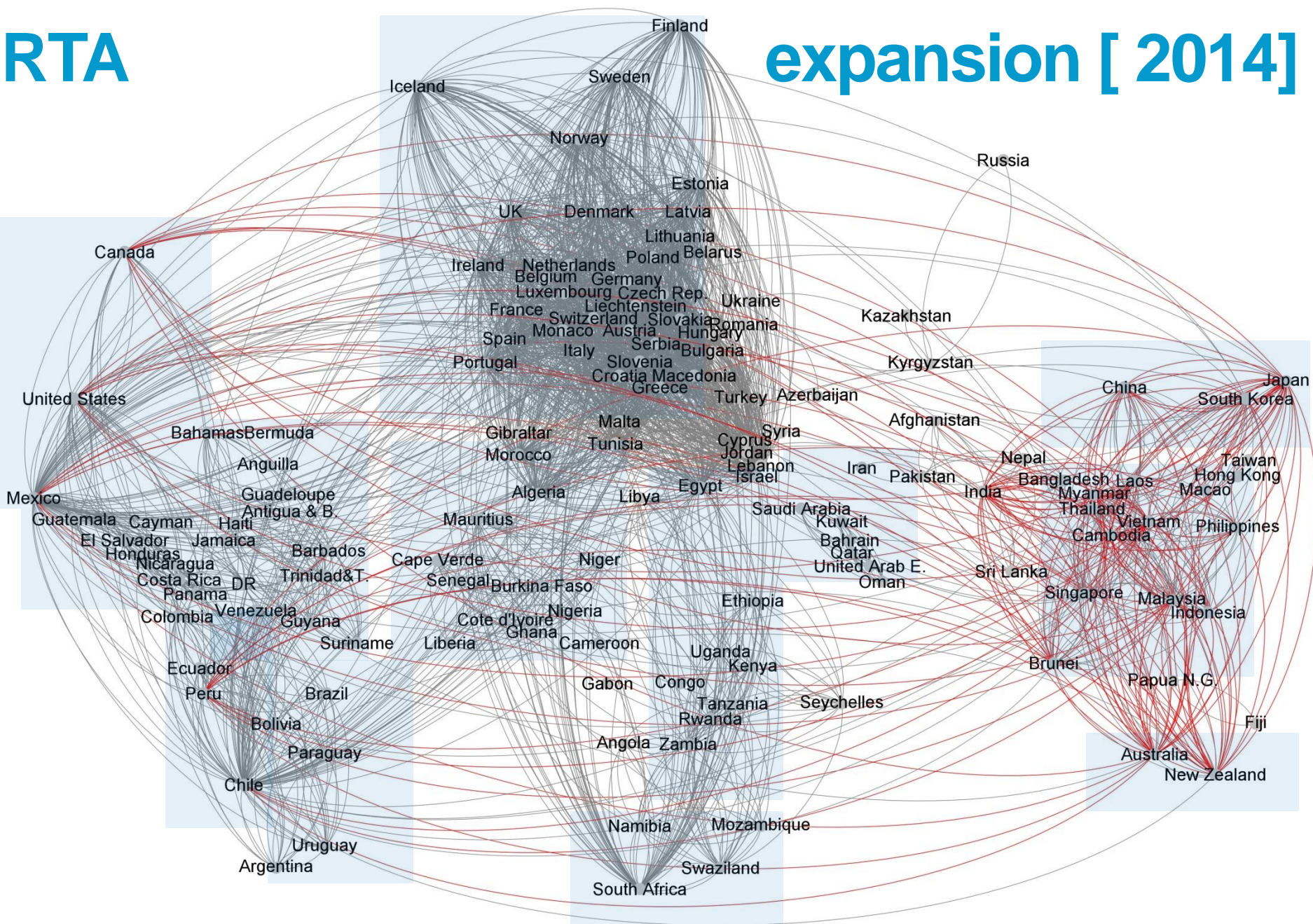
expansion [ 1995]



Source: IDB Integration and Trade Sector based on INTrade.



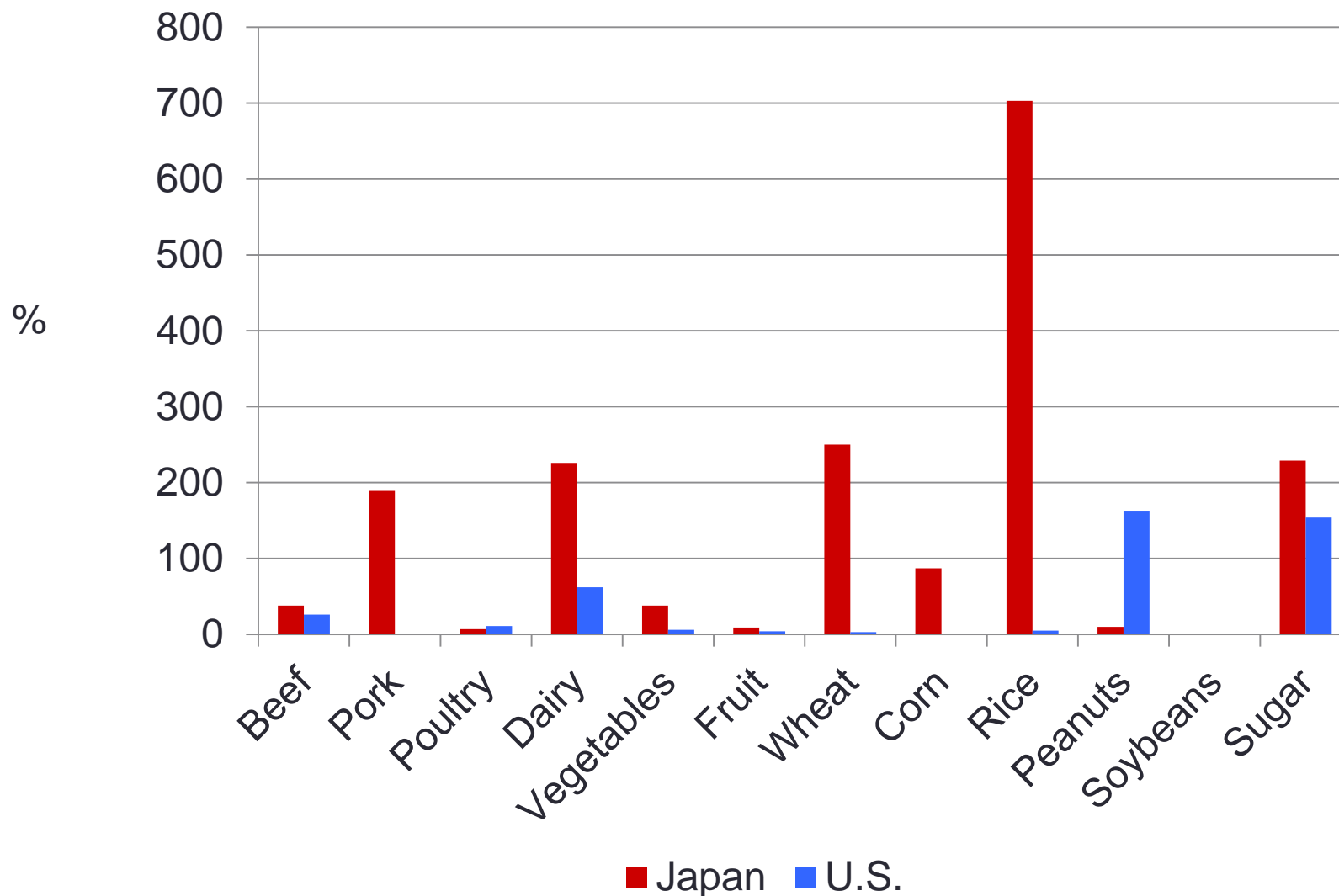
# expansion [ 2014]



Source: IDB Integration and Trade Sector based on INTrade.

# Trans Pacific Partnership

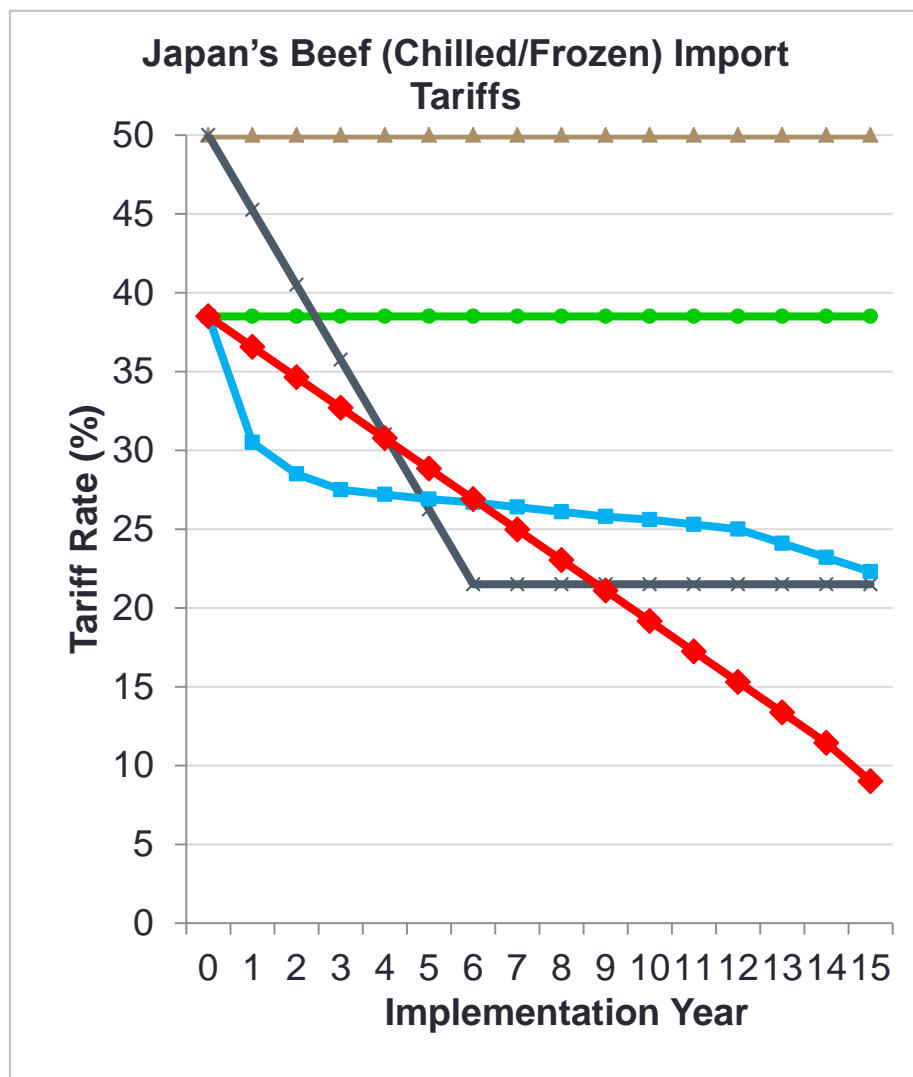
## Japan – U.S. Tariff Comparison



Simple average, using DDA ad valorem equivalents

# TPP Illustration

## (Japan Beef Tariff)



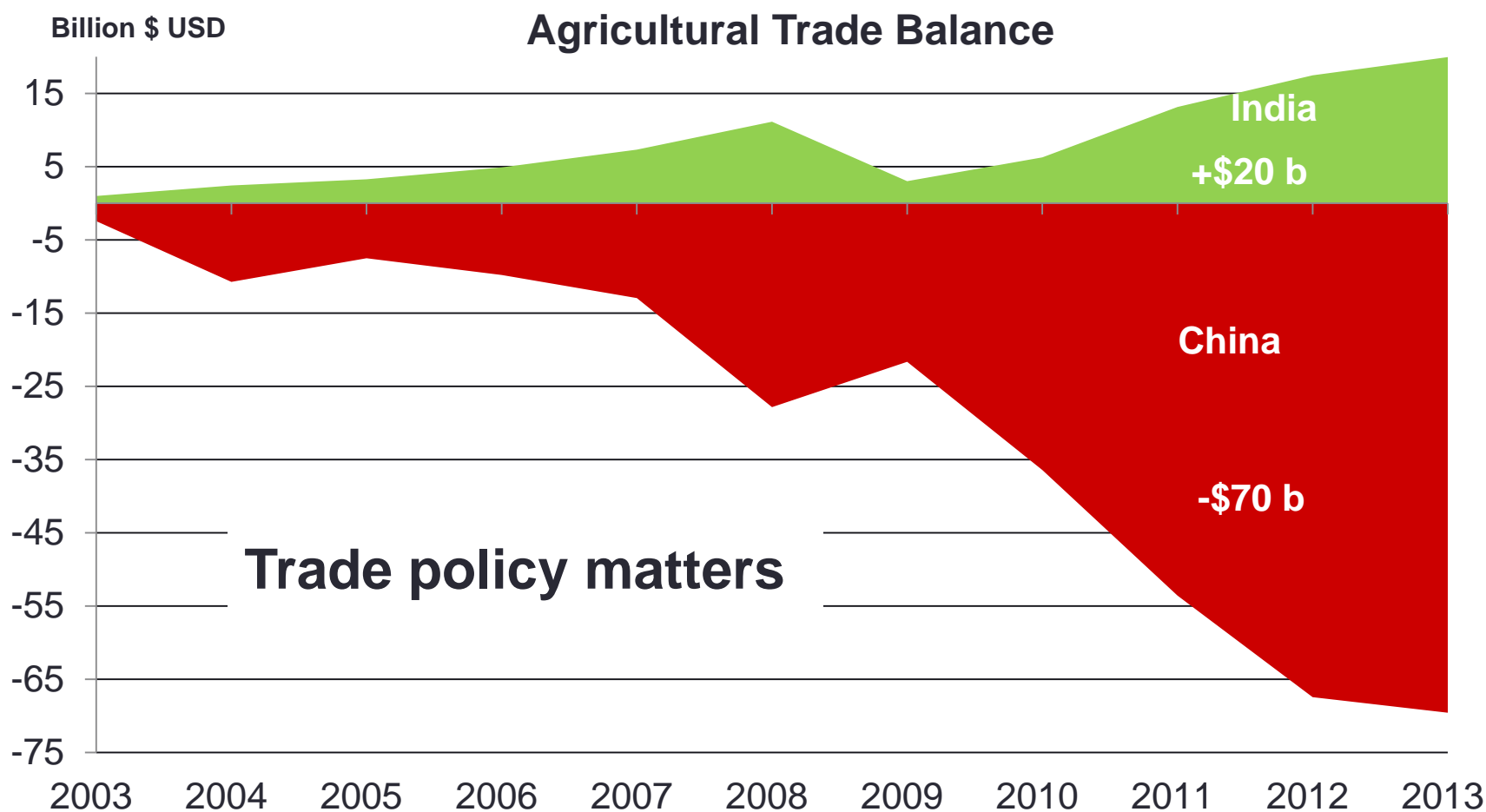
WTO Bound

MFN Applied

Australia EPA for frozen beef  
Failed WTO result

TPP Agreement

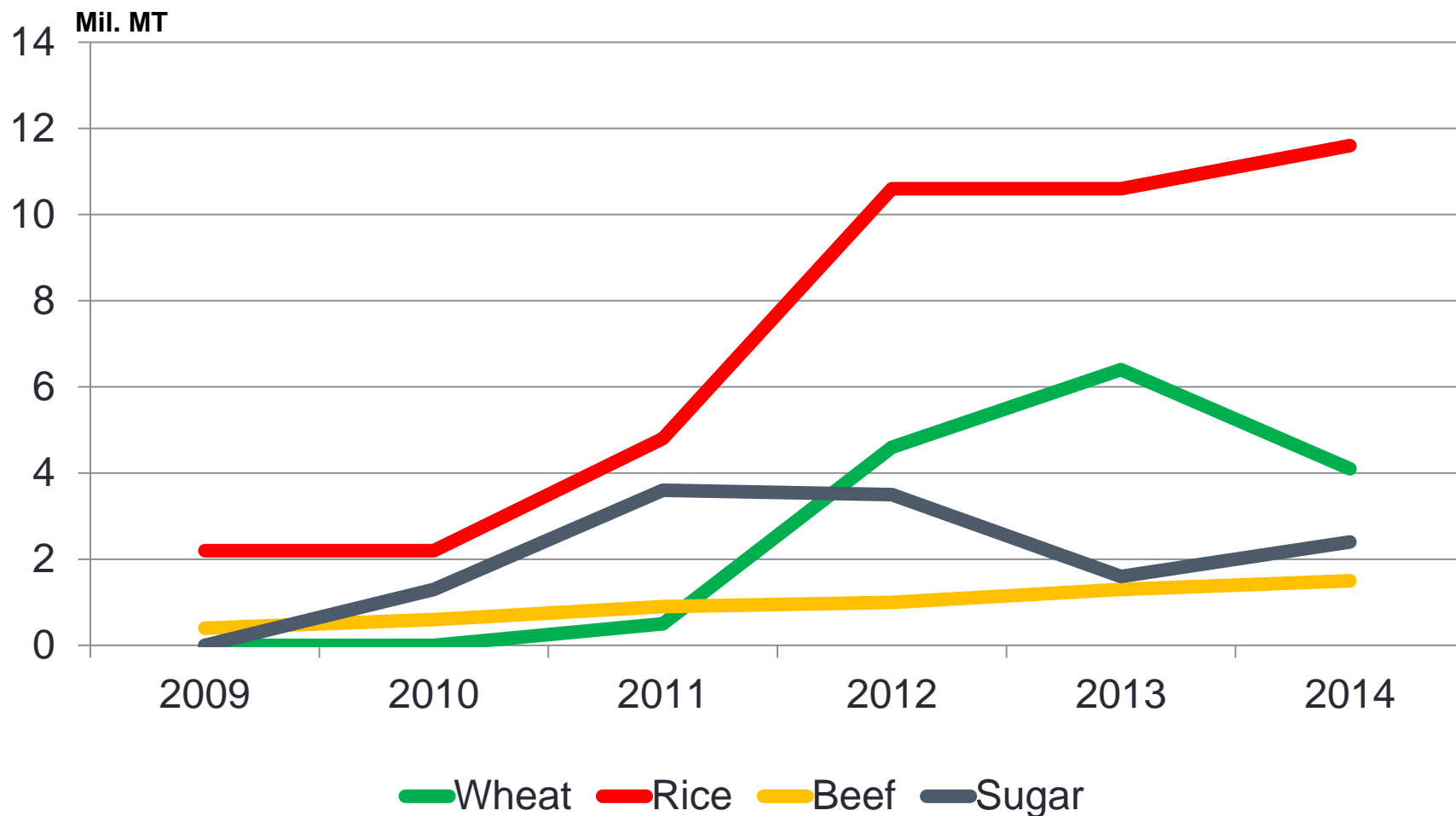
# Trade Balances Diverge in India and China



Source: GTA

# Rise of the New Subsidizers

## India Exports

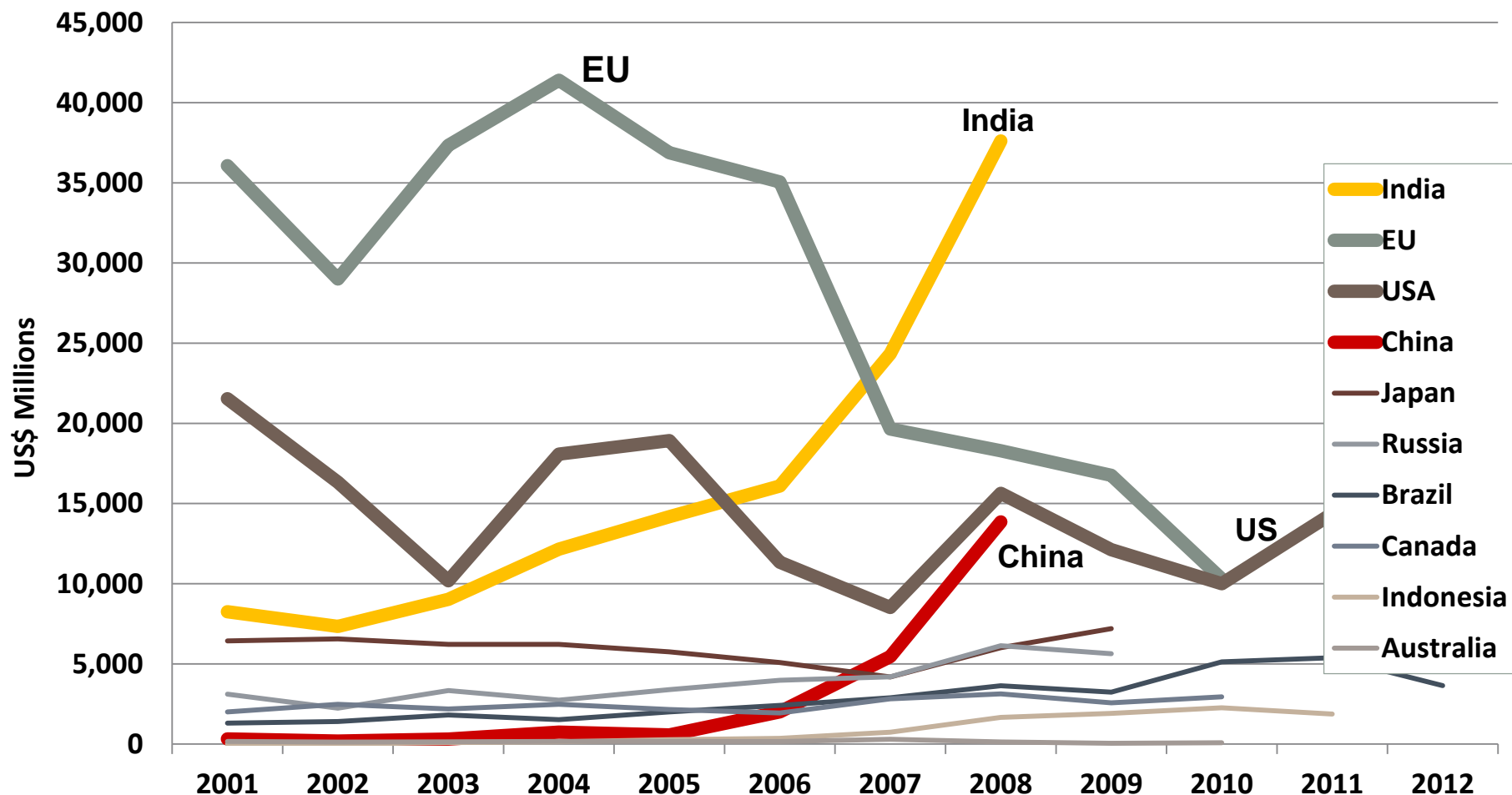


Source: Global Trade Atlas



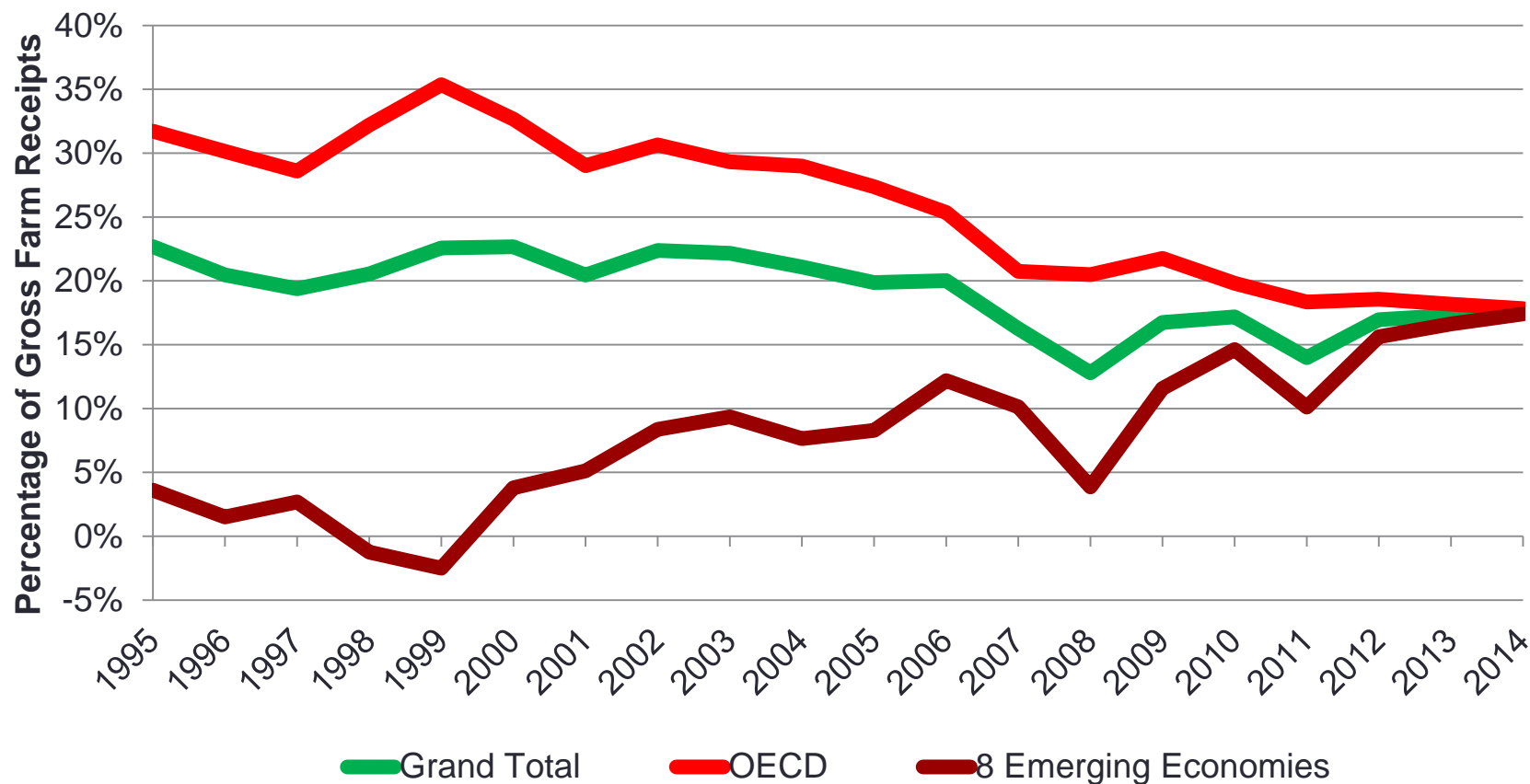
# Trade Distorting Domestic Support Rising by Developing Countries

Total Trade Distorting Domestic Support



Source: Cairns Group & WTO Notifications

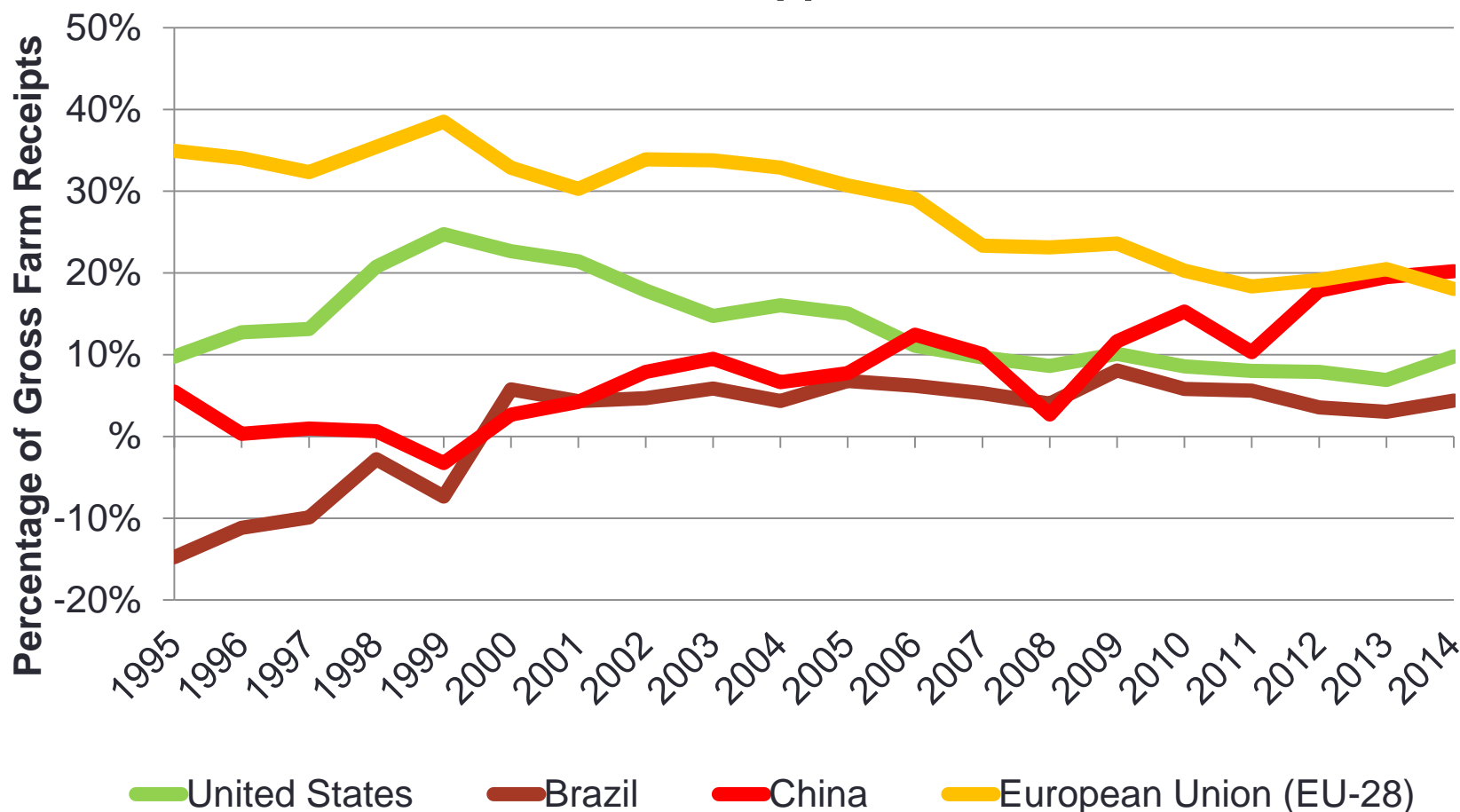
## Evolution of Producer Support Estimate, 1995-2014



Notes: % PSE: Producer Support Estimate in percentage of gross farm receipts. The OECD total does not include the non-OECD EU Member States. The Czech Republic, Estonia, Hungary, Poland, the Slovak Republic and Slovenia are included in the OECD total for all years and in the EU from 2004. The emerging economies are Brazil, China, Colombia, Indonesia, Kazakhstan, Russia, South Africa and Ukraine.

Source: OECD (2015), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database). doi: 10.1787/agr-pcse-data-en

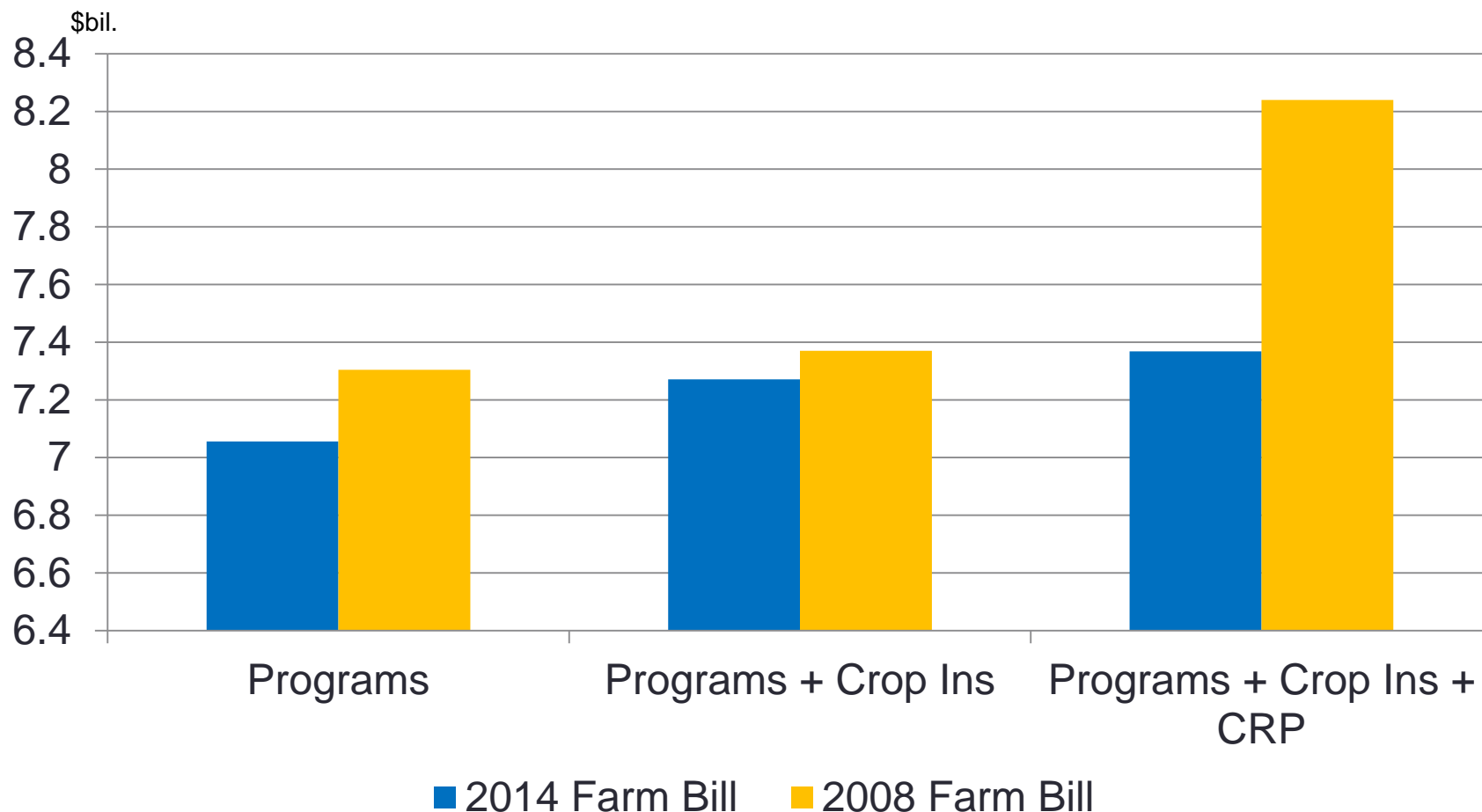
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# Net CCC Outlays: Increase Relative to Baseline 2017-20 avg.



# Research Outlook

- Quantitative Analysis
  - Moving beyond tariffs and the US/EU
    - Developing tools to analyze developing country policies and trade/price effects
  - NTMs
  - Counterfactual: How do we frame the question?
  - Sectoral analyses will likely become more important to understand in more granular detail.
- Assessing the “wild cards”
  - Economic framework for analyzing non-policy disruptions to trade