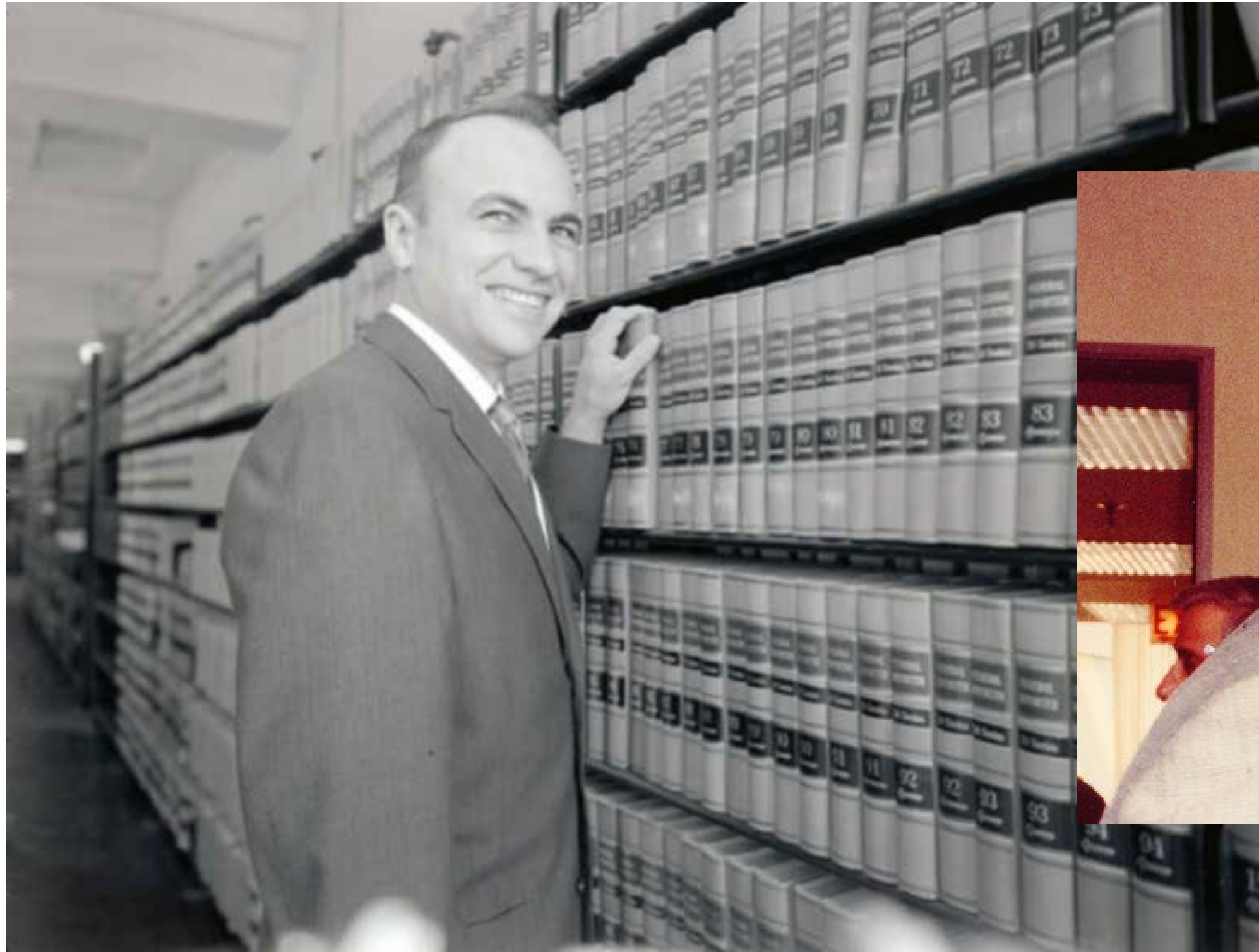




International Trade: Understanding a Changing Landscape

Jill O'Donnell
Clayton Yeutter Institute of International Trade and Finance
Fremont Corn Expo
January 9, 2020

Clayton Yeutter



What is the Yeutter Institute?



**CLAYTON YEUTTER INSTITUTE OF
INTERNATIONAL TRADE AND FINANCE**

- **Educates**
- **Convenes**
- **Connects**

EDITOR'S PICK

Yeutter Institute class finds trade talks are more difficult than they appear

CHRIS DUNKER Lincoln Journal Star Feb 23, 2019



The Uruguay Round



Image via the World Trade Organization

Stepping Back: Broader Trends in International Trade

- 1) Overall trend toward trade liberalization
- 2) Spread of Global Value Chains (GVCs)
- 3) Trade in intermediate goods
- 4) Growing trade in services

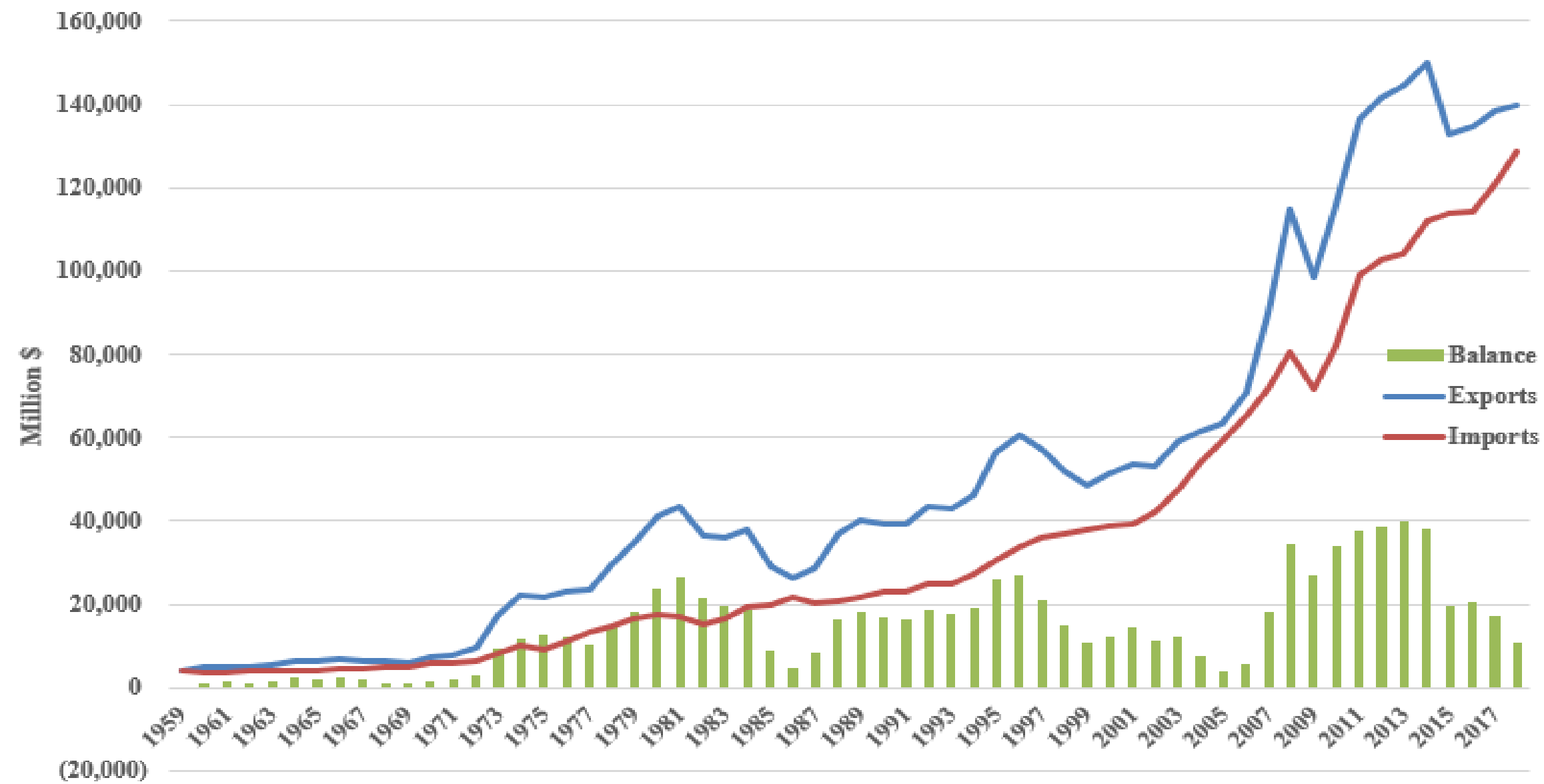
Who Makes U.S. Trade Policy?

- U.S. Constitution gives:
 - Congress the power to “regulate commerce with foreign nations” and to levy tariffs;
 - the President the authority to “make treaties” and other foreign affairs powers, including power to negotiate international agreements
- Congress first delegated temporary authority to the President to sign reciprocal trade agreements in 1934

Trade Deficits

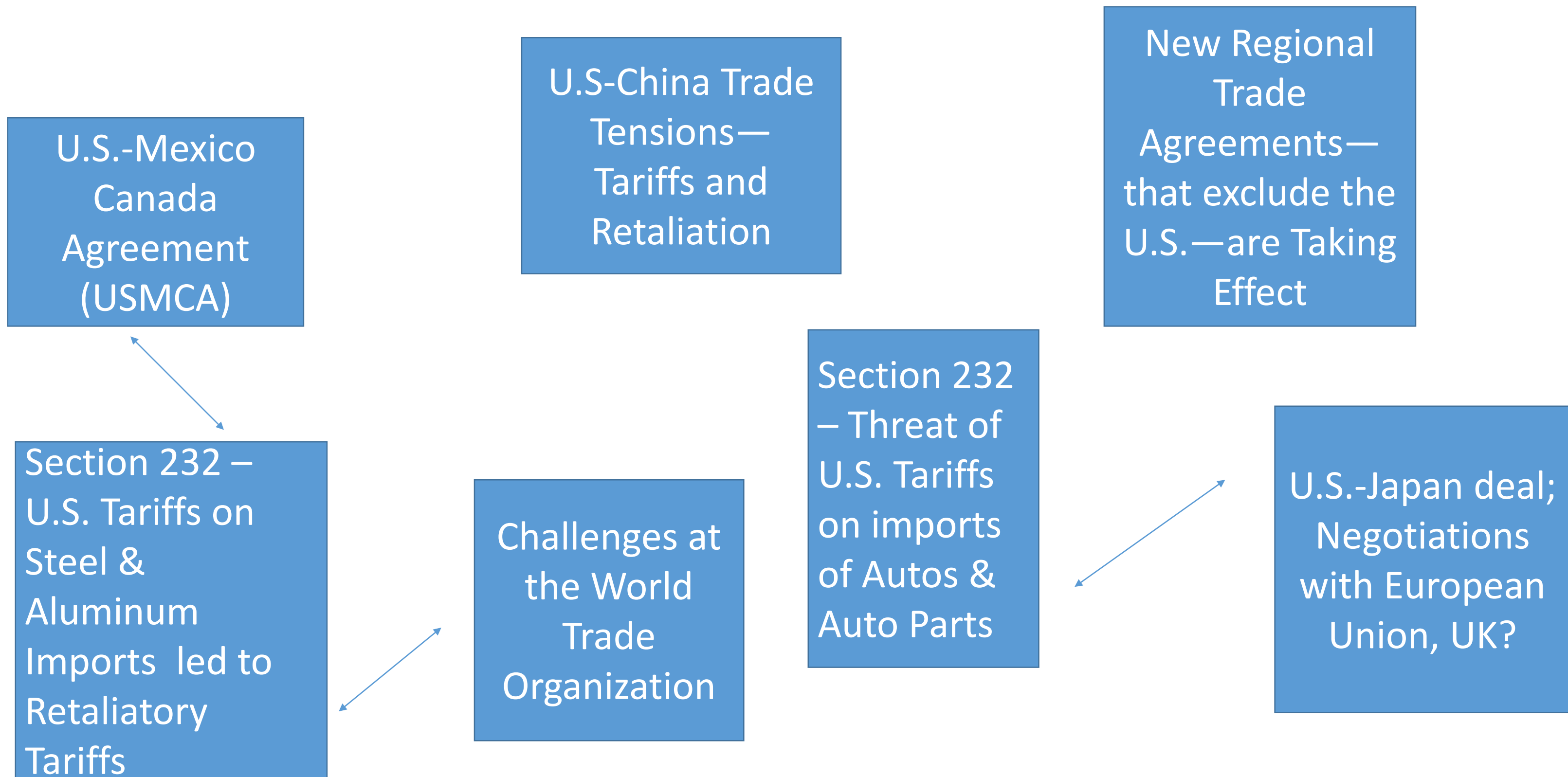
- New data released this week show a small reduction in the trade deficit for the first 11 months of 2019.
- Why?
- Does it matter?

U.S. AGRICULTURAL TRADE BALANCE, 1959-2018



Source: USDA Economic Research Service

Where are we?



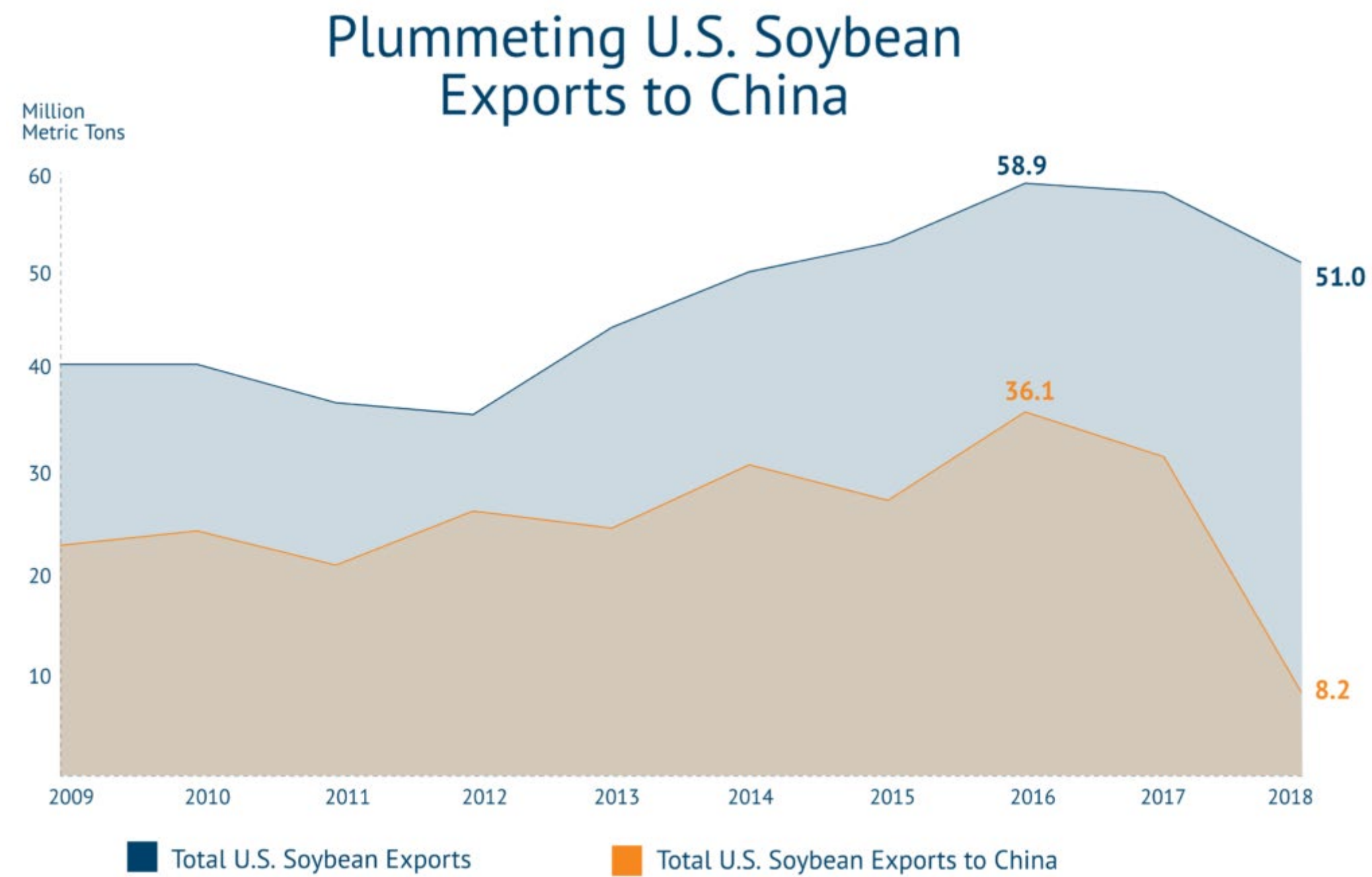
What's Going on in Trade Policy?

- 1) Tariffs: U.S. Unilateral Actions
- 2) Free Trade Agreement Negotiations
- 3) Crisis at the World Trade Organization

U.S. Unilateral Actions: Focus on China

- Additional U.S. tariffs on approx. \$360 billion of Chinese imports. (2/3 of all imports)
- Additional Chinese tariffs on approx. \$110 billion of U.S. imports – almost everything (goods) the U.S. sends to China.

Impact on Soybeans



SOURCES: USDA Foreign Agricultural Service and World Agricultural Outlook Board

Via TradeVistas.org

U.S.-China “Phase One” Deal

- **Many tariffs remain in place:**
 - The 25% tariffs the U.S. imposed on \$250 billion of Chinese goods in 2018 remain.
 - U.S. will halve (to 7.5%) the tariff rate it imposed on \$120 billion of Chinese goods in Sept. 2019 (timing uncertain).
 - U.S. held off on new tariffs that were set to take effect. Dec. 15, 2019 (15% tariff on \$120 billion of Chinese imports).
 - China held off on Dec. tariff increase; many prior retaliatory tariffs imposed remain.
- **Chinese commitments on:** intellectual property, forced technology transfer, financial services, currency.
- **Increased Chinese purchases** of U.S. goods and services by \$200 billion over two years
 - Agriculture: reportedly China will increase ag purchases to \$40 billion in agricultural goods annually for two years. (2017 baseline was \$24 billion of U.S. ag exports to China).
- **Unaddressed:** e.g., Chinese subsidies and state-owned enterprises.
- **Enforcement a difficult issue.** Tariffs still possible by either side if disputes can't be settled.

U.S.-China “Phase One” Deal...and Corn

- China has a tariff rate quota (TRQ) system for corn, rice, and wheat (applied to all trading partners).
- China import tariff quota for corn in 2020 = 7.2 million tons
- WTO ruled in April 2019 that China’s administration of this TRQ violated its WTO obligations.
- “This is a global quota. We will not adjust it for a specific single country.” - Chinese Vice Minister of Agriculture and Rural Affairs (as reported in the South China Morning Post, Jan. 7, 2020)

Free Trade Agreement Negotiations

- 1) What's next for the U.S.-Mexico-Canada Agreement?
- 2) U.S.-Japan “mini” deal – agriculture and digital
- 3) What are other countries doing?

USMCA - U.S. Implementing Legislation

- Repeals NAFTA; suspends U.S.-Canada FTA
- Maintains market access for agriculture
- Status: Passed U.S. House in Dec. by vote of 385-41; Cleared Senate Finance Committee by vote of 25-3 on Jan. 7.
- Next up: Referred to six additional Senate committees with jurisdiction.

U.S.-Japan “mini deal”: The TPP Context

- Important to offset the disadvantage of U.S. withdrawal from the Trans-Pacific Partnership (TPP).
- Dec. 2018: CPTPP (revised TPP) took effect (without U.S.)
- U.S.-Japan deal on agriculture effective Jan. 1, 2020.
- Cuts tariffs on 90% of agricultural goods, seeking to match what was in TPP.
- Maintains Japan’s zero tariff on U.S. feed corn; grants a quota eliminating a 3% duty on sweet corn and other types of corn.

Free Trade Agreements by Share of Global GDP

Agreement	Status	Share of Global GDP
TTIP	Defunct	45.5%
TPP	Defunct	37.2%
RCEP	Proposed	28.2%
USMCA	Signed (2018)	27.6%
EU-Japan	Ratified (2018)	27.5%
EU-Mercosur	Signed (2019)	24.9%
EU-Canada	Ratified (2017)	23.5%
CPTPP	Ratified (2018)	13.1%

Source: The World Bank

World Trade Organization

- 1) Negotiating Forum
- 2) Trade Policy Review Mechanism
- 3) Dispute Settlement

WTO Dispute Settlement

Two Major Challenges to Survival of WTO Dispute Settlement System:

- 1) Appellate Body Collapse.
Implications for agriculture. (Recall the China corn/TRQ case...)
- 2) National Security Exception

Things to Watch

- Jan. 14-16: EU Trade Commissioner visits Washington
- Jan. 15: U.S. and China expected to sign “Phase One” deal in Washington.
- June 2020: WTO Ministers Meeting. Future of the WTO Appellate Body?
- June 2021: Trade Promotion Authority expires

TRADE

MATTERS

Making trade relatable by unpacking the new developments
and long-running trends reshaping global markets.

*Trade Matters to **you.***



Listen on
Apple Podcasts



Listen on
STITCHER™



**CLAYTON YEUTTER INSTITUTE OF
INTERNATIONAL TRADE AND FINANCE**