Trade Agreements and U.S. Competitiveness[1]

As a leading trading nation and the world's largest economy, since the mid-20th century, the U.S. has consistently pursued opportunities to expand trade contributing to national economic prosperity and promoting economic development and peace abroad. With over 95% of world consumers residing outside America's borders, trade liberalization and access to foreign markets through the pursuit of trade agreements remains vital to the economic fortunes of U.S. workers, consumers, and industries. In an increasingly interconnected global economy, with other major trading nations securing trade liberalization to promote economic prosperity and competitiveness, a U.S. trade policy to pursue further reductions in global trade barriers remains vital.

Current U.S. Trade Policy

After several months of "review" the Biden administration's announced trade policy omits pursuit of new trade agreements. Further, potential for new trade agreements fell further with expiration of Trade Promotion Authority last June, a key tool for expedited consideration of new trade agreements in the Congress. Instead, the administration's trade policy agenda, as articulated by the Office of the U.S. Trade Representative (USTR), remains squarely focused on enforcing existing trade agreements, most notably the recently ratified U.S. -Mexico- Canada Agreement (USMCA) and the China Phase One agreement. New trade agreement negotiations with the United Kingdom (U.K.) and Kenya, initiated by the prior administration, have not been revived. Further, reconsideration of the prior administration's withdrawal from the Trans-Pacific Partnership, now called the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) has been rejected in favor of pursuit of a still undefined Indo-Pacific Economic Framework.

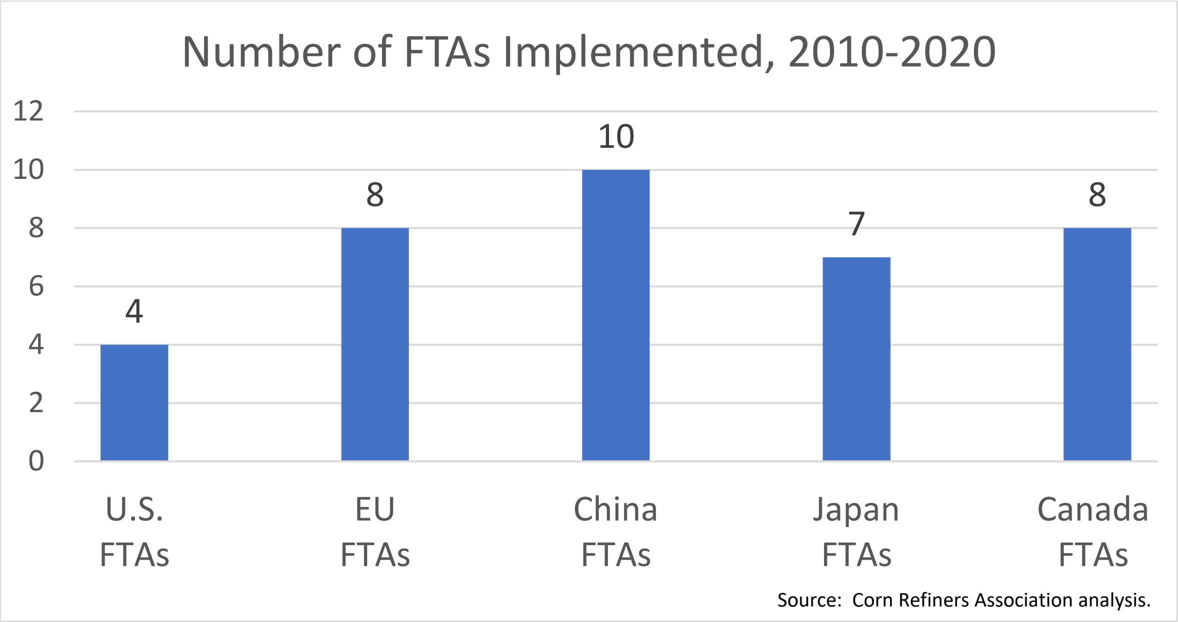
Trade Agreements – U.S. and Key Trade Partners

In contrast, rival trading nations have rapidly expanded trade opportunities through bilateral and multilateral trade arrangements.

Since 2010, several leading trading nations have overtaken U.S. leadership in setting the terms of global trade by entering into new free trade agreements:

[1] The Corn Refiners Association (CRA) is the national trade association representing a full 100% of the corn refining industry of the United States. CRA and its predecessors have served this important segment of American agribusiness since 1913. Our members are key suppliers to the U.S. food and agriculture supply chain, serving both domestic and international markets. Our members are export-oriented as 15-20 percent of all corn products are supplied to the global market.

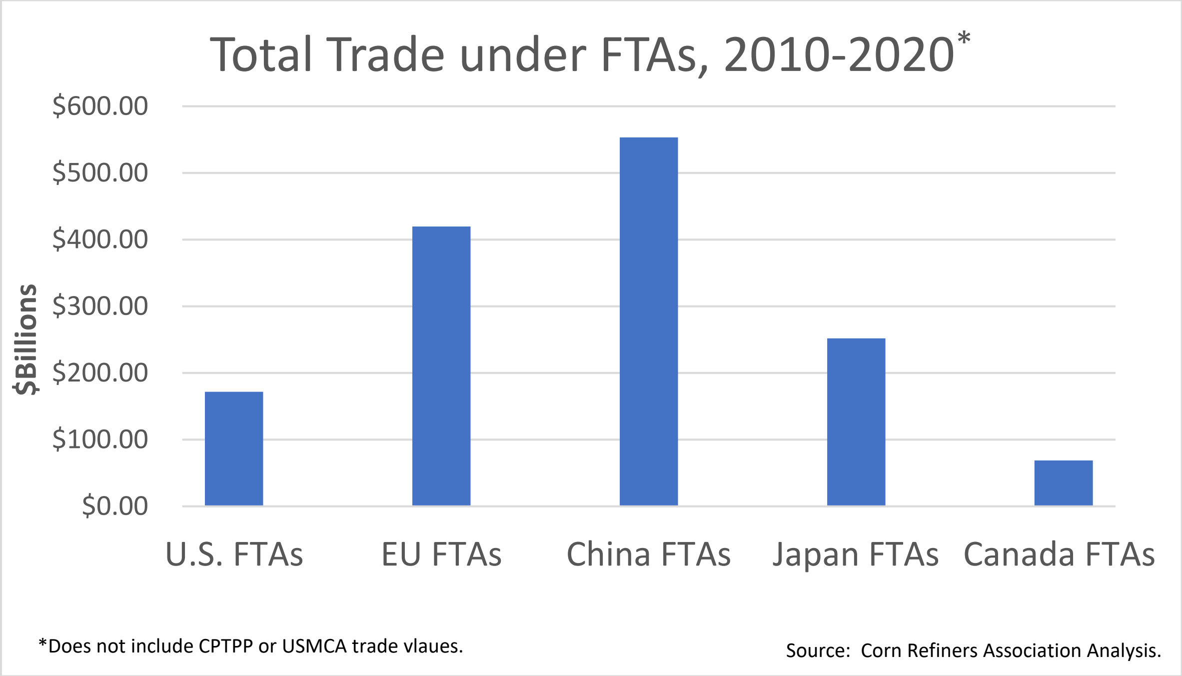
- China, #1 in international trade,[2] has entered into ten new FTAs – Peru (2009), Costa Rica (2010), Iceland (2013), Switzerland (2013), South Korea (2015), Australia (2015), Georgia (2017), Mauritius (2019), Cambodia (2020), the Regional Comprehensive Economic Partnership (RCEP) (2020)
- Japan, #4 in international trade, has entered into seven new FTAs – India (2011), Peru (2011), Australia (2014), Mongolia (2015), CPTPP (2018), European Union (2018), United Kingdom (2020)
- The European Union (EU), #2 in international trade, has entered into eight new FTAs – Ukraine, Moldova, Georgia (2014), Singapore (2018), Vietnam (2019), Japan (2018), Canada (2016), Mercosur (Argentina, Brazil, Paraguay, Uruguay)
- Canada, #8 in international trade, has entered into eight new FTAs – Colombia (2008), Jordan (2009), Panama (2010), Honduras (2013), South Korea (2014), Ukraine (2016), EU (2016), CPTPP (2018)



In comparison, the U.S., #3 in international trade, has concluded just four trade agreements, the most significant of which was the USMCA, a "modernization" of the 25-year-old predecessor, the North American Free Trade Agreement (NAFTA). The other U.S. trade agreements are with Colombia, Peru, and South Korea.

[2] Eurostat database https://ec.europa.eu/eurostat/statistics-explained/index.php?title=International_trade_in_goods.

Beyond the sheer number of new trade agreements, several key U.S. trade partners are outpacing the U.S. in the level of trade benefitting from lower tariffs and reductions in non-tariff barriers contained in formal trade agreements. The EU and China for example, are experiencing lower tariffs and other reduced trade barriers on an estimated $553 billion and $420 billion in total trade, respectively, through comprehensive trade pacts in the last decade, compared with $171 billion for the United States.[3] [4] In the vast majority of the trade agreements, existing tariffs for 98-99% of traded goods between the trade partners are eliminated immediately or reduced to zero within ten years.



Outlook

Clearly our major trade partners are moving forward with new trade agreements. In the past year nearly half a dozen countries (i.e., the U.K., China, Taiwan, Thailand, and South Korea) have expressed interest or formally notified their intent to join the CPTPP. They recognize the powerful opportunity formal trade agreements provide in boosting their economies and enhancing the competitiveness of their industries, such as food and agriculture, compared with rival trading partners either already benefitting from CPTPP membership or not in the CPTPP circle.

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[3] United Nations Comtrade Database https://comtrade.un.org/labs/data-explorer/#.

[4] For USMCA, the vast majority of U.S. total trade was previously liberalized under the NAFTA and therefore excluded.

Current Trade Negotiations				
U.S.	**Canada**	**China**	**Japan**	**EU**
• Kenya • U.K.	• ASEAN (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam) • India • Indonesia • Mercosur(Argentina, Brazil, Paraguay, Uruguay) • Ukraine (Upgraded FTA)	• CPTTP • Gulf Cooperation Council (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates) • Israel • Norway • Singapore (Upgraded FTA) • South Korea (Upgraded FTA)	• Colombia • South Korea • Turkey	• Australia • Chile (upgraded FTA) • Indonesia • New Zealand • Thailand

Source: Various national websites and Corn Refiners Association analysis.

Regional trade agreements such as CPTPP are particularly powerful tools to accelerate and deepen economic influence and integration of the signatory countries. The Asia-Pacific region is the fastest growing region in the world and China, and other aspiring nations are eager to enter the circle of CPTPP membership as the U.S. continues in an observer status. Additional multilateral trade pacts are emerging in the region exclusive of the United States. The Regional Comprehensive Economic Partnership (RCEP), which enters force on January 1, 2022, creates the world's largest trade agreement, covering 30% of the global economy and 30% of the global population, joining for the first time Asian trading giants China, Japan and South Korea. Notwithstanding the agreement omits provisions on labor, environment and some other of aspects of comprehensive trade pacts such as embodied in the USMCA, RCEP stipulates the removal of tariffs on 91% of goods and standardization of regulations on investment, intellectual property, and e-commerce, further deepening trade and supply chains in the region.

The proliferation of trade pacts is not limited to the Asia-Pacific. The 27-member EU has concluded a trade agreement with the four founding members of Mercosur (Argentina, Brazil, Paraguay, and Uruguay) as part of a bi-regional Association Agreement. In addition to tariff liberalization, the EU-Mercosur pact sets new standards for rules of origin, technical barriers to trade, sanitary and phytosanitary measures (SPS), government procurement, and services, geared to enhancing trade exclusively among these nations. Agriculture products from Mercosur countries are the largest export sector to the EU and certainly poised to experience lower EU trade barriers, diminishing the competitiveness of U.S. food and agriculture producers exporting to the EU.

Back Sliding

While the United States purports to enhance its credibility and influence around the world and compete with China, Europe and other major trading nations, its recent bipartisan neglect of a proactive trade agenda and outlook cause the U.S. to be significantly declining in economic influence, presumably with strategic consequences. Not moving forward on trade expansion through formal trade agreements may carry significant risks for U.S. exporters, including in the agriculture sector, who rely on increased foreign market access to enhance their global competitiveness and economic security.

Effects

Tariff liberalization propels economic growth, lowers consumer prices, and encourages foreign investment. Beyond tariff elimination, comprehensive trade pacts promote greater cooperation on setting the terms of trade, such as in the areas of customs and trade facilitation; standards and technical barriers to trade; intellectual property rights; e-commerce; government procurement; regulatory coherence, and transparency, all equally important to lowering impediments to cross-border trade. The consequences of pausing action on market opening free trade agreements are concerning.

- The U.S. cannot afford to remain on the sidelines as other countries enhance their market access and dictate rules that will shape the composition of global trade.
- The U.S. absence from large bilateral and multilateral trade agreements such as CPTPP allows other countries to set global trade rules.
- The United States and other countries that aren't party to the regional or multilateral agreements (e.g., CPTPP) will experience diminished competitiveness and investment opportunities in the region.
- Our trade partners are pressing forward with new trade agreements without us. In the case of the paused trade talks with the U.K., British officials are charging ahead with an aggressive campaign to strike trade deals with other countries including Japan, Australia, and New Zealand among others.
- When countries forge new trade pacts without U.S. engagement, the U.S. forgoes the opportunity to encourage a deeper alignment on the rules of trade and enhance or create new strategic economic relations. Such is the case as the U.K. redefines its trade rules and polices, including non-tariff measures such as SPS, critical to agriculture trade, while U.S. bilateral trade talks remain on hold indefinitely.

- Comprehensive trade agreements are lengthy and resource intensive national endeavors. The EU and Mercosur negotiations spanned nearly 20 years. As other countries progress in securing market-opening trade agreements while the United States pauses, the challenge of rejoining the playing field deepens and the longer U.S. exporters and companies face competitive disadvantages in rapidly growing markets, and the more American workers pay for the goods they rely on from global trade.

Conclusion

The United States' self-removal from the game to set the rules for trade in the Asia-Pacific, South America, or other promising regions of economic growth and rising consumer demand encourages potential partners to move forward without us and ensures that our trade rivals will define the path of global trade rules, standards, and practices. When the U.S. engages and pursues market access through bilateral and multilateral trade agreements it demonstrates global leadership and ensures that the United States leads the way on setting global trade rules. Shifting U.S. trade policy into a more forward leaning posture to open foreign markets and expand trade fosters U.S. global competitiveness and in turn secures benefits for the U.S. economy, American workers, and consumers.