

U.S. Agricultural Trade and Trade Policies: Focus on Colombia

Prepared for Cochran Fellowship Program

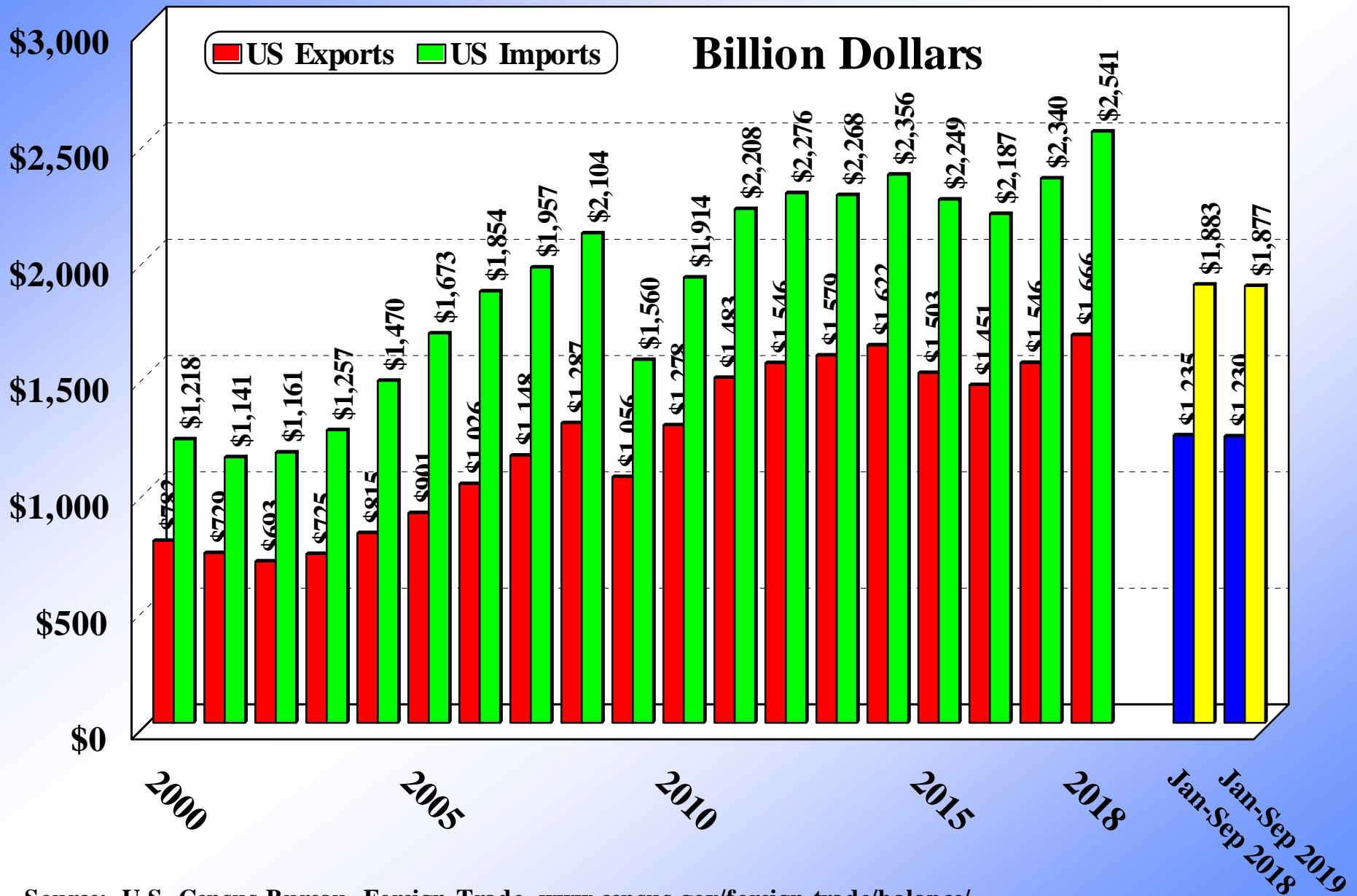
Flynn Adcock, Assistant Director
Center for North American Studies
Department of Agricultural Economics
Texas A&M University

December 2, 2019



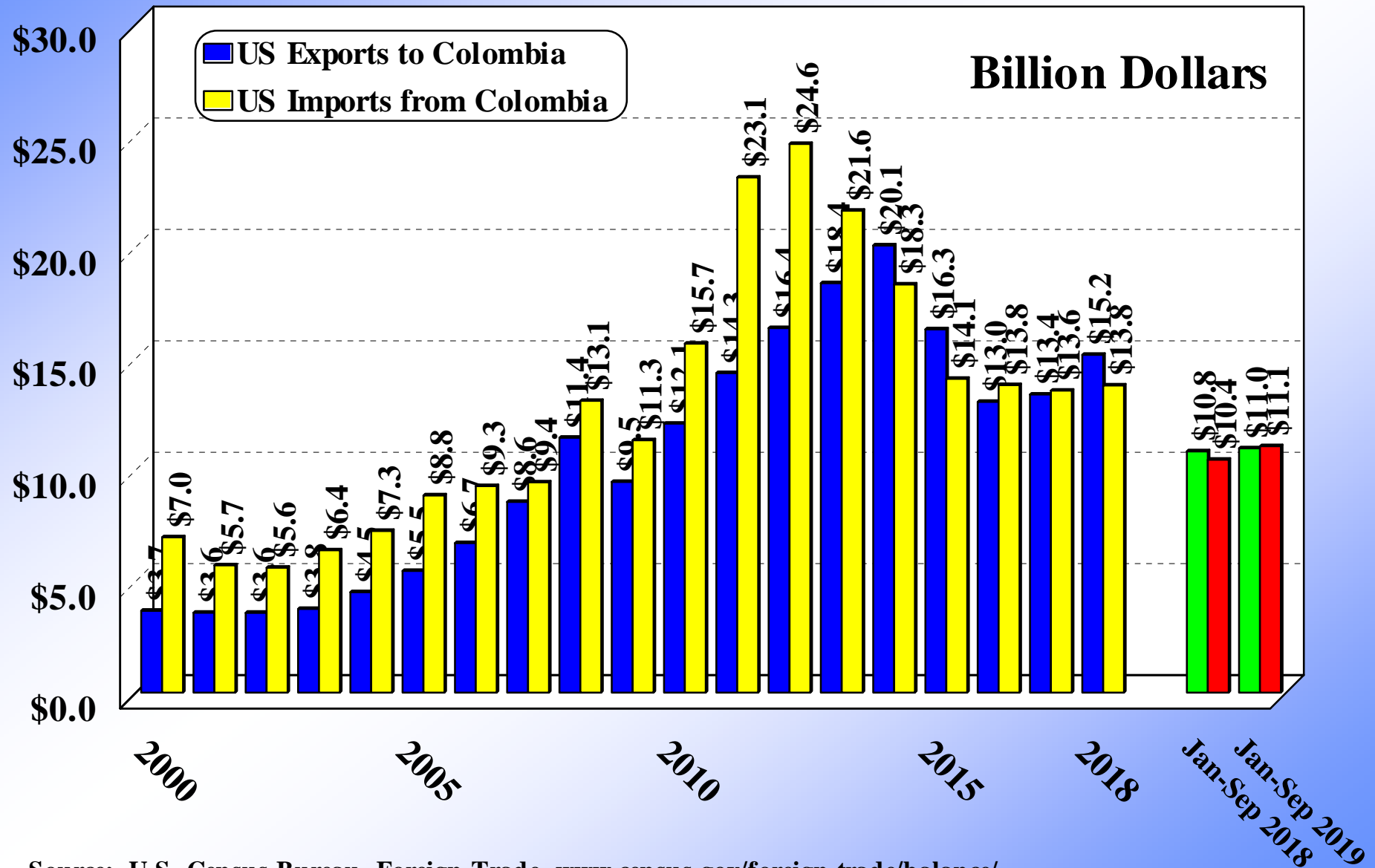
*U.S. Agricultural Trade
with Colombia*

Total U.S. Trade, 2000 - September 2019



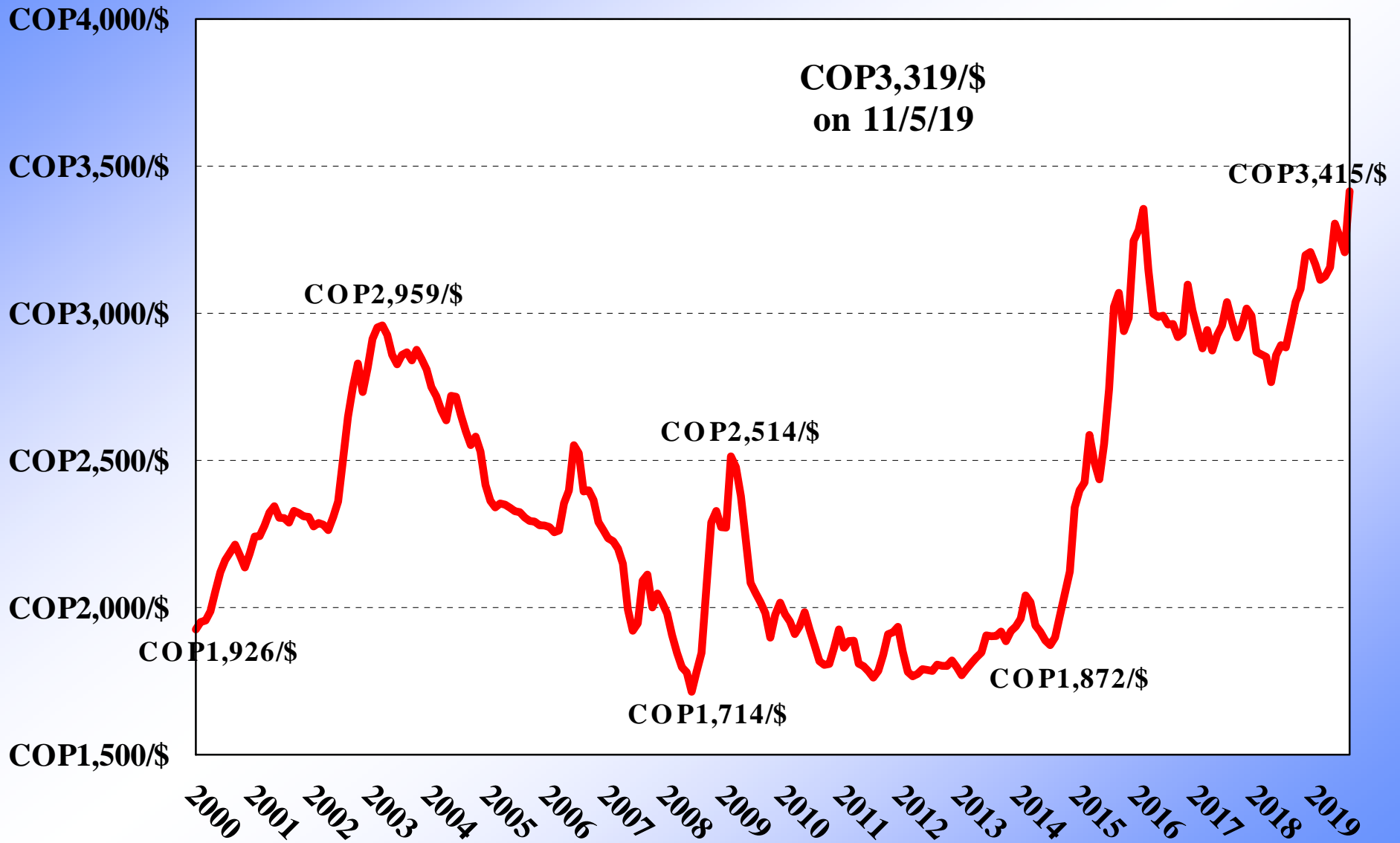
Source: U.S. Census Bureau, Foreign Trade, www.census.gov/foreign-trade/balance/

Total U.S. Trade with Colombia 2000 - September 2019



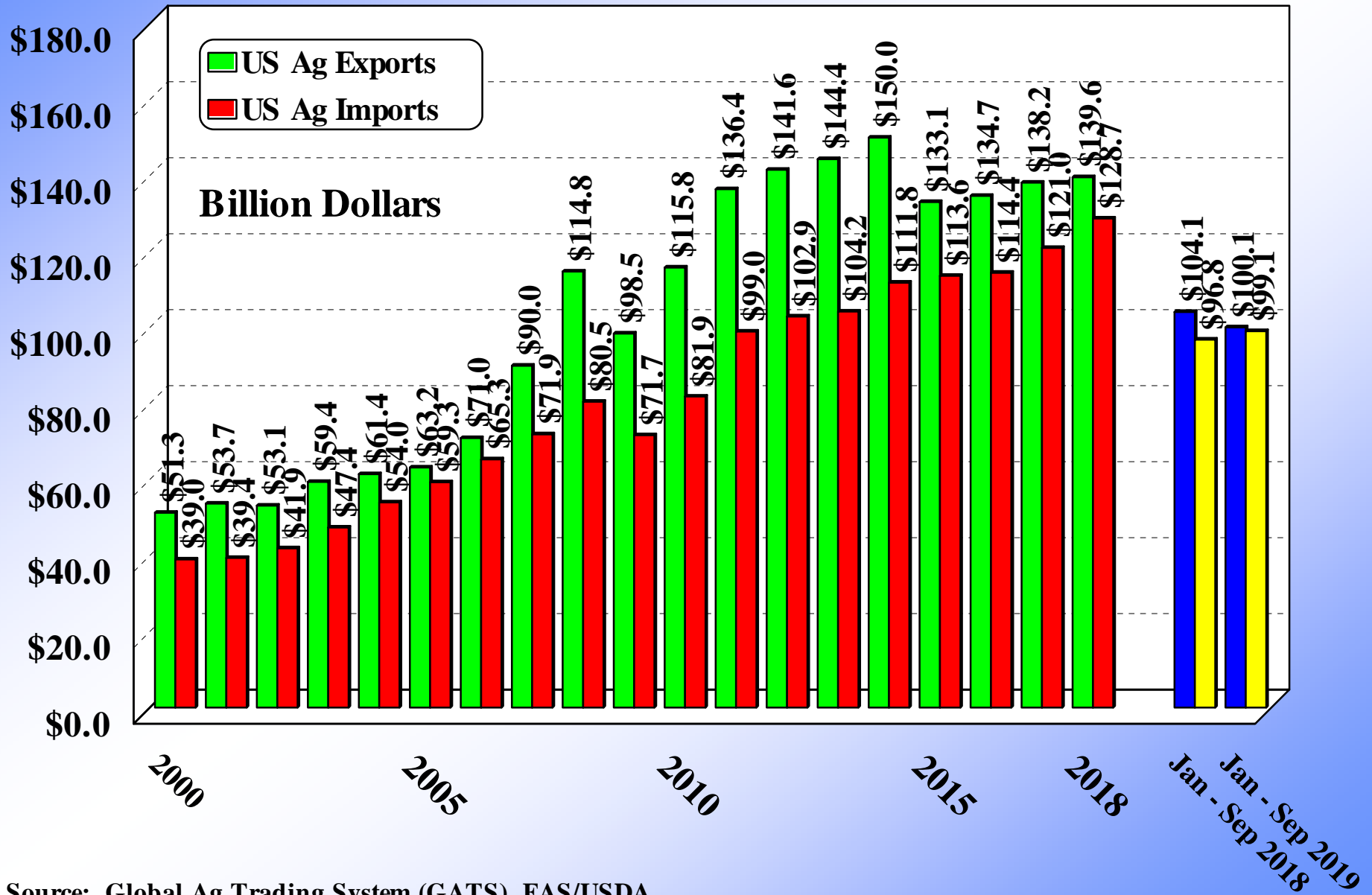
Source: U.S. Census Bureau, Foreign Trade, www.census.gov/foreign-trade/balance/

U.S.-Colombia Average Monthly Exchange Rate 2000 - August 2019



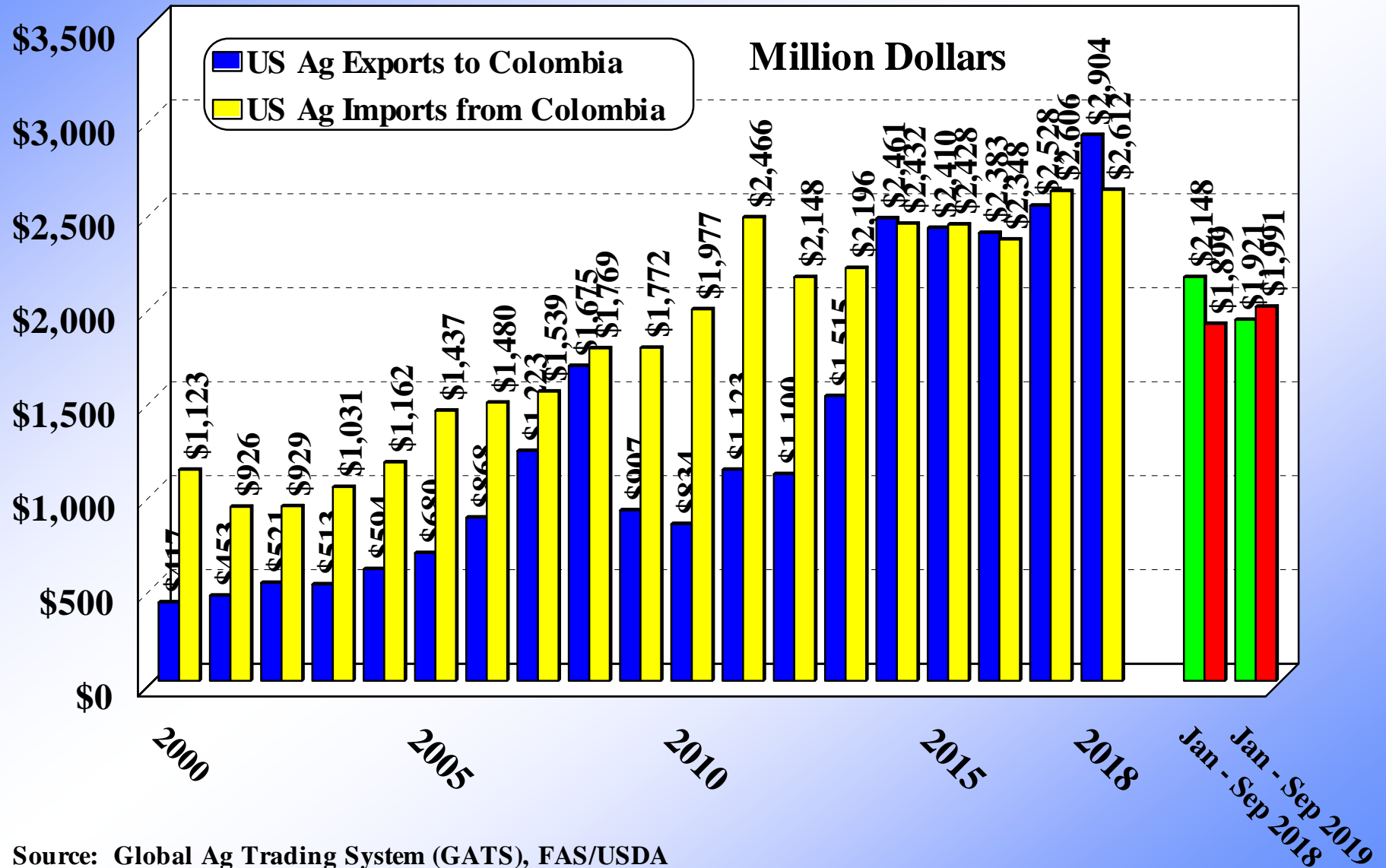
Source: Federal Reserve Bank of St. Louis, <https://fred.st.louisfed.org>

Total U.S. Ag and Food Trade, 2000 - September 2019



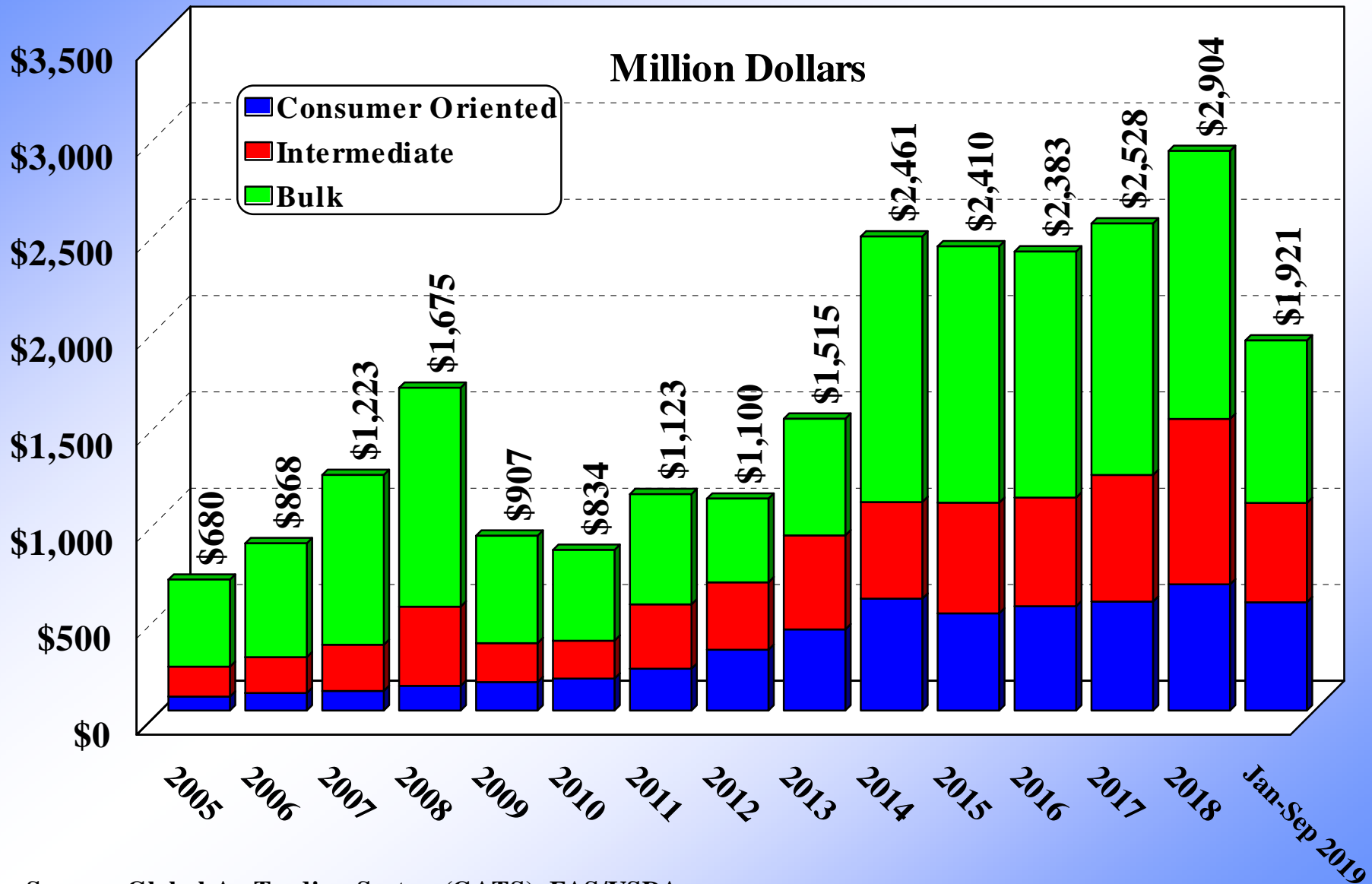
Source: Global Ag Trading System (GATS), FAS/USDA

U.S. Ag and Food Trade with Colombia 2000 - September 2019



Source: Global Ag Trading System (GATS), FAS/USDA

U.S. Ag and Food Exports to Colombia 2005 - September 2019

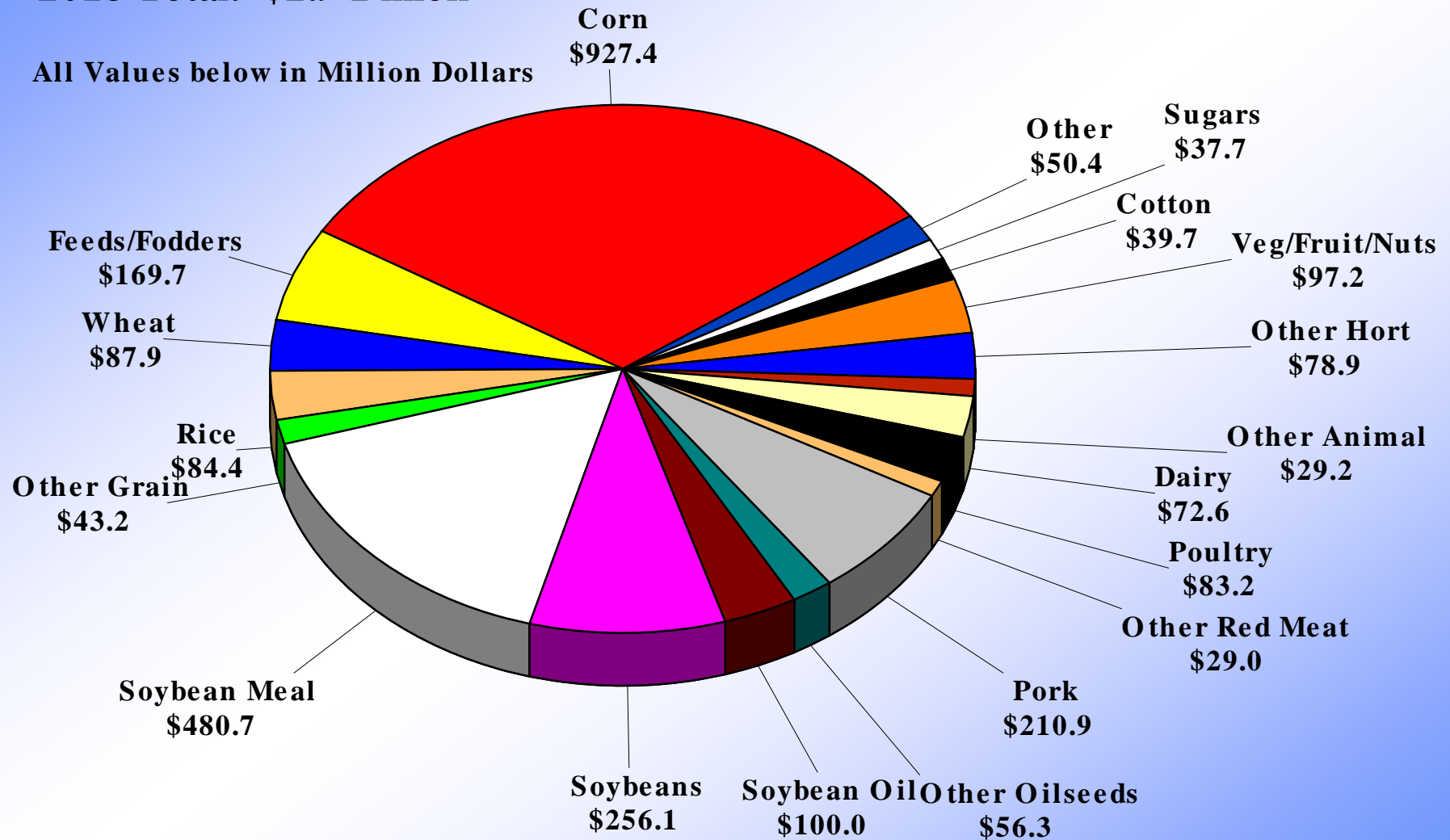


Source: Global Ag Trading System (GATS), FAS/USDA

U.S. Agricultural and Food Exports to Colombia, 2018

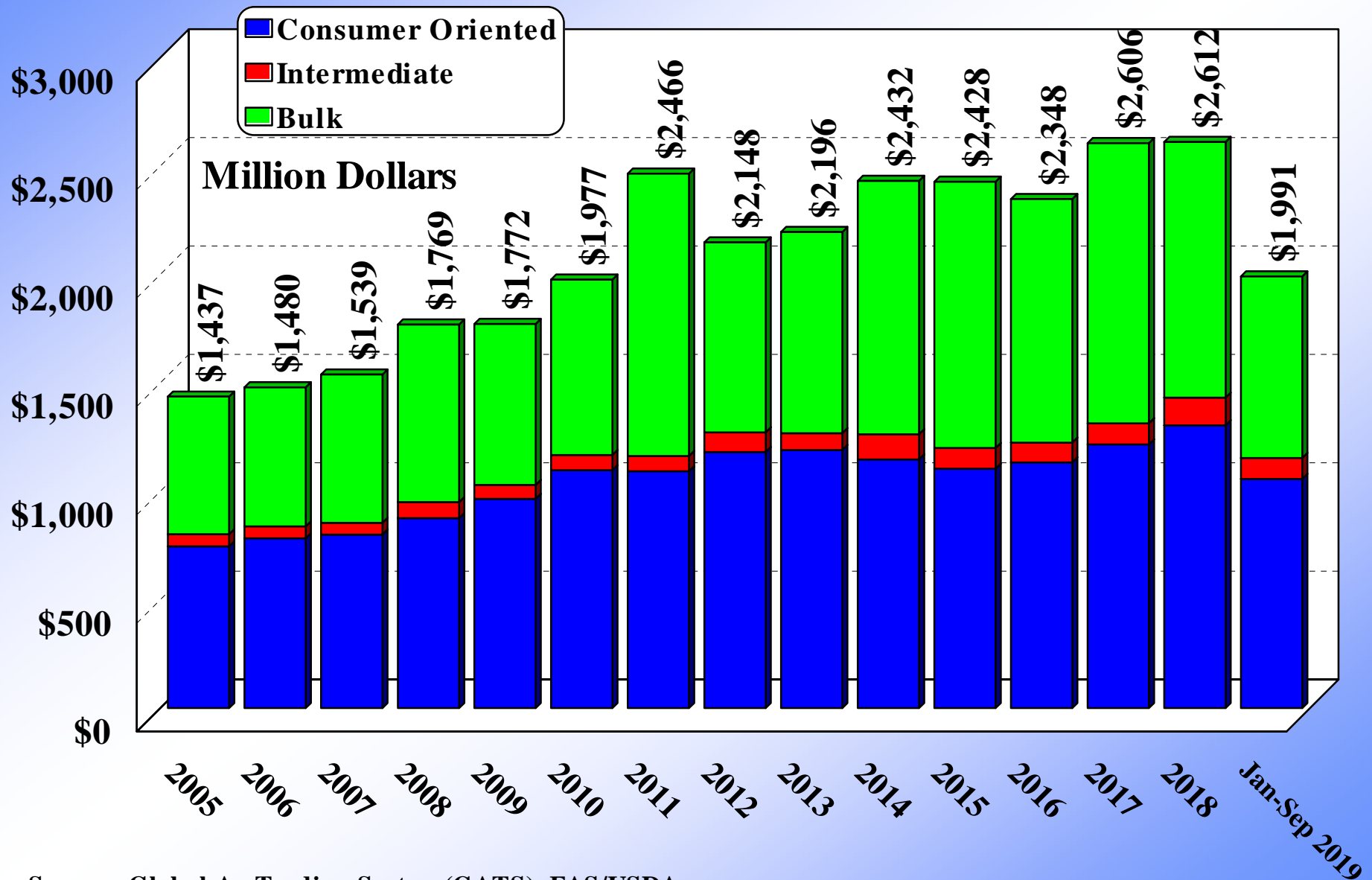
2018 Total: \$2.9 Billion

All Values below in Million Dollars



Source: Global Ag Trading System (GATS), FAS/USDA; Note: Other Hort and Other Grains both include a wide array of product

U.S. Ag and Food Imports from Colombia 2005 - September 2019

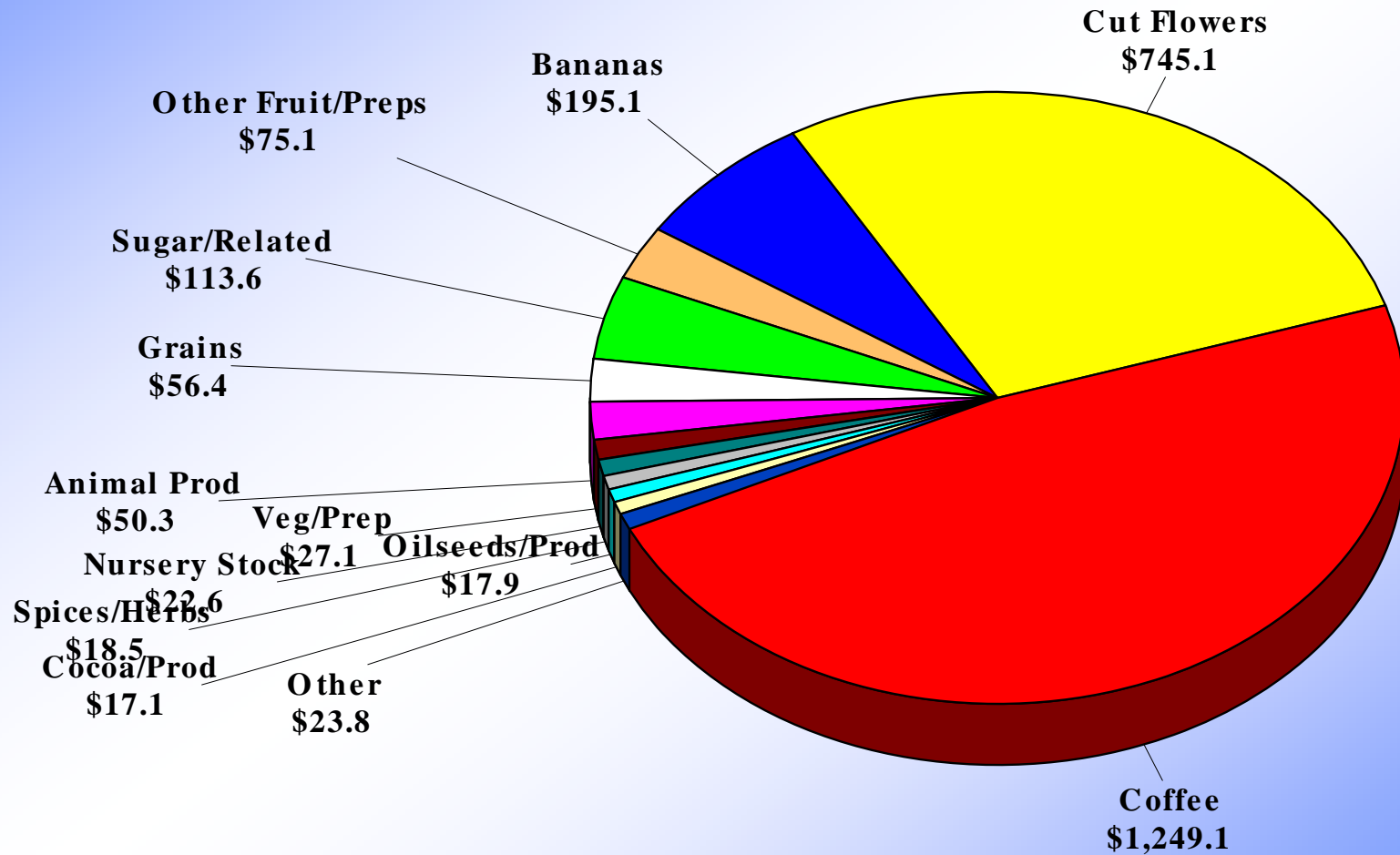


Source: Global Ag Trading System (GATS), FAS/USDA

U.S. Agricultural and Food Imports from Colombia, 2018

2018 Total: \$2.61 Billion

All Values below in Million Dollars



Source: Global Ag Trading System (GATS), FAS/USDA; Note: Other Hort includes a wide array of products.



*Agricultural Trade Policies
of the United States*

General Types of Trade Policy

- ◆ Unilateral: Individual Country Action
 - Import Quotas, Duties, Export Subsidies
 - Embargoes, Market Promotion, Farm Support
- ◆ Bilateral: Agreement to Invoke Policy between 2 Governments
 - U.S.-Colombia FTA, U.S.-Korea FTA, CAFTA-DR, USMCA (NAFTA), etc.
- ◆ Multilateral: Agreement to Invoke Policy between Three or More Governments
 - GATT/WTO
 - Free Trade Areas (MERCOSUR, EU)

U.S. Trade Policy Process

◆ Legislative Branch

- Congress - Authority Over Tariffs & Treaties
- Authority Delegated to President

◆ Executive Branch

- United States Trade Representative (USTR)
<https://ustr.gov/>
 - ◆ Ambassador Robert E. Lighthizer
- Focal Points for Trade Negotiations, Complaints, & Administration
- USTR Chief Ag Negotiator: Amb. Gregg Doud
- Input from Industry via Advisory Panels

Trade Promotion Authority 'Fast Track'

- ◆ Congress Authorizes (for a period of time) Executive to Negotiate Trade Agreements
- ◆ Necessary Due to Constitutional Limits on Revenue Position of the United States
- ◆ Provides Credibility to USTR
- ◆ Requires Vote: 45 Legislative Days
- ◆ Simple Majority Vote Required to Pass
- ◆ No Amendments Allowed

Trade Promotion Authority

- ◆ Lead Committees: Senate Finance & House Way & Means (Ag. & Others Involved)
- ◆ Limits Floor Debate to 20 Hours in Each Chamber
- ◆ TPA Under Title XXI of Trade Act of 2002
 - Upholds Environmental Regulations
 - Supports Core Labor Standards
 - Outlines Negotiating Objectives
- ◆ Granted Again in June 2015 thru July 2018;
extended to July 2021

Generalized System of Preferences (GSP)/ Most Favored Nation (MFN)

- ◆ GSP Created by United Nations In 1960's
 - Provides Duty-Free Access to Industrialized Markets For LDC's & Developing Countries
 - Important Economic Development Tool For Developing Countries
 - Non-Reciprocal and Unilateral
- ◆ MFN (also called Normal Trade Relations-NTR)
 - Created By GATT, continued by WTO
 - Same Trading Privileges among Member Nations of WTO, Most Favorable Tariffs
 - Reciprocal and Multilateral

Overview of Preferential Trading Arrangements (PTA's)

- ◆ Currently 23 Forms of Preferential Trading Arrangements Among 119 Countries Account For 82% of World Trade
- ◆ Since 1985, the U.S. Has Negotiated Separate Trade Agreements with 20 Different Countries
 - NAFTA (3 bi-lateral agreements)
 - DR-CAFTA (6 bi-lateral agreements)
 - Israel, Jordan, Oman, Singapore, Bahrain, Morocco, Australia, Chile, Peru, **Colombia**, Korea, and Panama

U.S. International Trade Commission

- ◆ Independent Government Agency of 6 Commissioners, Each Appointed by the President for 9 Years
- ◆ Maintains the U.S. Tariff Schedule
<https://hts.usitc.gov/current>
- ◆ Responsible for Investigating Alleged Violations or Complaints Regarding U.S. Trade Laws and Regulations

U.S. International Trade Commission

(cont.)

- ◆ Most Complaints Relate to:
 - Dumping: Sale of Goods Below the Price in Country of Origin or Below the Cost of Production
 - Anti-dumping Duties: Less Than Fair Value and Material Injury (Tariff Act of 1930 - Smoot/Hawley)
- ◆ Presidential Authority Granted For Imposition of Duties

Ag. Trade Programs

- ◆ Foreign Agricultural Service (FAS/USDA):
 - FAS Cooperator Program
 - Foreign Market Development Program
 - Ag. Counselor/Attaché Staff
 - Analysis & Education - Policy Function
- ◆ Public Law-480 (PL-480) - “Food for Peace”
 - Title I: Concessional Sales, Admin by USDA
 - Title II: Food Donation/Emergency Relief
 - Title III: Economic Development Grants
 - ◆ Titles II & III Admin by USAID



Protectionism

Why Protect from Trade?

- ◆ Affect Distribution of Gains From Trade
- ◆ Protect Infant or “New” Industry
- ◆ National Security
- ◆ National Health
- ◆ Combat Unfair Foreign Trade Policies
- ◆ Protect Domestic Programs
- ◆ Improve Balance of Trade/Payments

How is Trade Protected?

- ◆ Tariff Barriers
 - Ad Valorem/Specific/Combo
- ◆ Non-tariff Barriers
 - Explicit NTBs vs Implicit NTBs
- ◆ Technical Barriers To Trade
- ◆ Complex Packaging/Labeling Requirements

All Make It More Difficult for Foreign Sellers to Compete with Domestic Sellers

Non-tariff Barriers to Trade

Explicit Non-tariff Trade Barriers

- ◆ Import Quotas – Quantity Restrictions on Imports (ie. Up to 10,000 Tons)
- ◆ Variable Levy – Import Duties Adjusted Weekly, Monthly, or Quarterly by some countries (EU in the past)
- ◆ Voluntary Export Restraint – Export Quota Administered by Exporting Country
- ◆ Domestic Content – Requirement that Industry Use Specific Amount (Proportion) of Domestic Product
- ◆ Countervailing Duty – Special Duty Imposed to Offset Foreign Government Subsidy
- ◆ Export Subsidy – Payment to Firms For Exports

Non-tariff Barriers to Trade

(continued)

Implicit Non-tariff Barriers to Trade

- ◆ **Sanitary & Phytosanitary Regulations (SPS)**
 - Government Regulations Designed to Protect Animal, Human, and Plant Health
- ◆ Sanitary Regulations: Used to ensure the sanitation of meats, poultry & dairy products
- ◆ Phytosanitary Regulations: Used to ensure the health/sanitation of plants & plant material
- ◆ Animal Health Regulations: Used to ensure that animals are free from pests & diseases

Non-tariff Barriers to Trade

(continued)

◆ Technical Barriers to Trade

- Labeling, Licensing, Packaging, Mandatory Country-of-Origin Labeling, etc.

◆ Government Procurement

- Domestic Preference in Bidding Public Contracts

Non-tariff Barriers to Trade

(continued)

- ◆ Macroeconomic Policies
 - Monetary/Fiscal Actions Which Affect Exchange Rates, Prices, Interest Rates, and the Balance of Trade
- ◆ Public Financed Research & Development

Implicit Non-Tariff Barriers to Trade

WTO SPS Agreement

- ◆ The SPS Agreement Applies to SPS Government Measures that Impact Trade
 - Private firms can impose most any rules they want to – more and more are doing so
- ◆ An SPS measure is any law, regulation, decree, requirement, or procedure used to protect human, animal and plant life or health
- ◆ Must be **science and risk-based**, apply to all like products, and base standards on international standards
- ◆ SPS Agreement Provides Forum for Resolving Disputes

Implicit Non-Tariff Barriers to Trade

SPS Trade Barriers

- An SPS Measure Might be a Barrier to Trade if:
 - not developed in a transparent manner
 - not science-based
 - not based on international standards such as Codex, OIE, IPPC
 - only applies to foreign companies (imports)
 - compliance process is unclear
 - compliance time-frame is unreasonable
- Biotech a Target for Many SPS Trade Barriers -
Precautionary Principle (Prove it does no Harm)

Implicit Non-Tariff Barriers to Trade (continued)

- Technical Barriers to Trade are those Technical Regulations and Standards which Unfairly Restrict Trade and Can Include:
 - Licensing Regimes
 - Labeling Regulations – ie MCOOL (Recent WTO Case, U.S. Lost)
 - Packaging Size/Weight Restrictions
 - Terminology
- Like the SPS Agreement, the WTO TBT Agreement Helps to Ensure Members Have Product Regulations Which Do Not Unfairly Restrict Trade

U.S. Regulatory Agencies which Help to Protect U.S. Agriculture/Food

- *Animal and Plant Health Inspection Service – APHIS (USDA)* Enforces the APHIS Plant Protection Quarantine by Inspecting for the Presence of Harmful Agricultural Pests and Live Animals for Diseases and Pests.
<https://www.aphis.usda.gov>
- *Food Safety Inspection Service – FSIS (USDA)* is Responsible for Assuring that Meat and Poultry Products Are Safe, Wholesome for Consumption, and Accurately Labeled
www.fsis.usda.gov
- *Environmental Protection Agency – EPA*
 - Establishes Tolerance Levels for Specific Pesticides That are Enforced by the FDA or USDA

U.S. Regulatory Agencies which Help to Protect U.S. Agriculture/Food

- *Food and Drug Administration – FDA*
<https://www.fda.gov/international-programs>
 - Ensures the Safety, Sanitation, and Proper Labeling of Imported Foods as Specified by the Federal Food, Drug, and Cosmetic Act and the Fair Packaging and Labeling Act
 - FDA Inspects Shipments, Collects and Examines Samples, and Conducts Investigations to Ensure Product Quality Standards are Met
 - Product Specific Regulations May Be Obtained through the FDA International Affairs Staff

U.S. Regulatory Requirements Which Help to Protect U.S. Agriculture/Food

Food Groups Under FDA Authority

- Dairy Products
 - Milk
 - Cheese
 - Butter
- Plant products
 - Vegetables
 - Fruits
 - Nuts
 - Juices
- Spices
- Dietary Supplements
- Infant Formula
- Seafood
 - Finfish
 - Shellfish
 - Crustaceans
 - Surimi based
- Grain-based
 - Bread
 - Cereals
 - Flour
- Bottled water

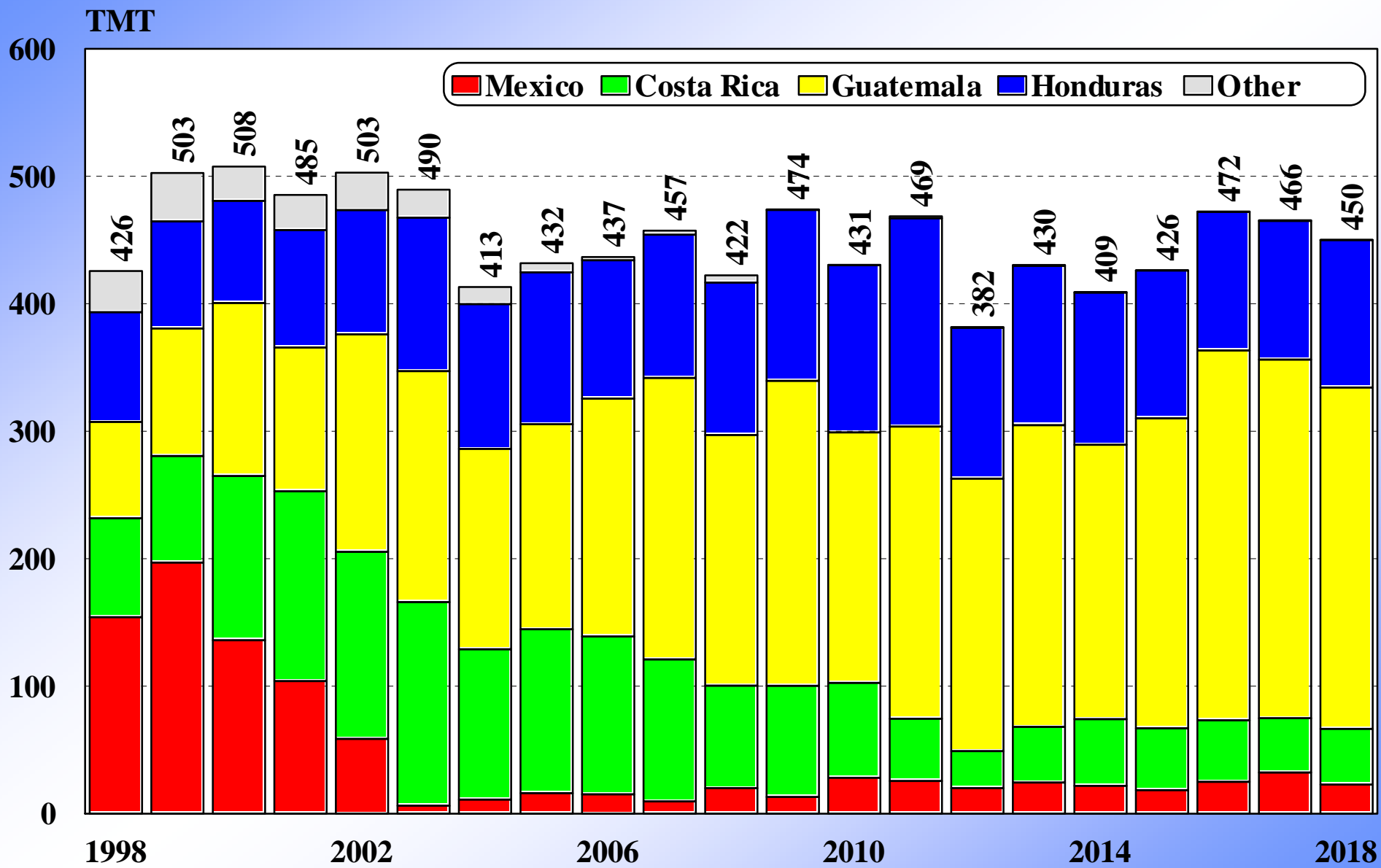
Food Safety Modernization Act (FSMA)

- Legislation Designed to be an Update to a Myriad of U.S. Food Safety Laws Dating back to 1906, When FDA was Created and Meat Inspection Act Passed
- New Import Authorities and Mandates for Imports Under FSMA Include:
 - Importer Accountable for Ensuring Foreign Suppliers Have Food Safety Measures in Place
 - New Program for 3rd Party Food Safety Certification
 - High Risk Foods for Import Require Assurance of Compliance
 - Voluntary Qualified Importer Program for Expedited Entry
 - FDA Will Now Have Authority to Deny Entry if FDA Denied Access to the Foreign Facility or Country

Importance of Food Safety Example: U.S. Cantaloupe Imports

- ◆ U.S. Imports 400-500 TMT/Year of Cantaloupes
- ◆ Mexico, a Cantaloupe Producer Located Next to the U.S., Had a Significant Share of U.S. Market
- ◆ Following Outbreaks of Salmonella in Mexican Cantaloupes (NOTE: Not Intentional Outbreaks), FDA Halted Imports of in October 2002
- ◆ Central American Countries Filled Mexico's Share of the Market
- ◆ Mexico Allowed to Resume Exporting Shortly Afterward But Yet to Reclaim Previous Market Share
 - No Agreement with FDA to Clarify until 2005
 - Competitors Reluctant to Give Up Share

U.S. Imports of Cantaloupes, 2000 - 2018



Source: FAS/USDA, Global Agricultural Trading System, www.fas.usda.gov/gats/default.aspx

Example: U.S. Cantaloupe Imports

- ◆ In 2012, Cantaloupe Imports dropped below 400 TMT first time in recent history
- ◆ Why? Numerous food safety outbreaks in recent years
 - ◆ 2008 – Honduran cantaloupes with salmonella
 - ◆ 2011 – Guatemalan cantaloupes with salmonella
 - ◆ 2011 – Colorado cantaloupes with listeria (33 died)
 - ◆ 2012 – Indiana cantaloupes with salmonella (3 died)
- ◆ The U.S. outbreaks seem to have impacted imports more than outbreaks in imported cantaloupes
- ◆ Outbreaks in U.S. and imported products continue to happen.

Sources of International Trade Info

- ◆ Center for North American Studies, cnas.tamu.edu
- ◆ USDA Foreign Agricultural Service –
www.fas.usda.gov
 - *Global Agricultural Trading System (GATS)*
www.fas.usda.gov/gats/default.aspx
 - Others – GAIN Reports for most any country
- ◆ CIA World Factbook, at www.cia.gov
- ◆ U.S. International Trade Commission, www.usitc.gov
- ◆ Agriculture and Agrifood Canada – for Info on Many Countries, including the U.S.
 - <http://agr.gc.ca/eng/industry-markets-and-trade/statistics-and-market-information/by-region/united-states/?id=1410083148463>

Thank You!!

Flynn Adcock, Assistant Director
Center for North American Studies

fjadcock@tamu.edu

<http://cnas.tamu.edu>



<http://cnas.tamu.edu>