



Trade Policy Interlude

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12 February 2018

Agenda

Trade Balances

Ag and Manufacturing

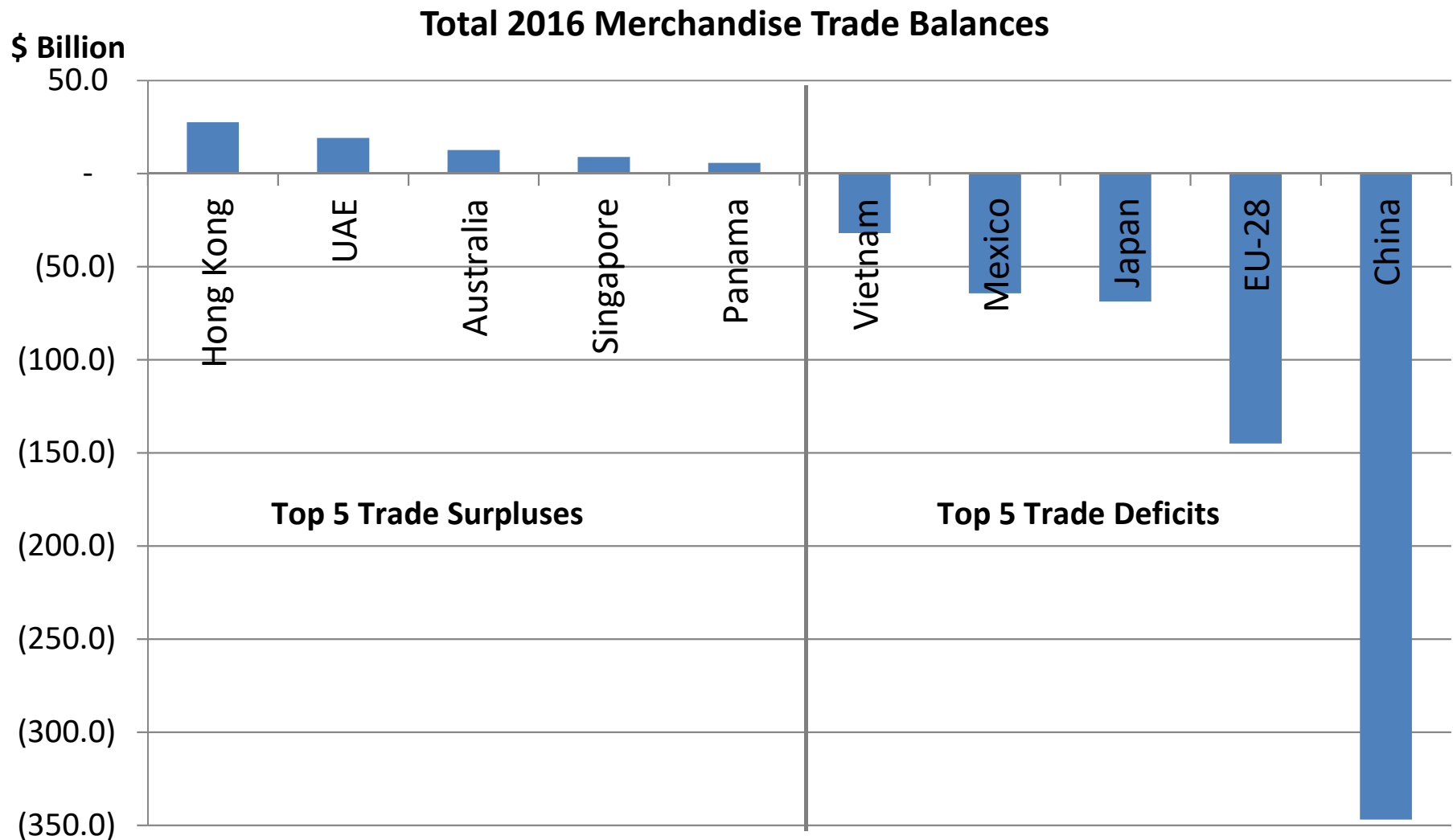
Trade Agreements

Trade Enforcement

Future Markets for Our Products

U.S. Trade Balances

Top 5 U.S. Trade Surpluses and Deficits

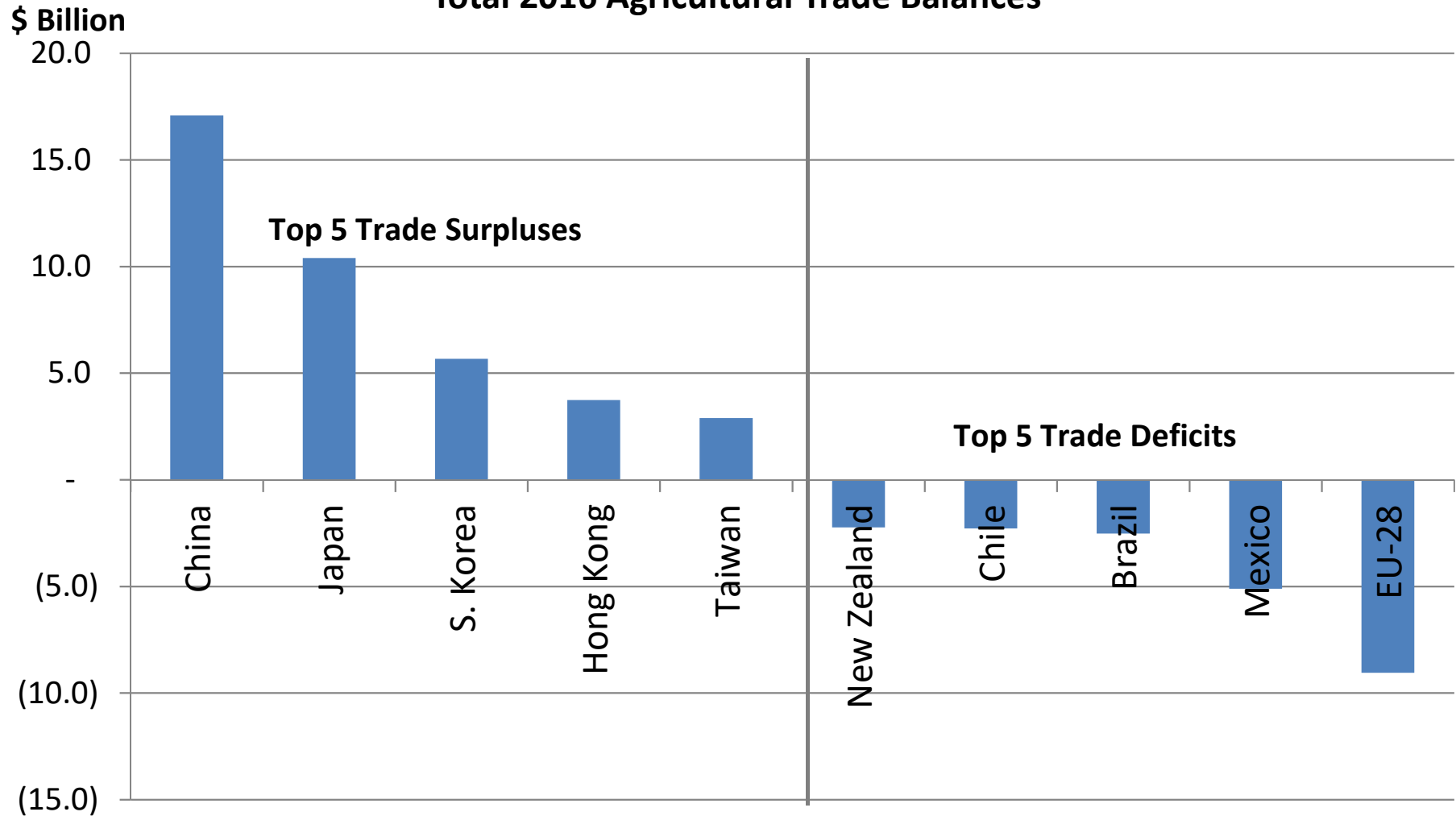


Source: Commerce/ITA TradeStats Express, Foreign Trade Division, U.S. Census Bureau

U.S. Ag Trade Balances

Top 5 U.S. Trade Surpluses and Deficits

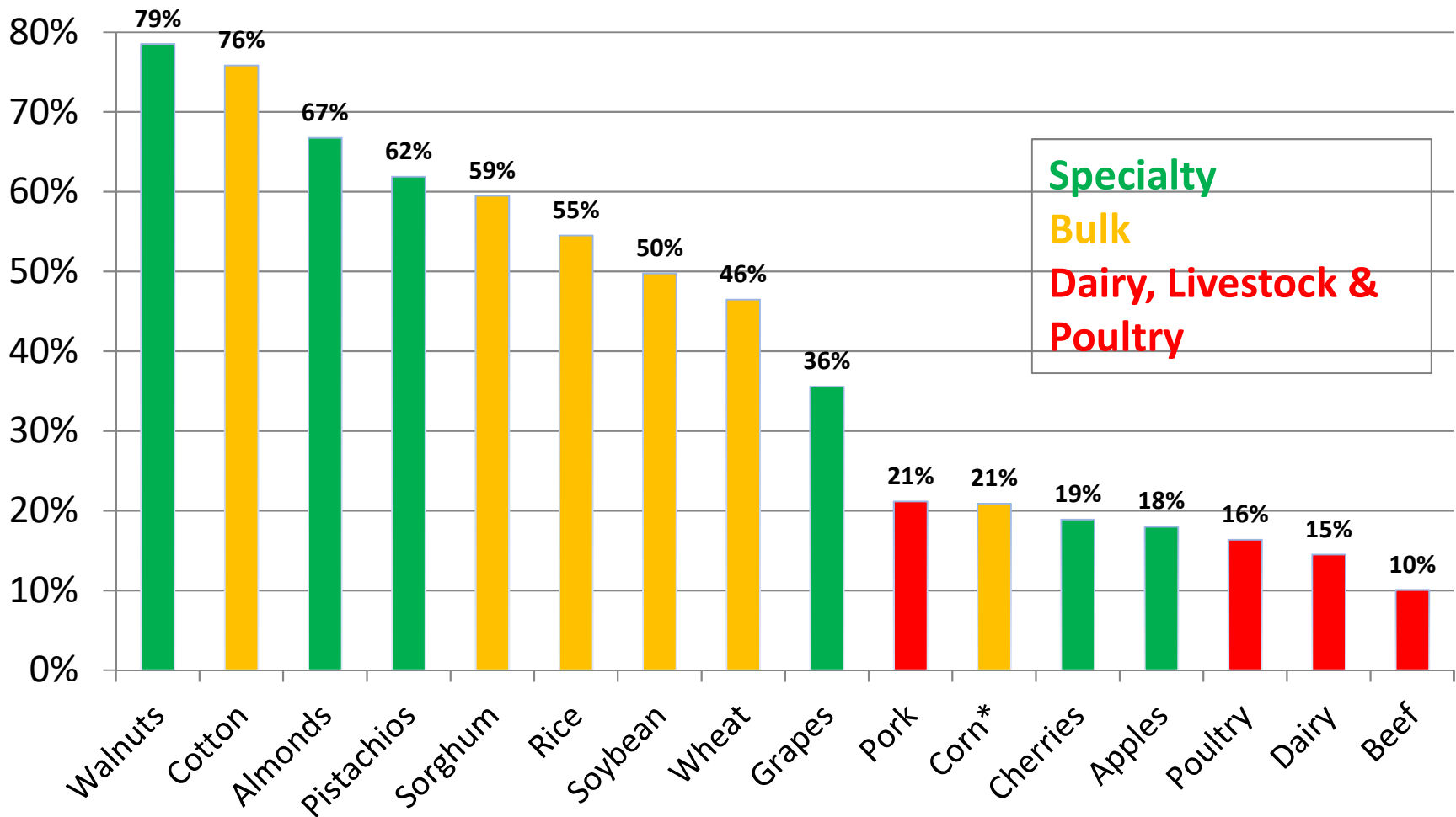
Total 2016 Agricultural Trade Balances



Source: Commerce/ITA TradeStats Express, Foreign Trade Division, U.S. Census Bureau

More than 20% of U.S. Ag Production is Exported

Exports are a critical source of income for a wide range of ag products (2016/17).



* Corn & corn embedded in ethanol, DDGS, and HFCS exports

Source: USDA/FAS/PSD database, marketing year data

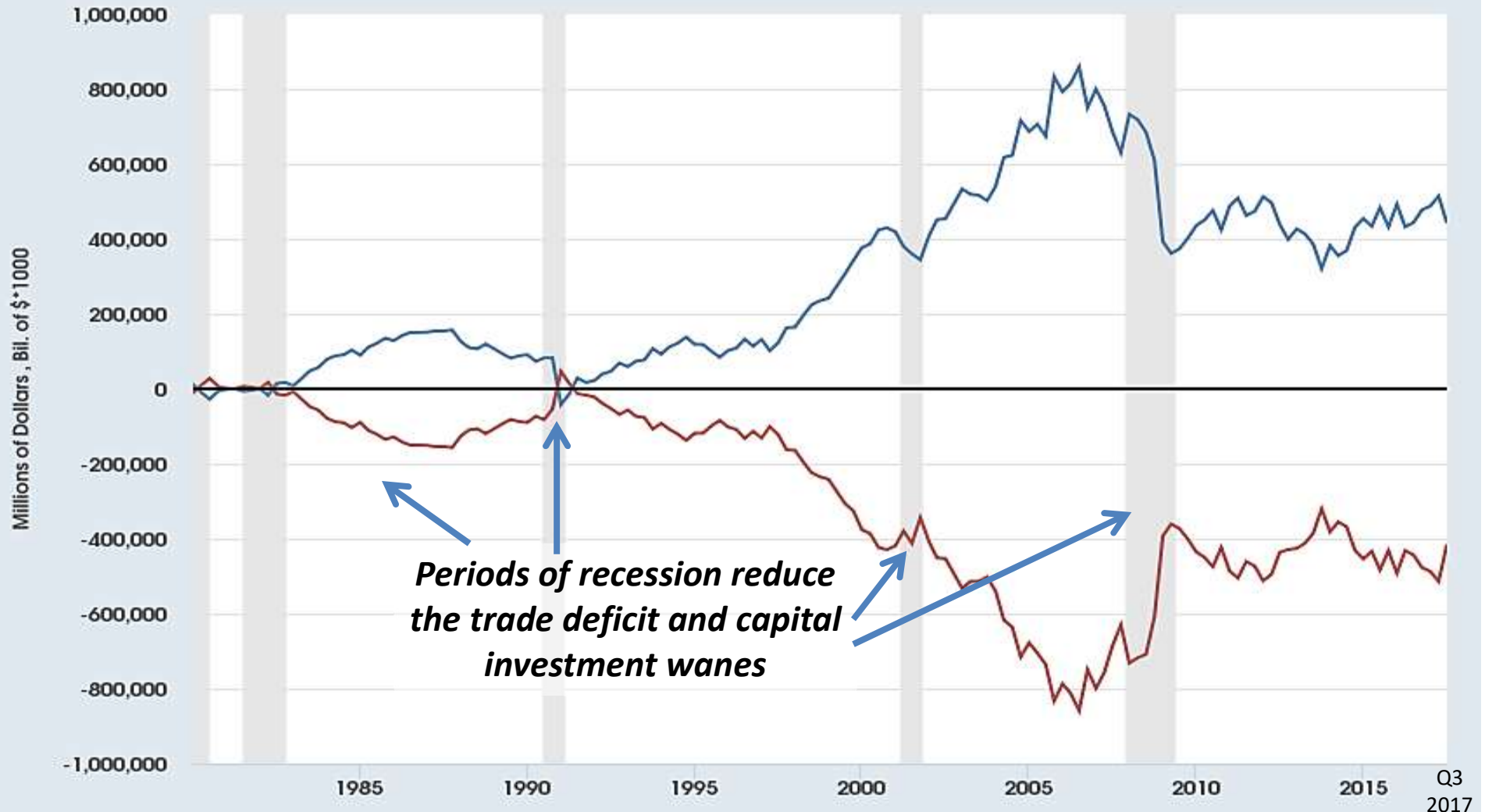
predecisional/privileged/deli

National Income & Product Accounts

A strong economy leads to increased foreign capital investment and a larger trade deficit

FRED

— Rest of the world; net lending (+) or borrowing (-) (capital account), Flow
— Balance on Current Account, NIPA's *1000



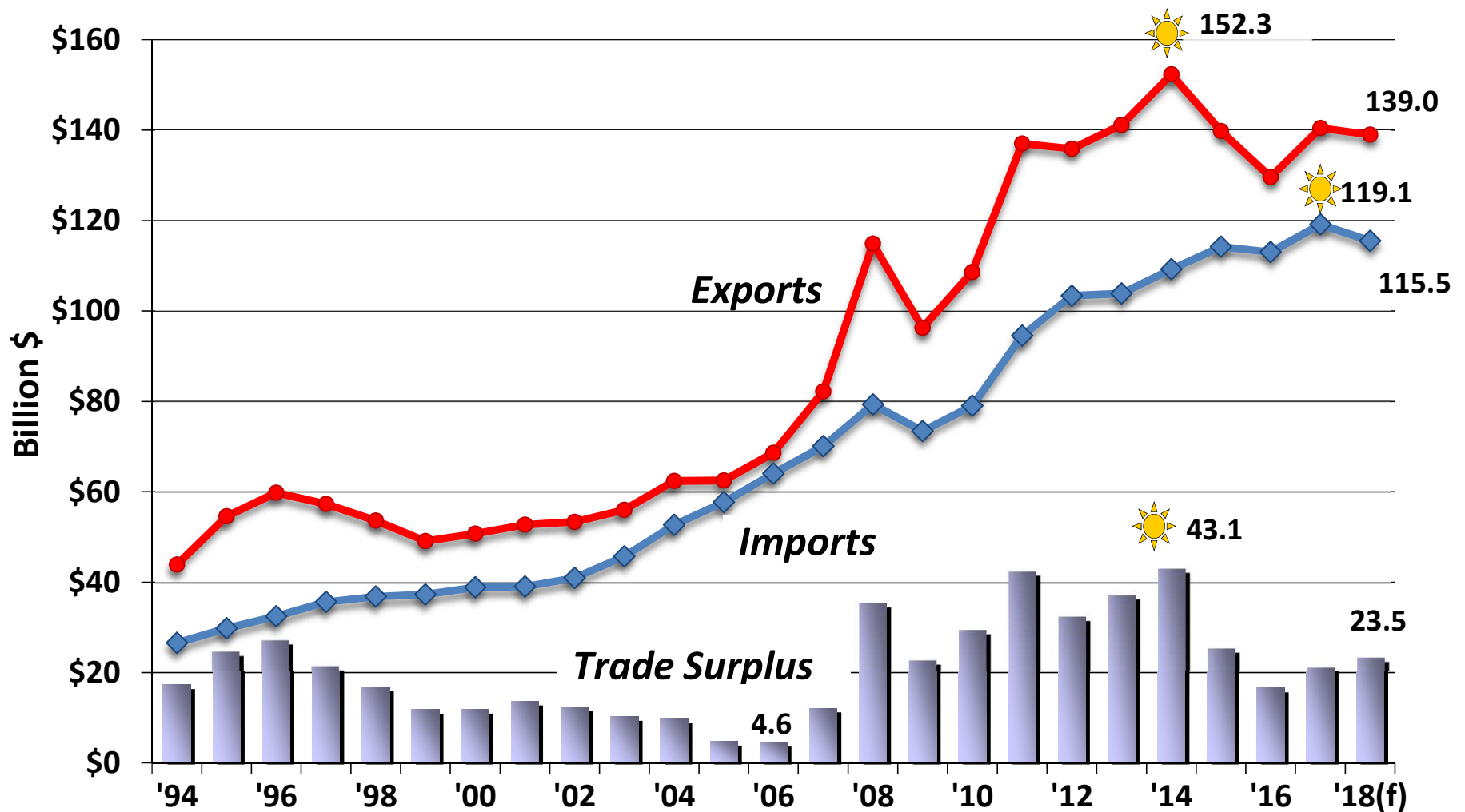
Shaded areas indicate U.S. recessions

Sources: BEA, Board of Governors

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U.S. Agricultural Trade

FY 2018 Export Forecast \$139 billion, Surplus \$23.5 billion

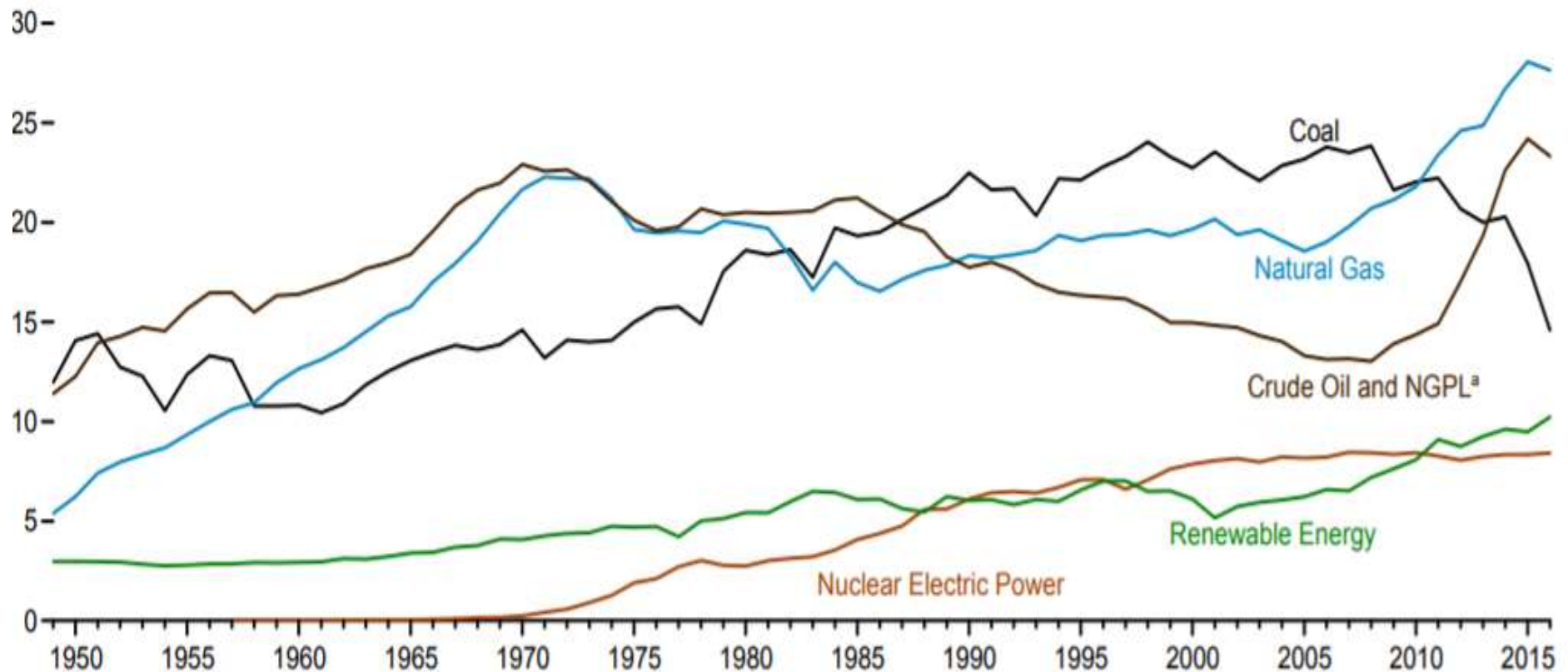


Source: USDA Quarterly Trade Forecast – August 2017

U.S. Primary Energy Production by Source

Figure 1.2 Primary Energy Production
(Quadrillion Btu)

By Source, 1949–2016

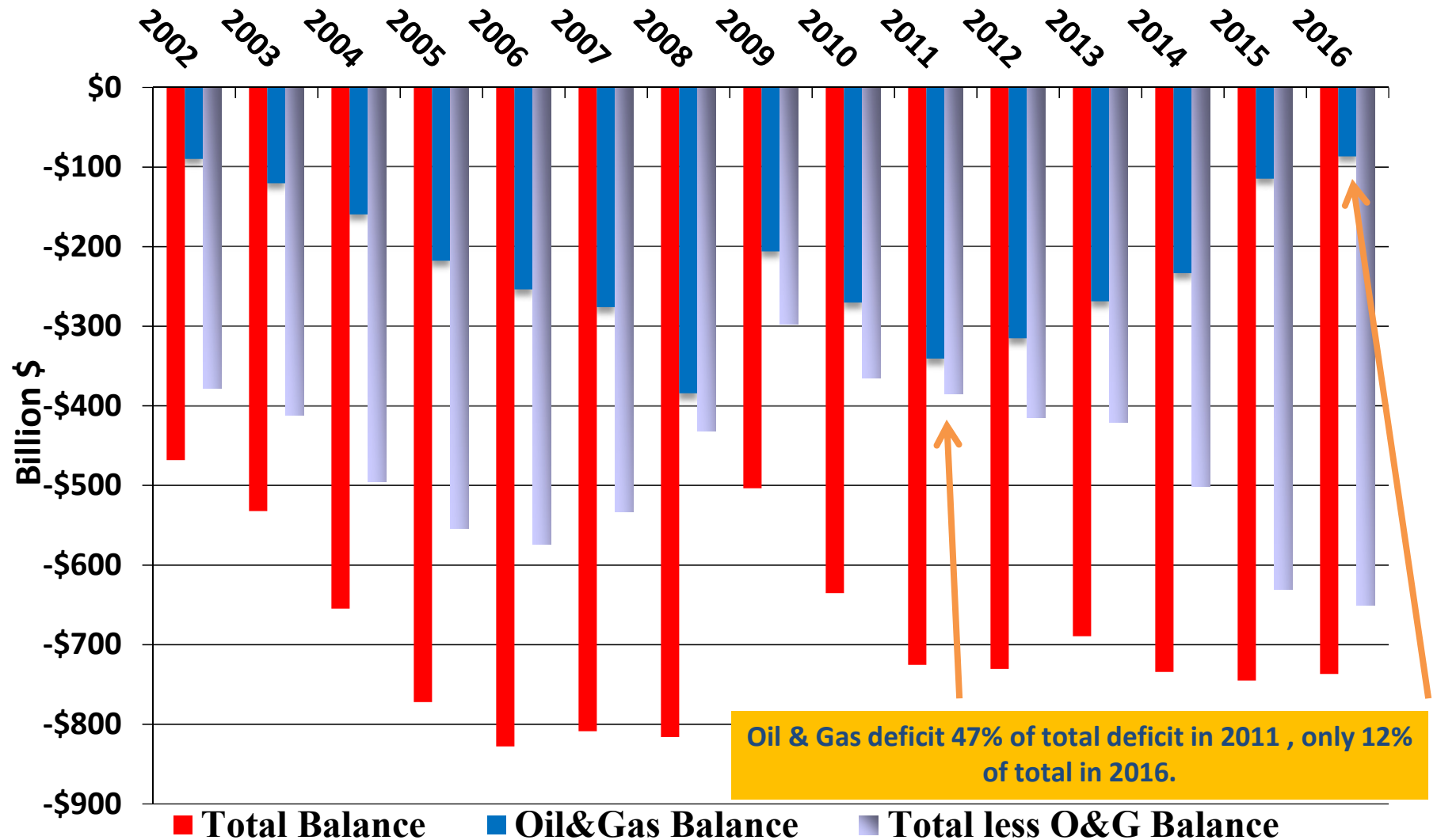


a. Natural gas plant liquids.

Source: U.S. EIA/ Monthly Energy Review Dec. 2017

U.S. Total Merchandise Trade

Total Trade Balance and Oil & Gas Trade Balances

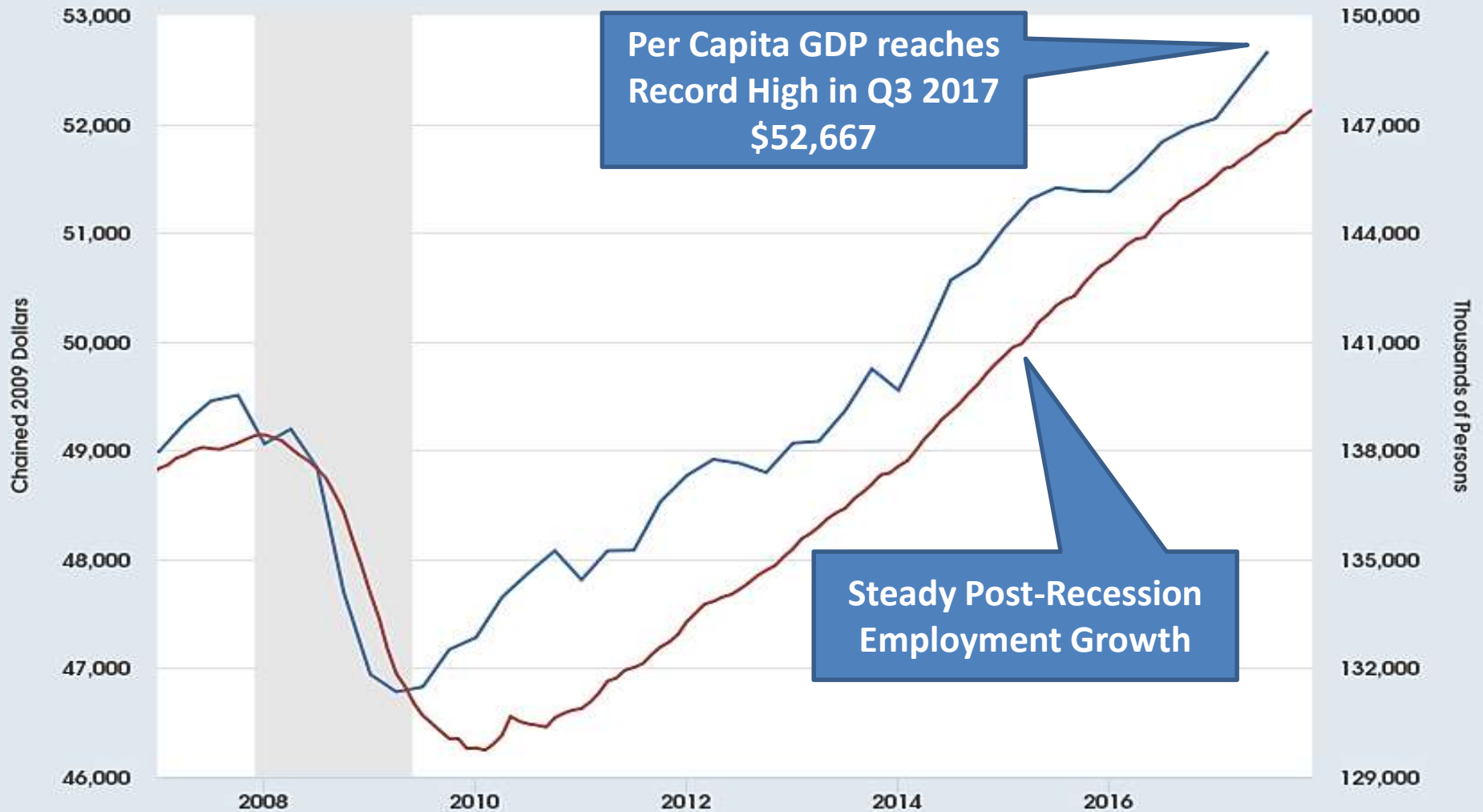


Post Recession Recovery Continues

Per Capita GDP and Employment Increasing

FRED

— Real gross domestic product per capita (left)
— All Employees: Total Nonfarm Payrolls (right)



Shaded areas indicate U.S. recessions

10 Sources: BEA, BLS

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U.S. Manufacturing Output Growing Strong

“The report of my death was an exaggeration.” – Mark Twain

ISM manufacturing index

Reading above 50 indicates expansion in manufacturing activity



Index jumps to 60.8% in Sept. - highest level since 2004

The index for new orders climbed 4.3 points to 64.6%

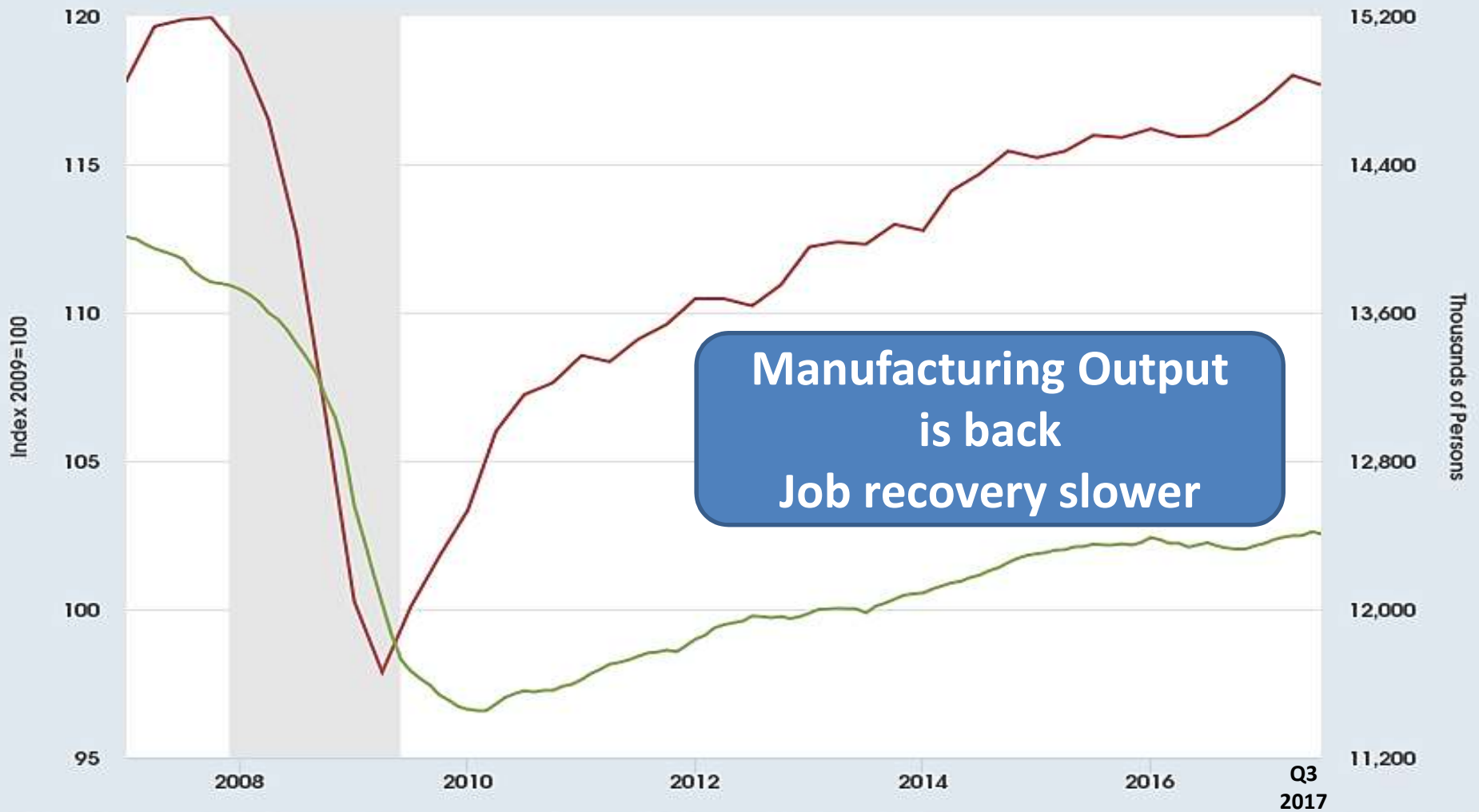
Employment index rose to 60.3 %, strongest since 2011

Results above 50% indicate expansion and anything over 55% is seen as exceptional.

Manufacturing Recovery Continues

Employment recovery slower than output growth as plants turn to automation

FRED — Manufacturing Sector: Real Output (left)
— All Employees: Manufacturing (right)



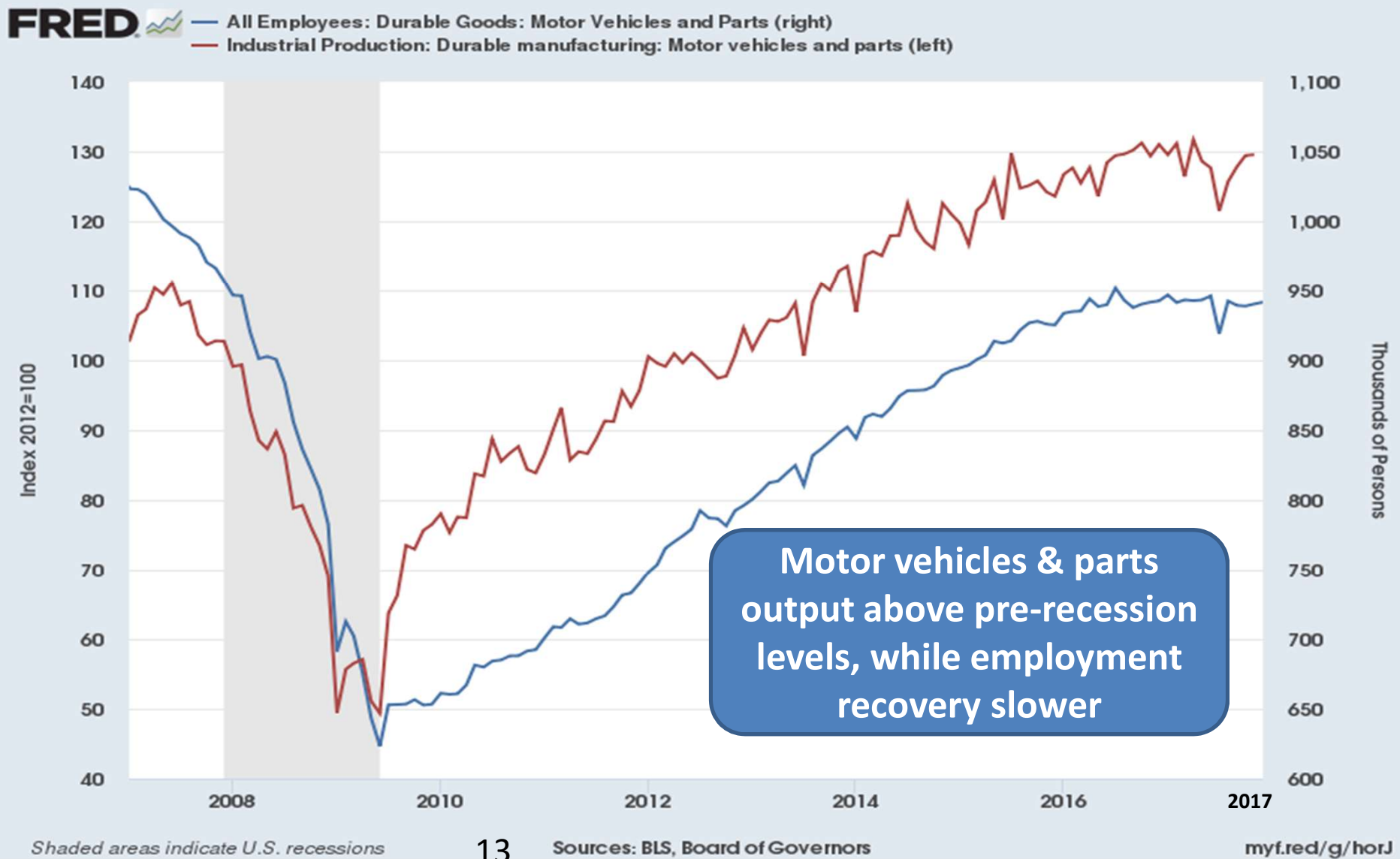
Shaded areas indicate U.S. recessions

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Source: U.S. Bureau of Labor Statistics

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U.S. Motor Vehicles and Parts Manufacturing Rebounds After Recession



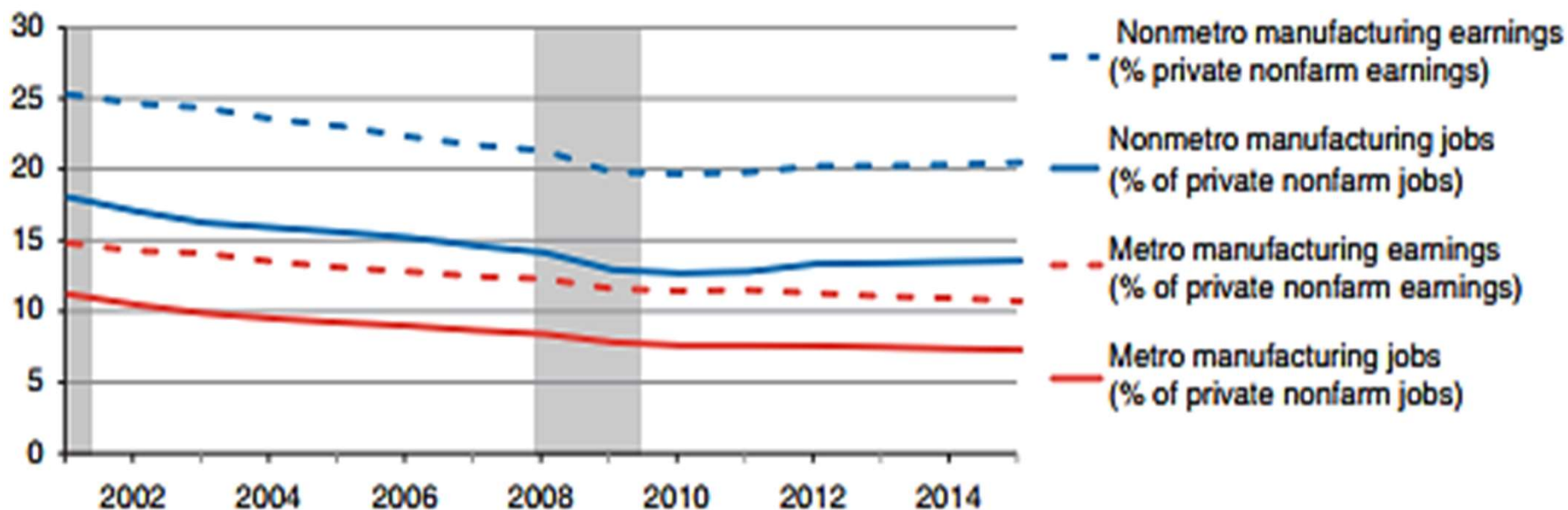
Manufacturing Matters for Rural America

Manufacturing accounts for 14% of rural nonfarm employment

Manufacturing jobs and earnings are a higher share in nonmetro than metro counties

Manufacturing share of private nonfarm full- and part-time jobs and earnings

Percent



Note: Gray background indicates recessionary periods.

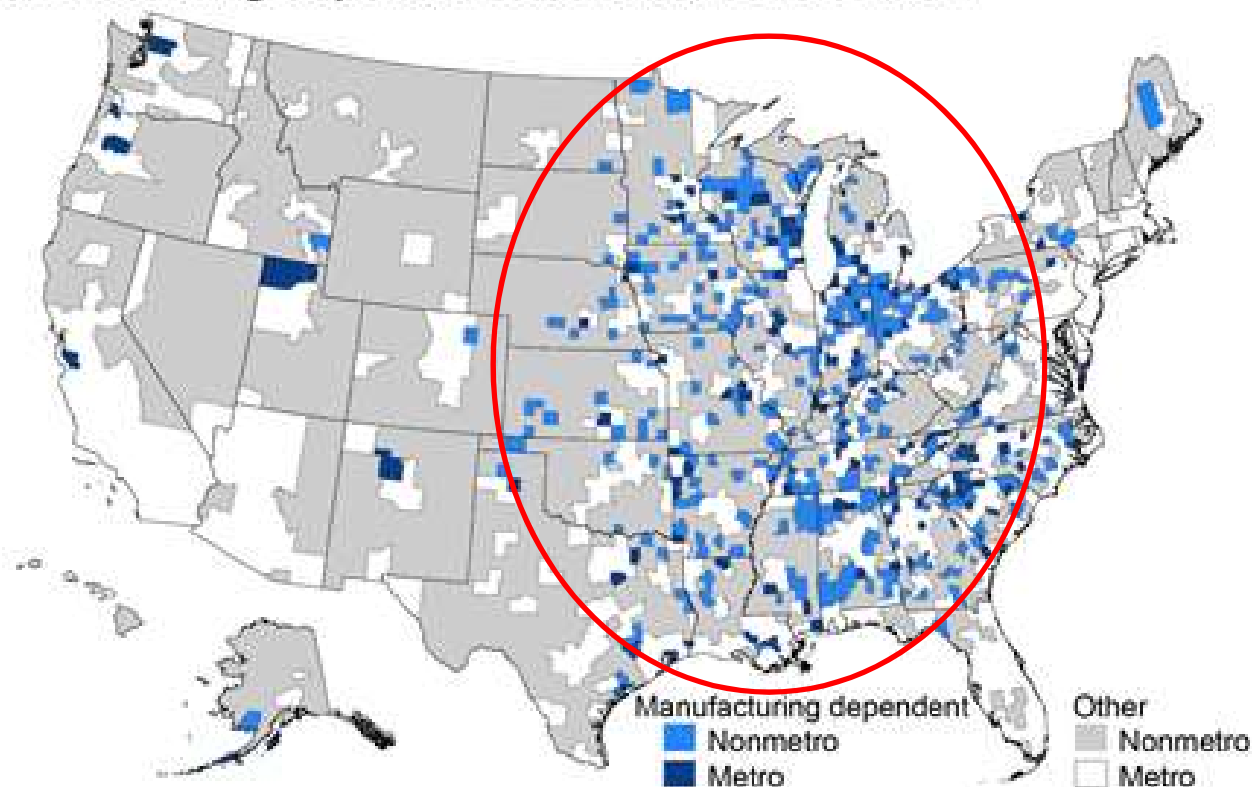
Source: USDA, Economic Research Service analysis of Bureau of Economic Analysis,

- Manufacturing is responsible for 21% of rural private nonfarm earnings
- Rural manufacturing jobs were nearly equal to rural retail jobs, almost 2 times rural construction jobs, and almost 5 times rural mining jobs in 2015

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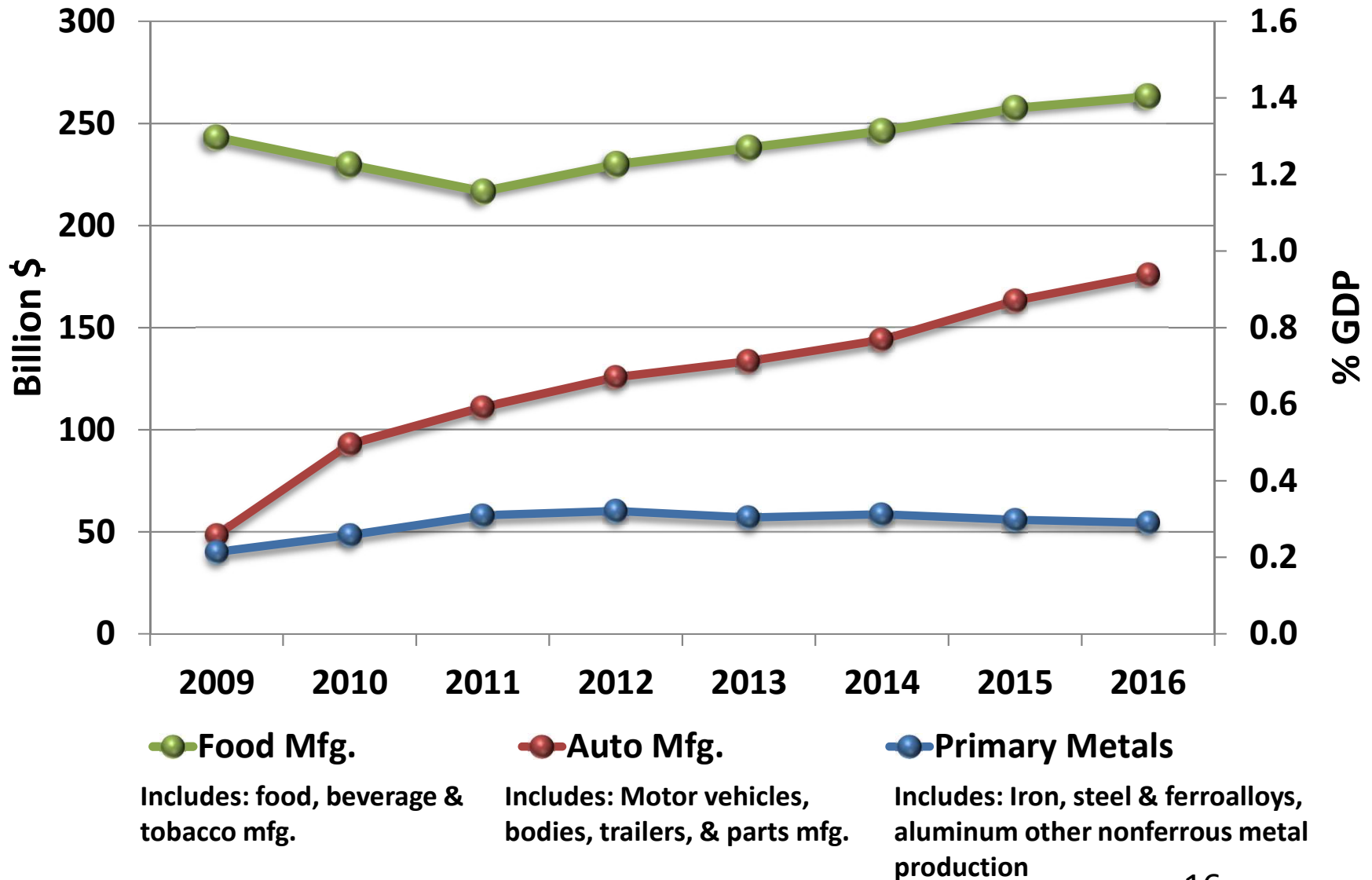
Manufacturing-dependent counties, 2015 edition



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Value-Added GDP by Industry

Food manufacturing contributes more to GDP than automotive and primary metal manufacturing combined

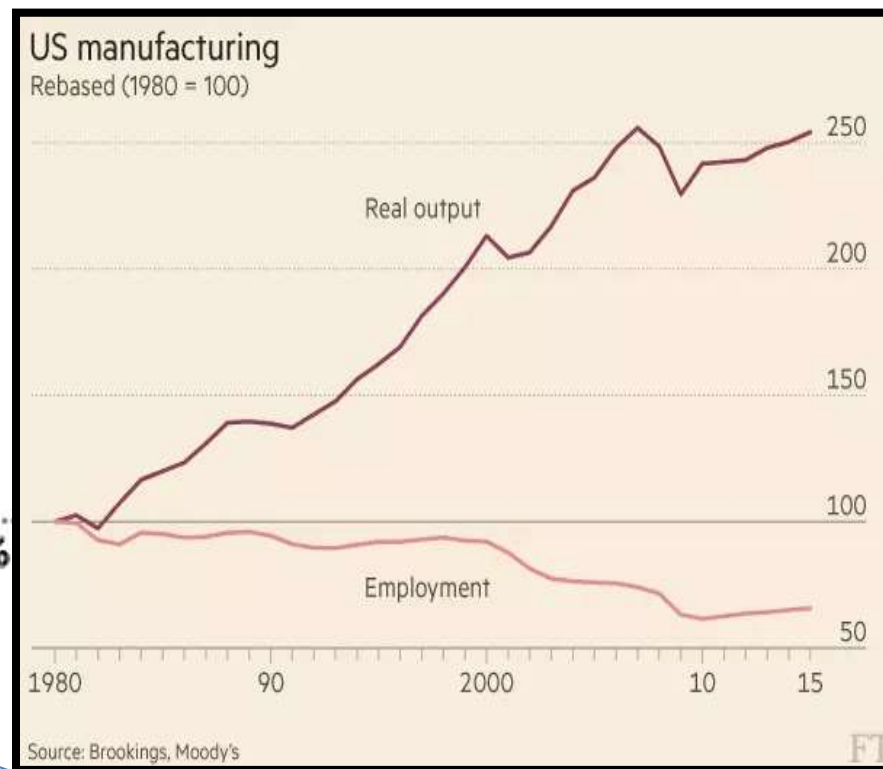


U.S. Manufacturing Output Growth & Employment

Output Growth by Manufacturing Sector (1987-2017)

Durable goods manufacturing	+166%
Computer and electronic products	2,607
Motor vehicles and parts	124
Miscellaneous	81
Machinery	44
Fabricated metal products	27
Aerospace and misc. transportation equipment	27
Primary metals	14
Nonmetallic mineral products	9
Electrical equipment, appliances, components	7
Wood products	4
Furniture and related products	-4
<hr/>	
Nondurable manufacturing	+17%
Plastics and rubber products	54
Chemicals	36
Petroleum and coal products	32
Food, beverage and tobacco products	30
Paper	-10
Printing and related support activities	-19
Textiles and product mills	-44
Apparel and leather goods	-85

U.S. Manufacturing Output Grows while Employment Lags due to Increased Automation



Ag related

Trade Agreements Benefit the U.S. Economy

U.S. Bilateral and Regional Trade Agreements:

- **Bilateral trade with partner countries up ↑ 26.3%**
- **Total U.S. exports up ↑ 3.6% and total U.S. imports up ↑ 2.3%**
- **Real GDP up ↑ \$32.2 billion**
- **Total U.S. employment up ↑ 159,300 full time equivalent employees and real wages up ↑ 0.3%**
- **U.S. companies and consumers saved \$13.4 billion, as middle income households benefit through lower prices**

Source: USITC.

Trade liberalization is very positive for U.S. economy

Future gains are possible if new markets are opened

U.S. Payoffs from Past Global Integration
(1950-2016 in 2016 \$)

U.S. Payoffs from Future Global Integration
(by 2025 in 2016 \$)

\$2.1 Trillion Increase in GDP

\$540 Billion Increase in GDP

\$7,014 Increase in Per Capita GDP

\$1,670 Increase in Per Capita GDP

\$18,131 Increase in GDP per Household

\$4,400 Increase in GDP per Household

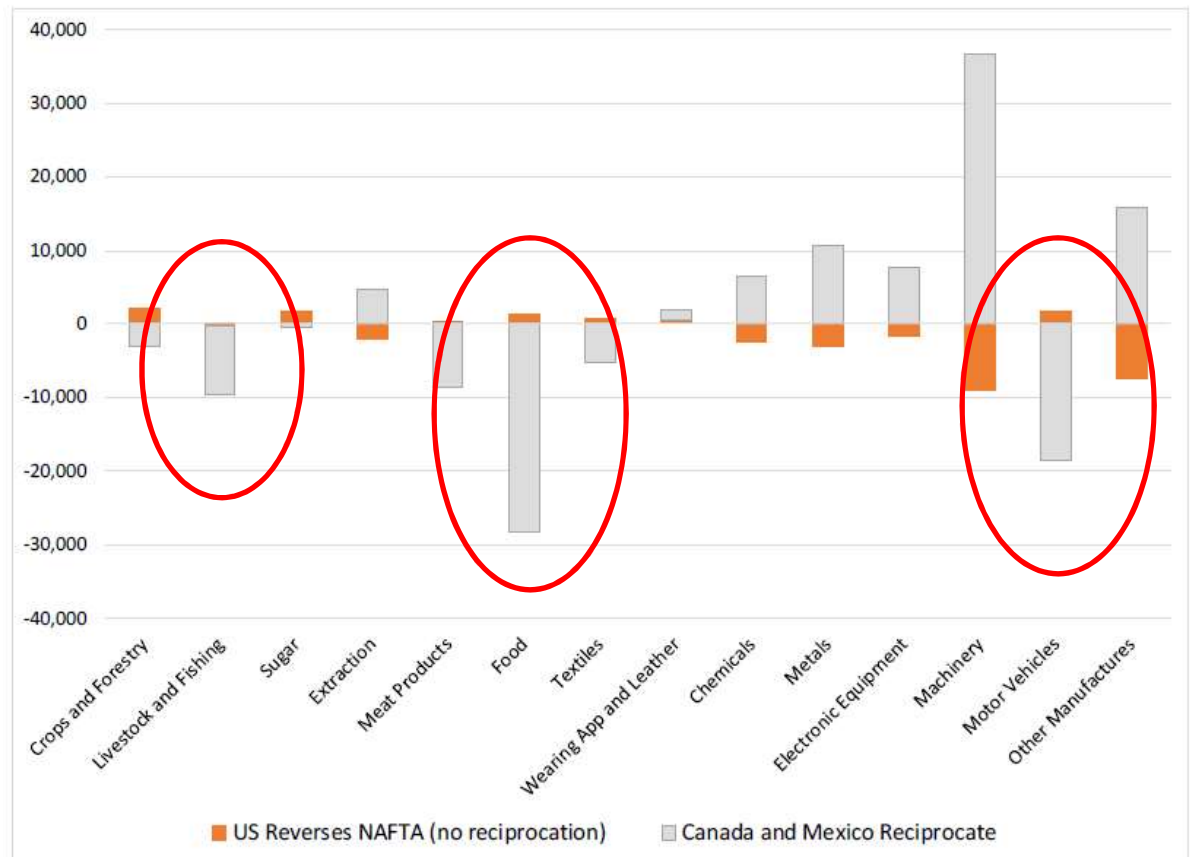
Middle Class Biggest Winner

Food, Livestock, Autos lead job losses in NAFTA Withdrawal

- Economists recently modeled NAFTA withdrawal
- **U.S. loses 256,000 unskilled jobs**
- **Up to 1.2 million jobs lost if skilled job losses are included**
- **Auto Production** falls in all three NAFTA countries as costs rise, exports fall.
- **U.S. Food and Meat** production falls as NAFTA partners consume less.

GTAP study by impactECON.com
- Walmsley and Minor (04/2017)

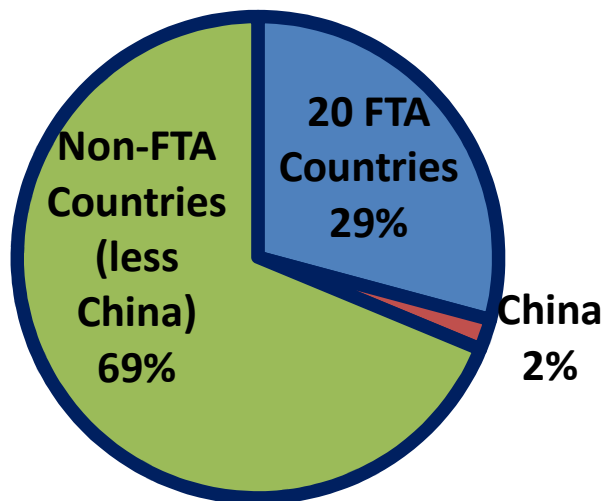
Figure 5: Impact on employment of US reversing NAFTA (number of workers)



Share of U.S. Agricultural Exports Continues to Increase to FTA Countries & China

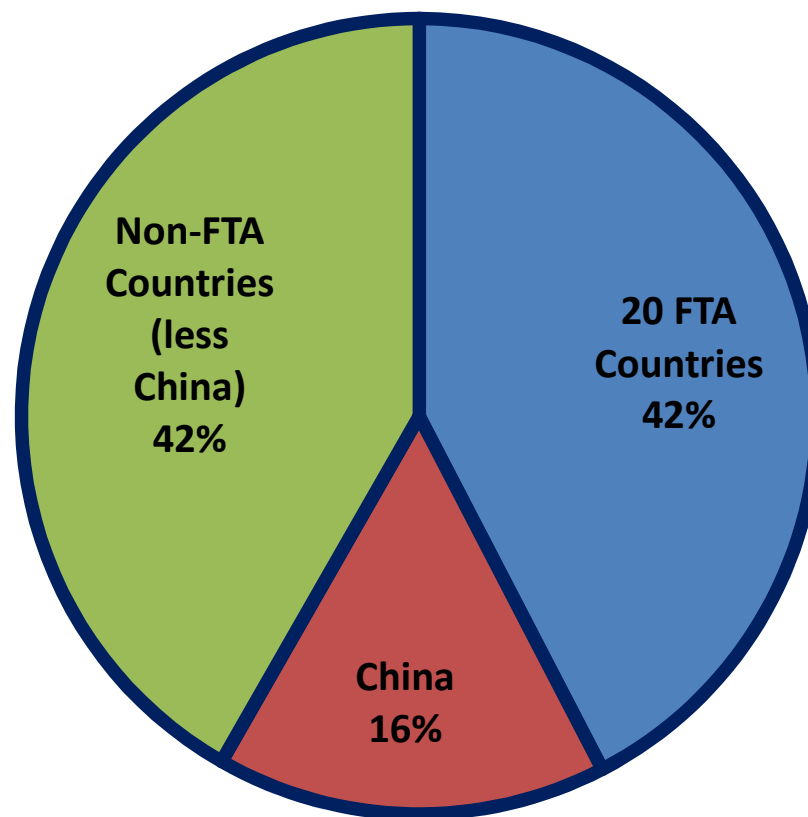
1990

Total U.S. Ag Exports \$39.5 Billion



2016

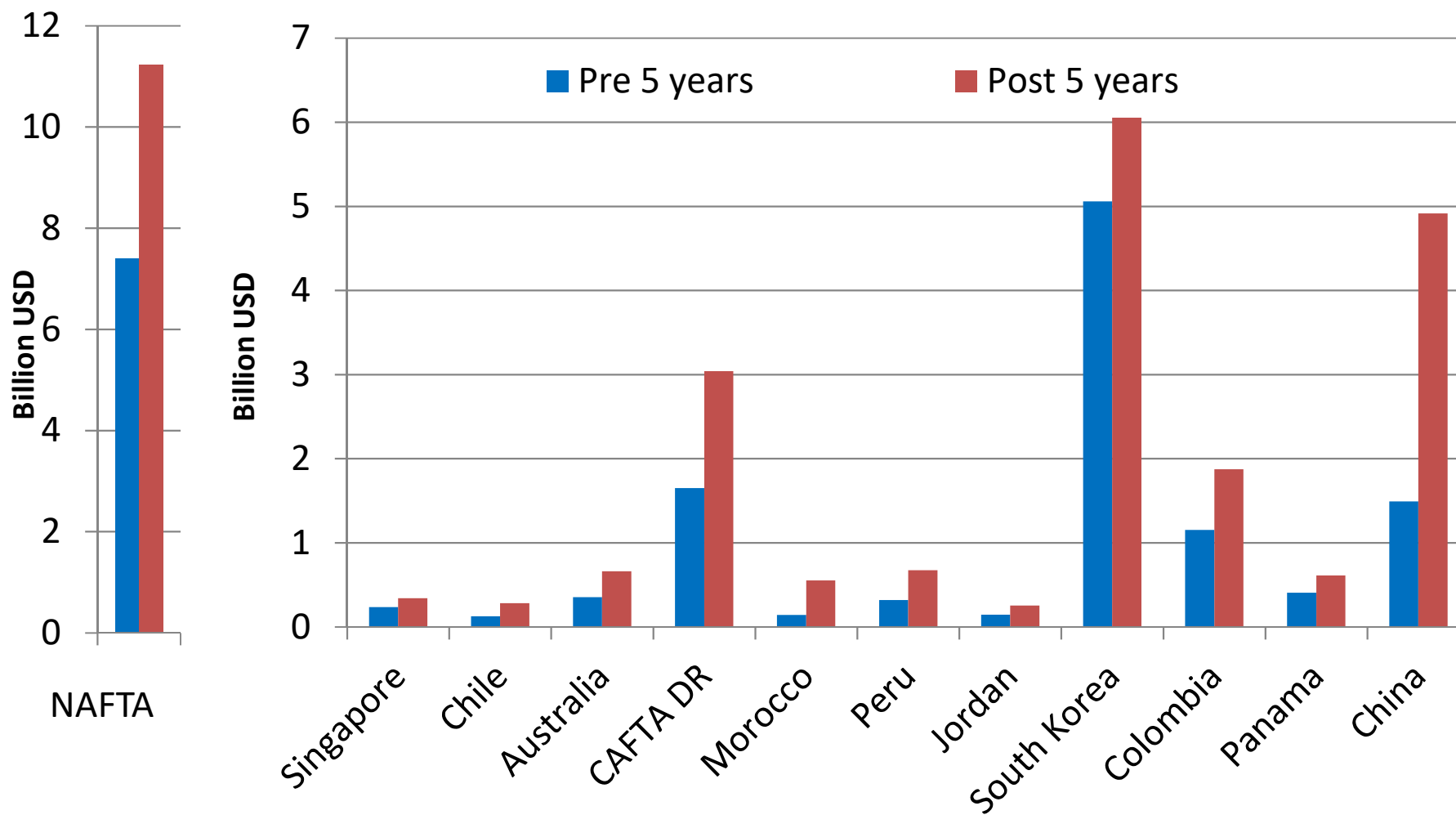
Total U.S. Ag Exports \$134.7 Billion



* FTA Country data in 1990 includes all 20 future FTA partners
Source: USDA FAS Global Agricultural Trade System

U.S. Ag Exports Grow after Trade Agreements

(Comparison average pre and post five years)



Note: China reference is WTO Accession

Note: four year data post agreement only for Colombia, Korea and Panama.

FTA Populations of U.S. Competitors

U.S. has relatively little access to free trade markets

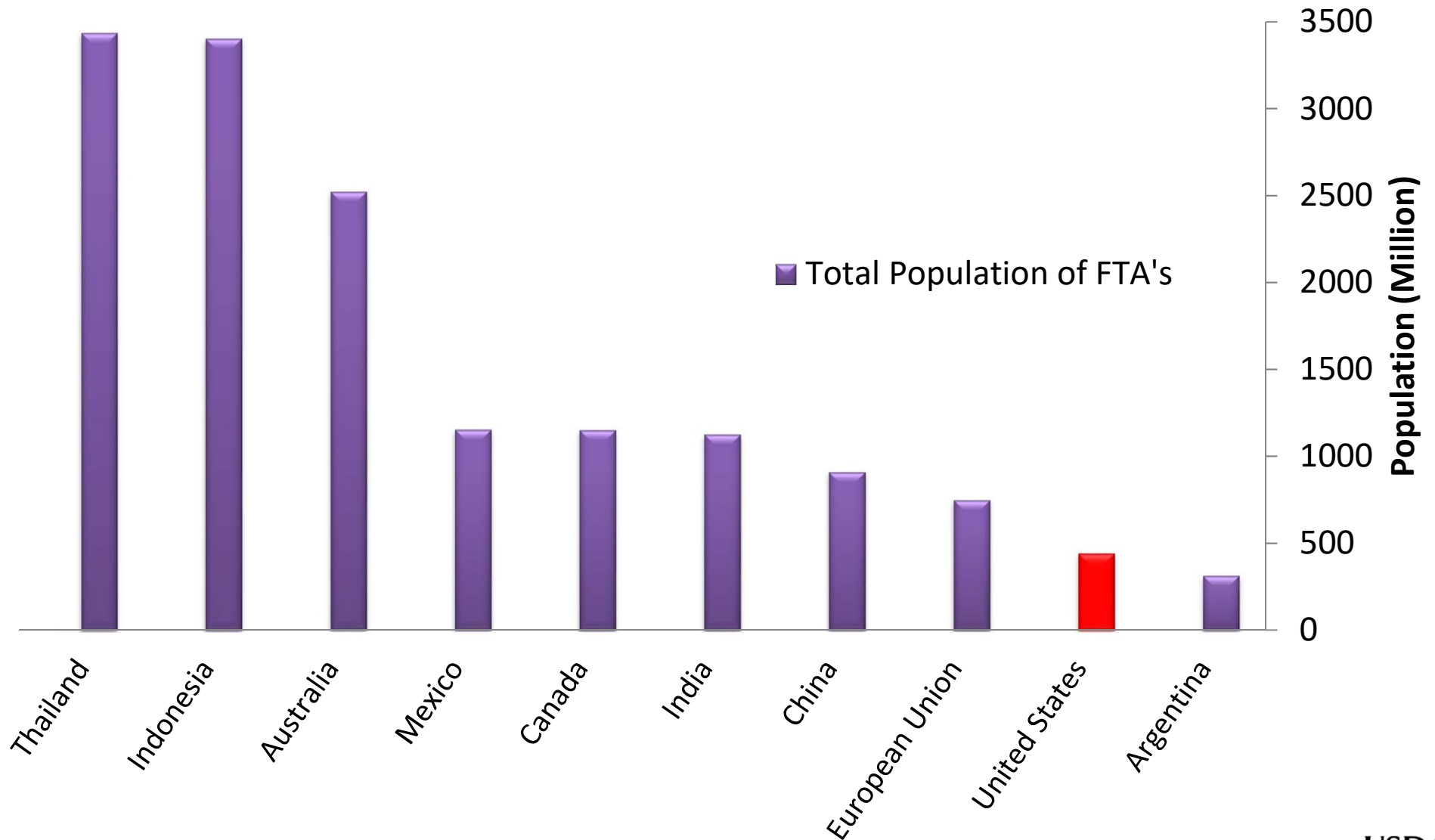
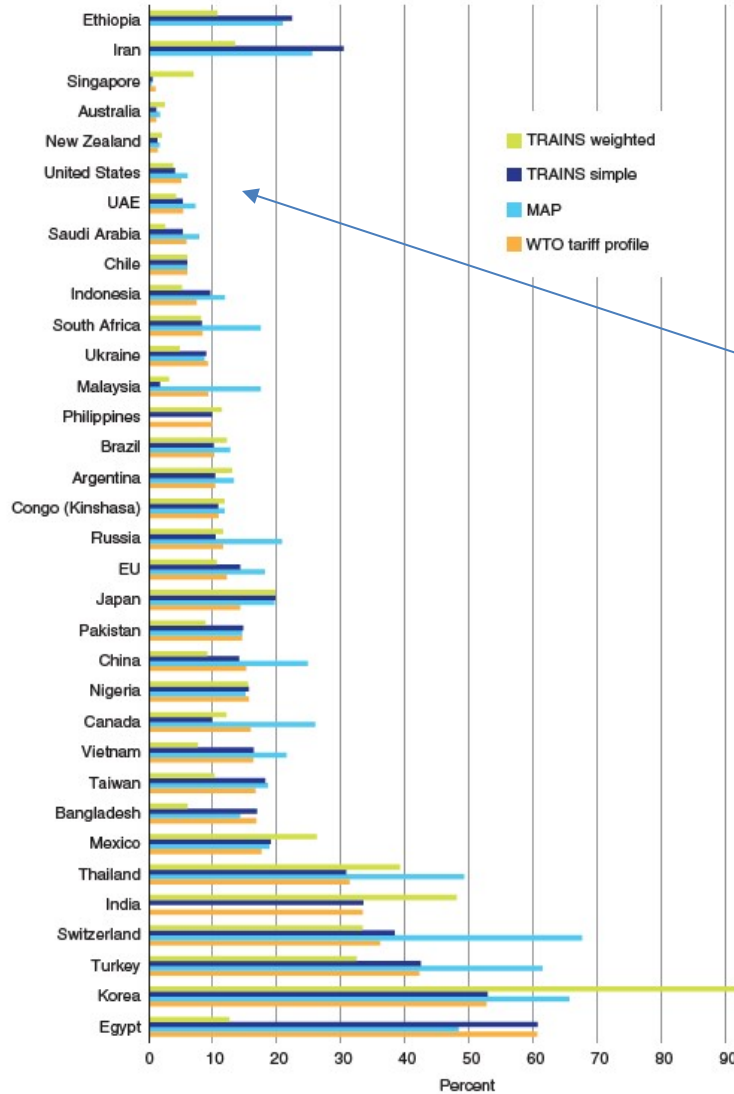


Figure 19
Average applied tariffs on agricultural products, 2014 or most recent year



Too Many High Tariffs

The Good Guys

Our Markets

The Egg Heads

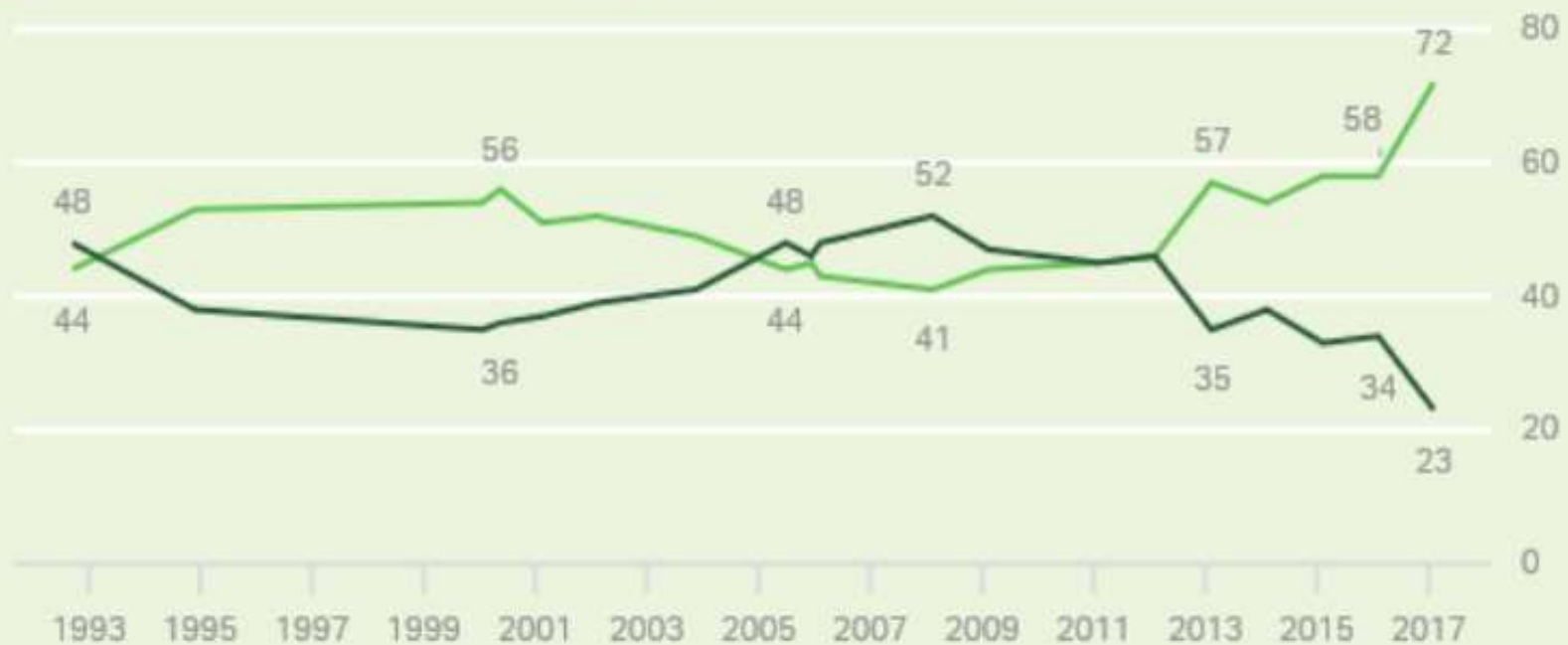
Note: The International Trade Centre (ITC) of the UN Conference on Trade and Development (UNCTAD) and the World Trade Organization provide the Market Access Map (MAP), an online tariff database. UNCTAD and the WTO also maintain the Trade Analysis Information System (TRAINS) database. TRAINS uses the sum of duties collected divided by total import value to estimate a weighted average. The WTO, ITC, and UNCTAD jointly publish the World Trade Profile. Source: USDA, Economic Research Service.

Greater Public Understanding of the Benefits of Trade

Americans' Views on Foreign Trade

What do you think foreign trade means for America? Do you see foreign trade more as an opportunity for economic growth through increased U.S. exports or a threat to the economy from foreign imports?

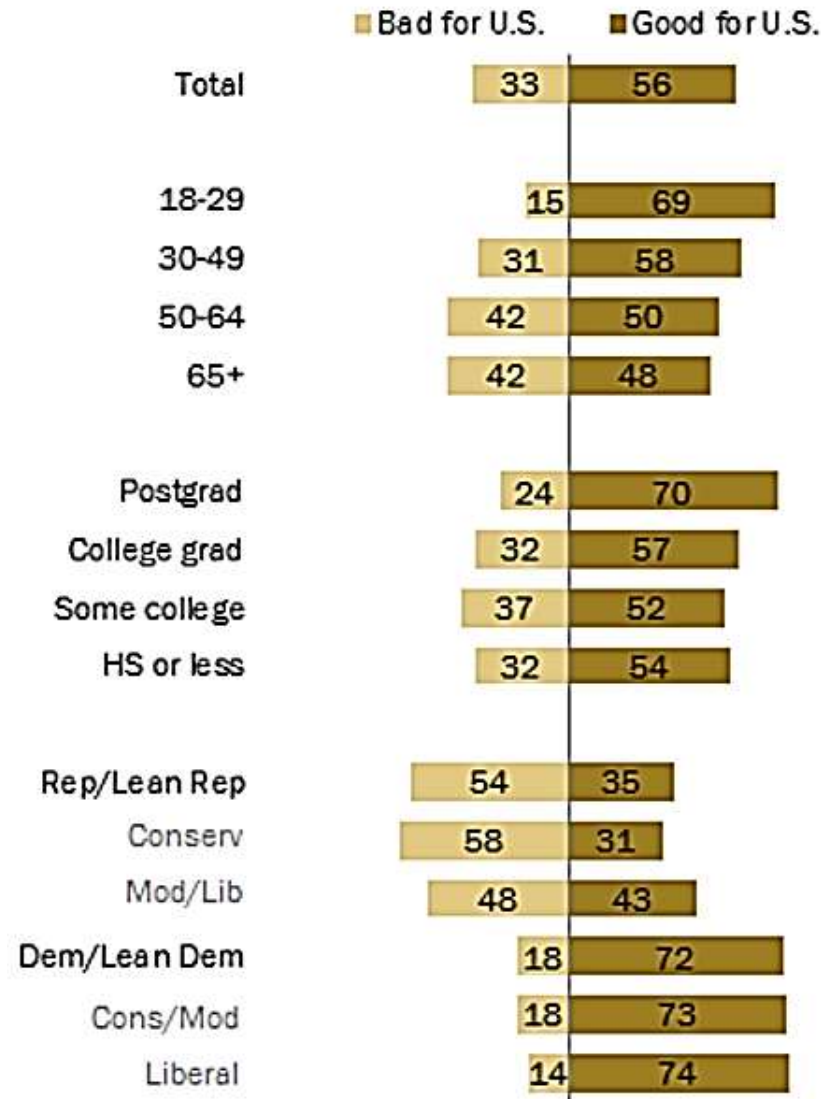
■ % Opportunity for economic growth ■ % Threat to the economy



GALLUP

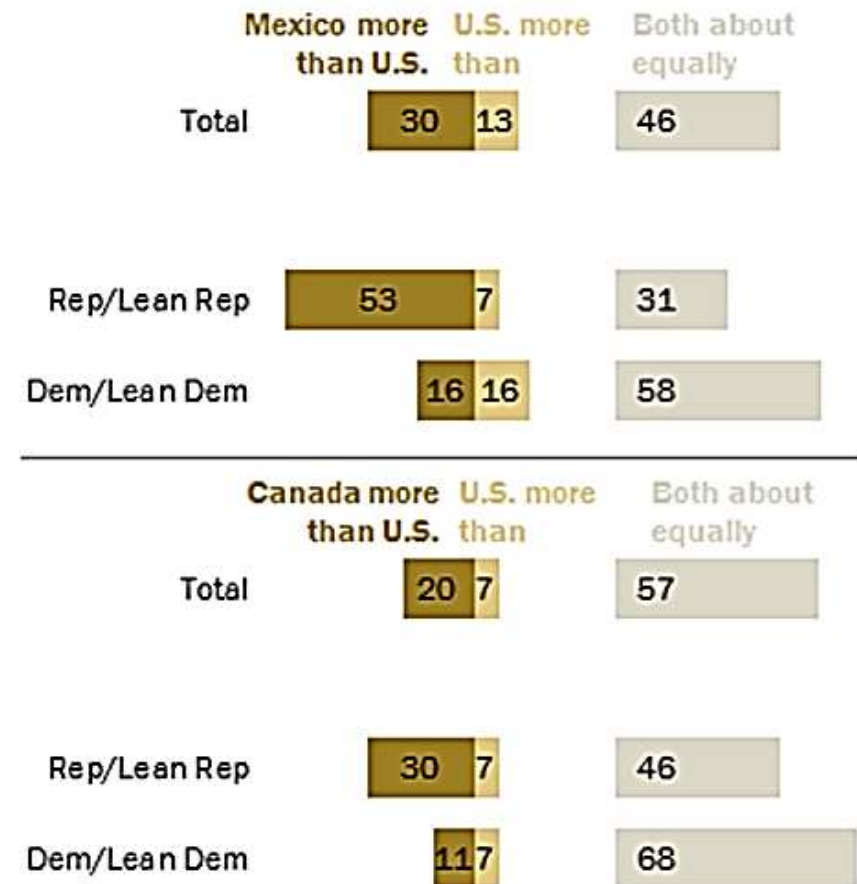
NAFTA seen as good for the U.S., but partisans differ widely on its impact

% who say that, all in all, NAFTA is ...



Republicans see Mexico, in particular, gaining more from NAFTA than the U.S.

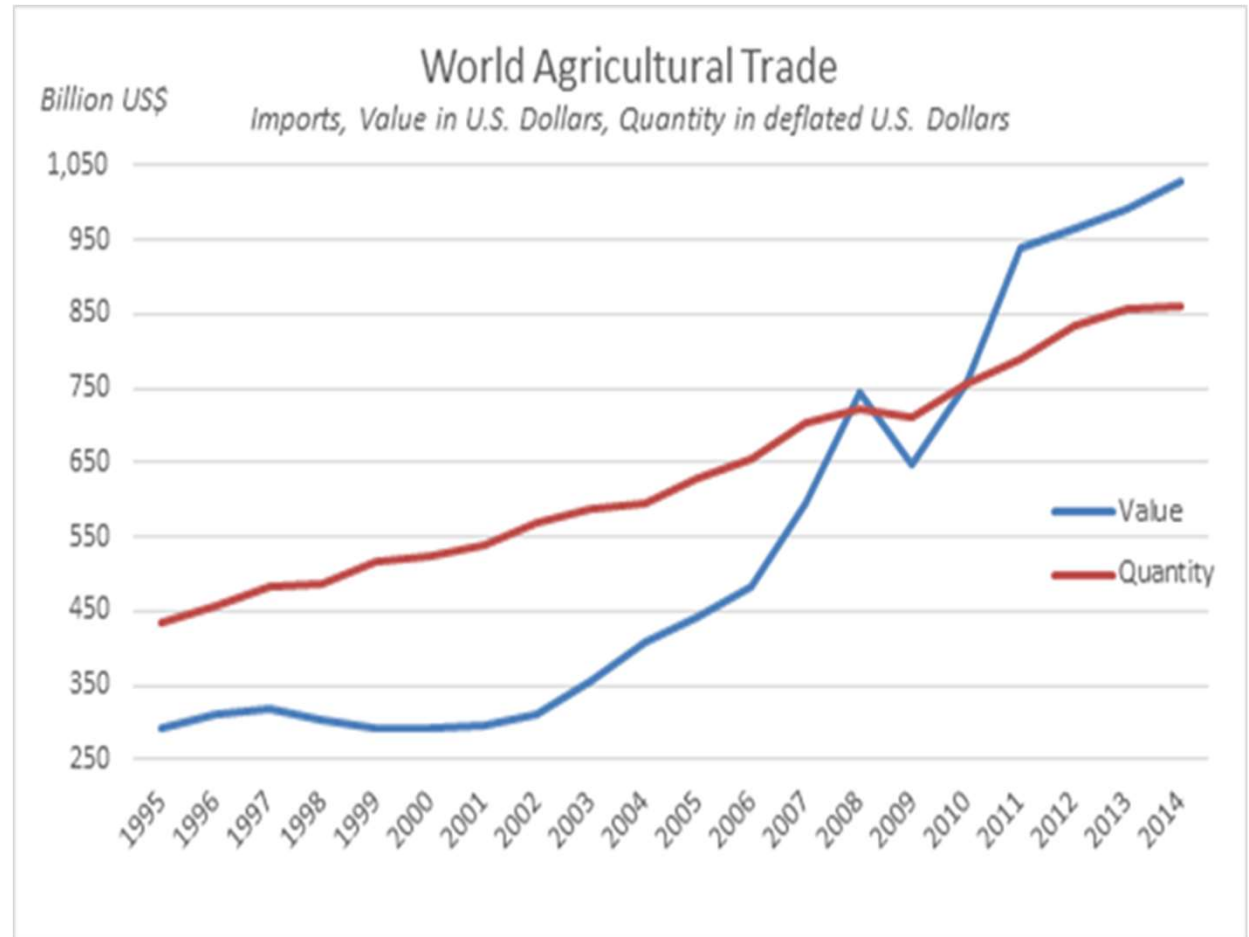
% who say NAFTA benefits ...



Source: Pew Research Center

WTO Dispute Settlement Provides a Secure and Predictable Trade Environment

- Value of global ag trade has nearly tripled since the WTO was established
- Creates rules that are credible and enforceable
- Serves as a check to domestic policy
- Fosters an open rules based trade system



Agriculture and Dispute Settlement

U.S. has filed 34 disputes for agriculture products

- Achieved successfully negotiated results in consultations without litigation in one-third of these cases.
- Of the cases that went to litigation, the U.S. prevailed in at least one claim in every case forcing positive policy changes.
- Recent litigation successes could positively add nearly \$1 billion in trade annually.

U.S. challenged on ag policies 18 times, lost 6 times

- No new ag challenges since 2012
- Half were settled without litigation
- Demonstrated U.S. is a rules-based system for every loss

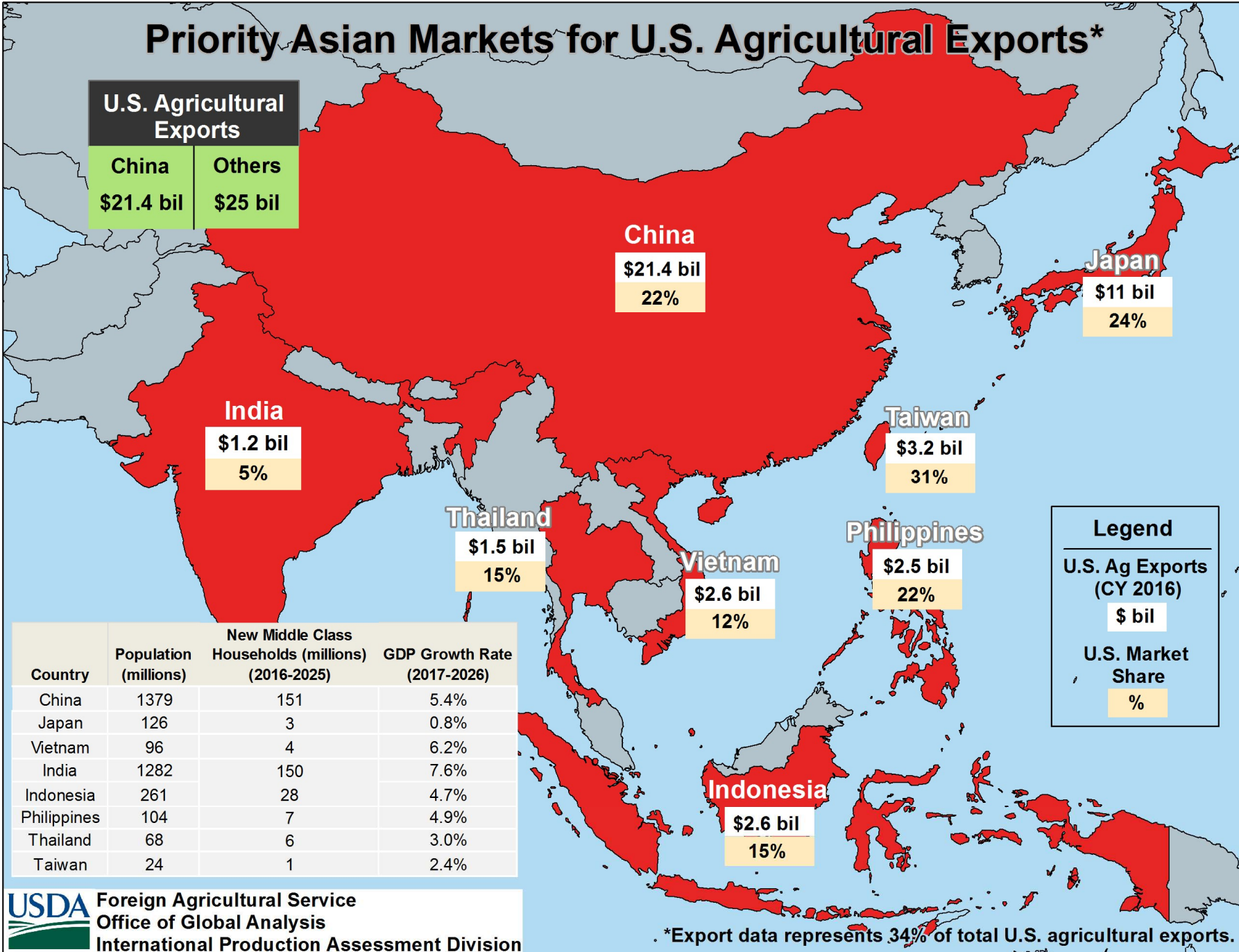
Disputes Have More Benefit than Just Winning

- Positive trade impact can be achieved prior to litigation completion.
- Findings in WTO cases can be leveraged to support implementation of international rules and standards in Third Countries even if the dispute is on-going
- For every WTO case taken others are averted
- More WTO cases generate negotiating leverage to address unfair trade practices as does a more rapid WTO process
- But the current system has problems. Can we see quicker results, more capacity for disputes, stronger enforcement mechanisms?

Priority Asian Markets for U.S. Agricultural Exports*

U.S. Agricultural Exports

China	Others
\$21.4 bil	\$25 bil



Legend

U.S. Ag Exports (CY 2016)
\$ bil

U.S. Market Share
%

Country	Population (millions)	New Middle Class Households (millions) (2016-2025)	GDP Growth Rate (2017-2026)
China	1379	151	5.4%
Japan	126	3	0.8%
Vietnam	96	4	6.2%
India	1282	150	7.6%
Indonesia	261	28	4.7%
Philippines	104	7	4.9%
Thailand	68	6	3.0%
Taiwan	24	1	2.4%

USDA Foreign Agricultural Service
Office of Global Analysis
International Production Assessment Division

*Export data represents 34% of total U.S. agricultural exports.