

Geneva WATCH

An overview of the bilateral, plurilateral and multilateral trade negotiations

Charles Akande, Editor

TPP Good for U.S. Agriculture; Must be Ratified this Year

The 12 Trans-Pacific Partnership (TPP) countries are at various stages of the ratification process, but the U.S. “lags behind,” U.S. Trade Representative, Michael Froman, told the National Council of Farmer Cooperatives meeting in Washington on June 14th.

Froman recognized that he was “preaching to the choir” as the vast majority of the American agricultural industries have already endorsed the TPP and provided their strong support for the passage of the agreement. The American Farm Bureau has estimated that passing the deal would increase farm income by \$4.4 billion. The National Pork Producer Council believes the U.S. cannot afford to walk away from the fastest-growing region of the world, adding that it would be an economical and geopolitical mistake.

This opinion is shared by many U.S. agricultural stakeholders, including the National Milk Producers Federation. Nevertheless, Froman took the time to remind the audience of what was at stake for them in the TPP.

- Japan was the United States’ 3rd largest export market in 2015, where the tariffs can be as high as 32%. Under the TPP agreement, it will eliminate its duties on key categories of cheese, which range as high as 40% right now. And while Japan had previously excluded rice from all of its previous trade agreements, the U.S. was able to secure significant new market access for selling rice to Japan. In addition, Japan has made commitments to improve the way they manage their tariff rate quotas (TRQs) to make sure they are filled. And that will add to what is already a \$278 million export market for rice from the U.S.

- Vietnam will eliminate its 40% tariffs on chicken and 30% tariffs on cranberries.
- And when it comes to dairy, the U.S. not only gained expanded access to Japan, but to Canada, which Froman said the U.S. had failed to achieve in the Canadian Free Trade Agreement, and before that in NAFTA.
- Australia already has an FTA with Japan, which provides the Australian beef exporters with superior access to Japan as Japan’s duty on Australia’s beef has fallen to 30.5% for fresh or chilled beef, and 27.5% for frozen beef. Those tariffs are going to continue to decline, to 19.5% while the American beef currently face a 38.5% tariff. “[W]e are going to lose market share,” the USTR added, citing the National Cattlemen’s Beef Association estimating equivalent market share loss of \$122 million annually in exports to Australia.

“Japan’s average agricultural tariff is 19%. Vietnam’s is 16%. Some TPP countries impose tariffs on food and agricultural products as high as 300%. Those tariffs will either go away completely or be greatly reduced in the areas of priorities to the U.S.,” the USTR said.

U.S. Agricultural Secretary, Tom Vilsack, has estimated that every dollar of agricultural exports stimulates another \$1.27 in business activity elsewhere in the U.S. economy. So a failure or a delay in ratifying the TPP will have consequences for agriculture and throughout the U.S. economy.

The U.S. International Trade Commission has estimated that U.S. agricultural exports would reach \$11.1 billion higher in 2032 (with a ratified TPP) and that total U.S. agricultural output would be \$10 billion higher. Other parties to the agreement, whether they’re with China or the EU, are not going to give up or just

stand still while the United States delays or does not take action, the USTR stressed.

“[I]f TPP doesn’t get done this year, it’s unclear exactly when it might get done. And rather than seeing new opportunities opened up for you, you could find some of the hard-fought gains you’ve made internationally over the last couple of years erased,” Froman warned.

Parliamentarians Back Plurilateral Agreements, New Trade Issues

About 400 parliamentarians specialized in international trade met in Geneva on June 13-14 to discuss the future of the WTO negotiations. The parliamentarians took the opportunity to remind Members that they are in fact the ones who ultimately ratify trade agreements and they urged all WTO Members to implement both the Bali and Nairobi ministerial decisions. These include the ratification and entry into force of the Trade Facilitation Agreement, the elimination of export subsidies, and the creation of new export opportunities for Least-Developed Countries’ service-providers.

The group also endorsed plurilateral, regional, and bilateral trade agreements, which they said are “motivated by participants’ desire to further liberalize and address trade rules and disciplines in policy areas insufficiently dealt with in the WTO and, to some extent, by the lack of progress in the Doha Round.” These non-multilateral agreements present a double advantage since, the group said:

- a) they can stimulate trade between participants, especially by unlocking liberalization and upgrading rules and disciplines in policy areas tackled less thoroughly in the WTO
- b) they may support the multilateral system, provided that such agreements are open, transparent, and WTO-compatible, based on shared rules and create the conditions for possible future discussions in the WTO

The group, however, stressed that these agreements should not undermine the role of multilateral accords in international trade.

Geneva Watch is published by Dairy Farmers of Canada, Chicken Farmers of Canada, Egg Farmers of Canada, Turkey Farmers of Canada and Canadian Hatching Egg Producers to report on the various events occurring in Geneva, particularly on the WTO negotiations on agriculture.

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