Trade Agreements and U.S. Competitiveness[1]

As a leading trading nation and the world's largest economy, the U.S. has consistently pursued opportunities to expand trade since the mid-20th century. This is done to contribute to national economic prosperity and promote economic development and peace abroad. With over 95% of consumers residing outside of the U.S., 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 where other major trading nations are liberalizing trade to promote economic prosperity and competitiveness, the U.S. must have trade policies that further reduce global trade barriers.

Current U.S. Trade Policy

The Biden Administration's current trade policy omits the pursuit of comprehensive new trade agreements. New trade agreements fell further with the June 2021 expiration of Trade Promotion Authority (TPA), a key tool for the expedited consideration of new trade agreements in Congress. Over two years into a new Administration, there has been no indication that President Biden plans to seek the renewal of TPA. 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 U.S.-Mexico-Canada Agreement (USMCA). 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 the Indo-Pacific Economic Framework (IPEF). IPEF has become the Biden Administration's signature economic initiative, comprised of four pillars: (1) Trade; (2) Supply Chains; (3) Clean Energy, Decarbonization, and Infrastructure; and (4) Tax and Anti-Corruption. The Trade Pillar does not include the pursuit of tariff reductions.

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 surpassed the U.S. in setting the terms of global trade by activating new free trade agreements (FTA):

- China, #1 in international trade,[2] has had 10 new FTAs enter into force and two FTAs upgraded – Peru (2010), Costa Rica (2011), Iceland (2014), Switzerland (2014), South Korea (2015), Australia (2015), Georgia (2018), Chile (upgraded FTA, 2019), Mauritius (2021), Cambodia (2022), the Regional Comprehensive Economic Partnership (RCEP) (2022), New Zealand (upgraded FTA, 2022)

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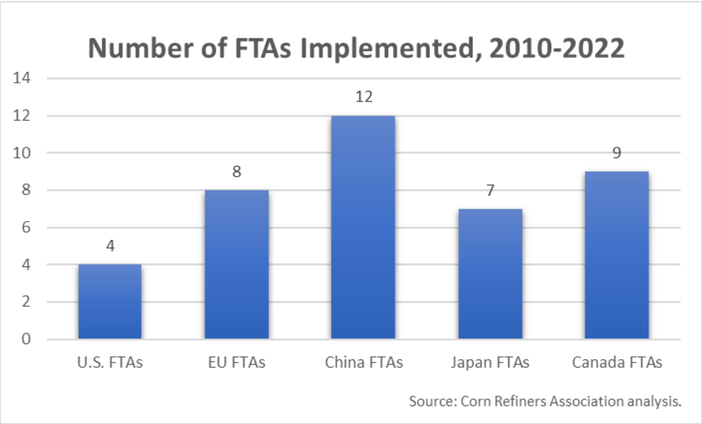
[1] The Corn Refiners Association (CRA) is the national trade association representing a full 100% of the corn refining industry of the United States. CRA and its predecessors have served this important segment of American agribusiness since 1913. Our members are key suppliers to the U.S. food and agriculture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

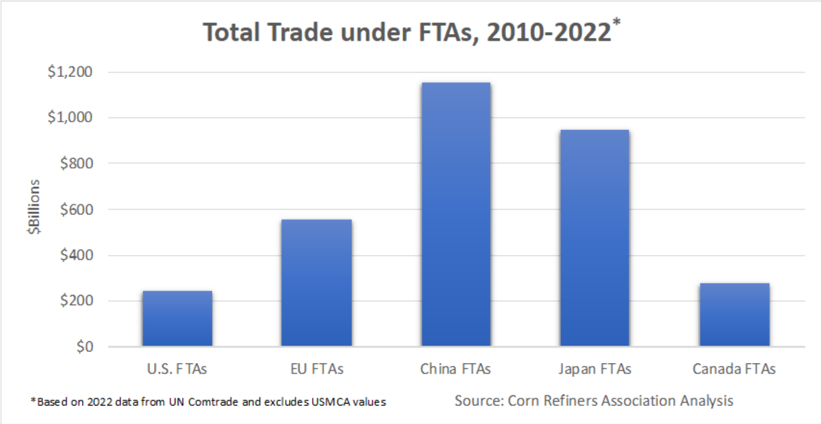
[2] Eurostat database https://ec.europa.eu/eurostat/statistics-explained/index.php?title=International_trade_in_goods.

- The European Union (EU), #2 in international trade, has had eight new FTAs enter into force – South Korea (2015), Ukraine (2017), Moldova (2016), Georgia (2016), Canada (2017), Singapore (2019), Japan (2019), Vietnam (2020)
- Japan, #4 in international trade, has had seven new FTAs enter into force – India (2011), Peru (2012), Australia (2015), Mongolia (2016), CPTPP (2018), European Union (2019), United Kingdom (2020)
- Canada, #8 in international trade, has had nine new FTAs enter into force – Colombia (2011), Jordan (2012), Panama (2013), Honduras (2014), South Korea (2015), Ukraine (2017), EU (2017), CPTPP (2018), UK Continuity Agreement (2021)

In comparison, the U.S., #3 in international trade, has had just four new trade agreements enter into force. The most significant is USMCA, a "modernization" of its 25-year-old predecessor, the North American Free Trade Agreement (NAFTA). The other U.S. trade agreements are with Colombia, Panama, and South Korea.

Beyond the sheer number of new trade agreements, several key U.S. trade partners are outpacing the U.S. in their level of trade covered by a trade agreement. These countries are benefiting from lower tariffs and reductions in non-tariff barriers contained in their formal trade agreements. The EU and China, for example, are experiencing lower tariffs and other reduced trade barriers on an estimated $557 billion and $1,151 billion in total trade, respectively, through comprehensive trade pacts in the last decade. This is far more than the United States' $245 billion.[3] [4] In the vast majority of trade agreements, existing tariffs for 98-99% of goods traded between the partners are eliminated immediately or within ten years.





Outlook

Clearly, our major trade partners are moving forward with new trade agreements. In 2018, half a dozen countries (Australia, Canada, Japan, Mexico, New Zealand, and Singapore) joined the CPTPP. Vietnam, Peru, Malaysia, and Chile joined in subsequent years, the U.K. will join this year and China has requested to join. These countries recognize the powerful opportunity formal trade agreements provide in boosting their economies and enhancing the competitiveness of their industries, such as food and agriculture.

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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**
None currently under negotiation	• ASEAN (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Vietnam) • India • Indonesia • Mercosur (Argentina, Brazil, Paraguay, Uruguay) • Ukraine (upgraded)	• CPTTP • Ecuador • Gulf Cooperation Council (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, the United Arab Emirates) • Israel • Moldova • Norway • Panama • Peru (upgraded) • Singapore (upgraded) • South Korea (upgraded) • Sri Lanka	• Colombia • South Korea • Turkey	• Australia • Chile (upgraded) • India • Indonesia • Mercosur (Argentina, Brazil, Paraguay, Uruguay) • Mexico (upgraded) • New Zealand • The Philippines • Thailand

Source: Various national websites and Corn Refiners Association analysis

Regional trade agreements such as CPTPP are particularly powerful tools to accelerate and deepen the economic influence and integration of the signatory countries. The Asia-Pacific region is the fastest-growing region in the world. China and other aspiring nations are eager to join CPTPP. Additional multilateral trade pacts are emerging in the region exclusive of the United States. The Regional Comprehensive Economic Partnership (RCEP), which entered into force on Jan. 1, 2022, created the world's largest trade agreement, covering 30% of the global economy and 30% of the global population. It combined the Asian trading giants of China, Japan, and South Korea. The agreement omits provisions on labor, environment, and some other aspects of comprehensive trade pacts, like those included in USMCA. RCEP stipulates the removal of tariffs on 91% of goods and the 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 is nearing conclusion on 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 will set new standards for rules of origin, technical barriers to trade, sanitary and phytosanitary measures (SPS), government procurement, and services, geared toward enhancing trade exclusively among these nations. Agriculture products from Mercosur countries are the largest export sector to the EU and are poised to experience lower EU trade barriers, diminishing the competitiveness of U.S. food and agriculture products in 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 those in the agriculture sector, who rely on increased foreign market access to enhance their global competitiveness and economic security.

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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 of which are important to lowering impediments to cross-border trade. The consequences of pausing action on market-opening free trade agreements are concerning.

- The U.S. absence from large bilateral and multilateral trade agreements, such as CPTPP, allows other countries to set global trade rules, diminishing U.S. competitiveness and investment 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, ceding to economic competitors the ability to set rules to their advantage. Revising such rules once they are in place is difficult. 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. Further, economic competitors are afforded the opportunity to enhance or create new strategic economic relations, putting the U.S. in the position of taking markets from established suppliers.
- Comprehensive trade agreements are lengthy and resource intensive national endeavors. As other countries progress in securing market-opening trade agreements while the United States pauses, the challenge of rejoining the playing field deepens. Each day, the U.S. is falling further behind.

Conclusion

The United States’ self-removal from the game to set the rules for trade in the Asia-Pacific, South America, and other promising regions of economic growth and rising consumer demand encourages potential partners to move forward without us. It 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.