Agricultural Obstacles to a TTIP Agreement

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Most Americans know very little about the TTIP negotiations.

EU citizens tend to know more about TTIP, and there is significant opposition to it:

That is,

A central focus of the politics of TTIP, far beyond their share of U.S.-EU trade

Agriculture and Food

Agriculture has always been the key impediment to US-EU trade negotiations:

Since the signing of …(GATT) in 1947, agricultural policies have been so contentious as to be left aside in the first seven rounds of … negotiations. They were responsible for the eighth one (the Uruguay Round) taking a mammoth eight years to complete; and are the major main reason for the difficltures in concluding the current round …

Anderson, K. "Understanding Government Interventions in Agricultural Markets." In Anderson, K. (ed.), *The Political Economy of Agricultural Price Distortions.* Cambridge, UK: Cambridge University Press, 2010, p. 5.

Historically, almost all the opposition to agricultural trade agreements has come from agricultural producers wanting protection from international competition.

Nov 5, 2014: French farmers hold a country-wide strike to protest low cereal, milk and vegetable prices. (Source: *The Atlantic*, 2014 "French Farmers grow Angry")

California:

Senators per capita:
1/20,000,000

North Dakota:
Senators per capita:
1/380,000

But EU opposition to TTIP is coming less from farmers than from consumer and activist groups. This isn't your parents' "protectionism."

(http://news.bbc.co.uk/2/hi/uk_news/wales/656601.stm)

"Greenpeace protesters ambushed the ship carrying 60,000 tonnes of genetically modified soybeans off Anglesey on Friday morning."

The current situation in EU-U.S. ag and food trade:

On average, tariffs already relatively low:

Table 1 – Average tariff protection on bilateral trade between the EU and the US

(*ad valorem* equivalents in percent, 2010)

	Agriculture	Industry	Overall
Tariffs applied by the US on imports from the EU	6.6	1.7	2.2
Tariffs applied by the EU on imports from the US	12.8	2.3	3.3

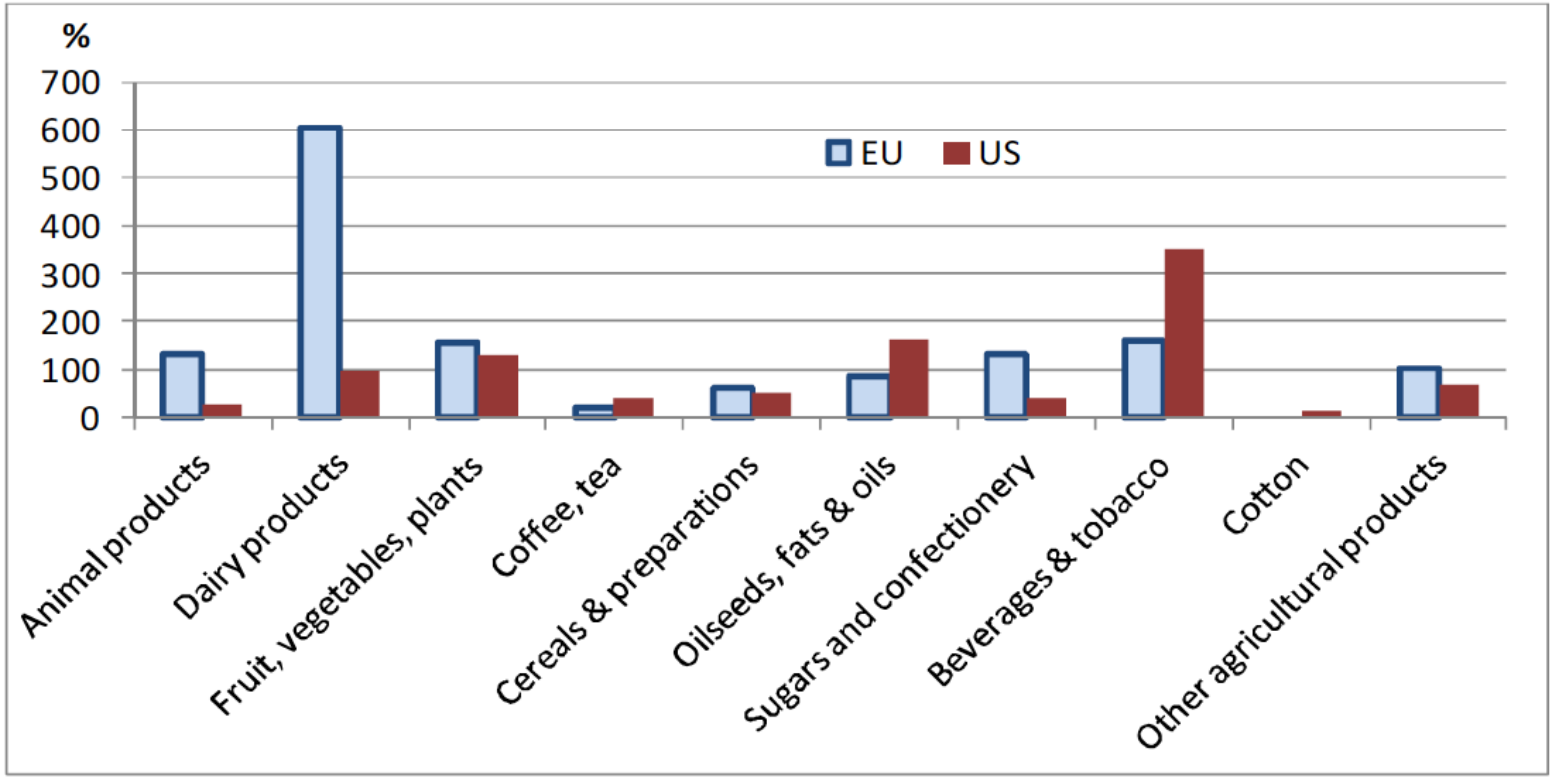
Source: MAcMap-HS6.

Note: more details on bilateral tariff protection are given in a post on CEPII's blog (in French): http://www.cepii.fr/BLOG/bi/post.asp?IDcommunique=185.

Source: Fontagné, Gourdon, and Jean (2013)

But averages hide significant tariffs in sensitive products:

Figure 3. EU and US tariff profiles in agriculture: maximum applied MFN duty within the respective product group



Source: WTO, ITC & UNCTAD (2013).

Source: Josling and Tangermann (2014)

Actually, for all the fuss, ag & food trade between the U.S. and EU is relatively modest, and is dominated by alcohol:

Table 1. Intra-industry trade in major EU-US trade flows in the food and agriculture sector

HS	Product sector	Grubel-Lloyd index	Share in total EU-US agricultural and food trade
22	Beverages, spirits and vinegar	0.273	35.6%
08	Edible fruit and nuts etc.	0.157	7.0%
12	Oilseeds and oleaginous fruits etc.	0.226	6.5%
15	Animal or vegetable fats and oils etc.	0.624	4.5%
21	Miscellaneous edible preparations	0.983	3.8%
20	Preparations of vegetables, fruit, nuts etc.	0.587	3.7%
23	Residues and waste from the food industries etc.	0.308	3.3%
04	Dairy produce, birds' eggs etc.	0.165	3.3%
18	Cocoa and Cocoa preparations	0.101	3.1%
19	Preparations of cereals etc.	0.229	3.0%

Source: Authors' own calculations.

Source: Josling and Tangermann (2014)

CGE models' estimates of how TTIP would effect trade flows shows the ag sector much affected, however:

Table 2. Estimated impacts of TTIP on bilateral trade flows ('reference' scenario percentage deviation from baseline in 2025)

Exporter	Importer	Total	Agriculture	Industry	Services
Transatlantic trade					
US	EU27	52.5	168.5	66.4	14.0
EU27	USA	49.0	149.5	61.8	24.0
Other trade flows					
US	RoW	-1.4	-1.9	-1.3	-1.6
EU27	RoW	-1.4	-0.4	-1.4	-1.4
RoW	USA	-2.5	-0.8	-2.8	-0.7
RoW	EU27	0.2	-1.5	0.1	0.6
EU27	EU27	-1.2	-2.6	-2.3	2.8
RoW	RoW	0.1	-0.0	0.2	0.2

Note: RoW refers to the rest of the world.

Source: Fontagné et al. (2013).

Source: Josling and Tangermann (2014)

Absolute US gains in ag from TTIP estimated to be 2.5 times EU gains.

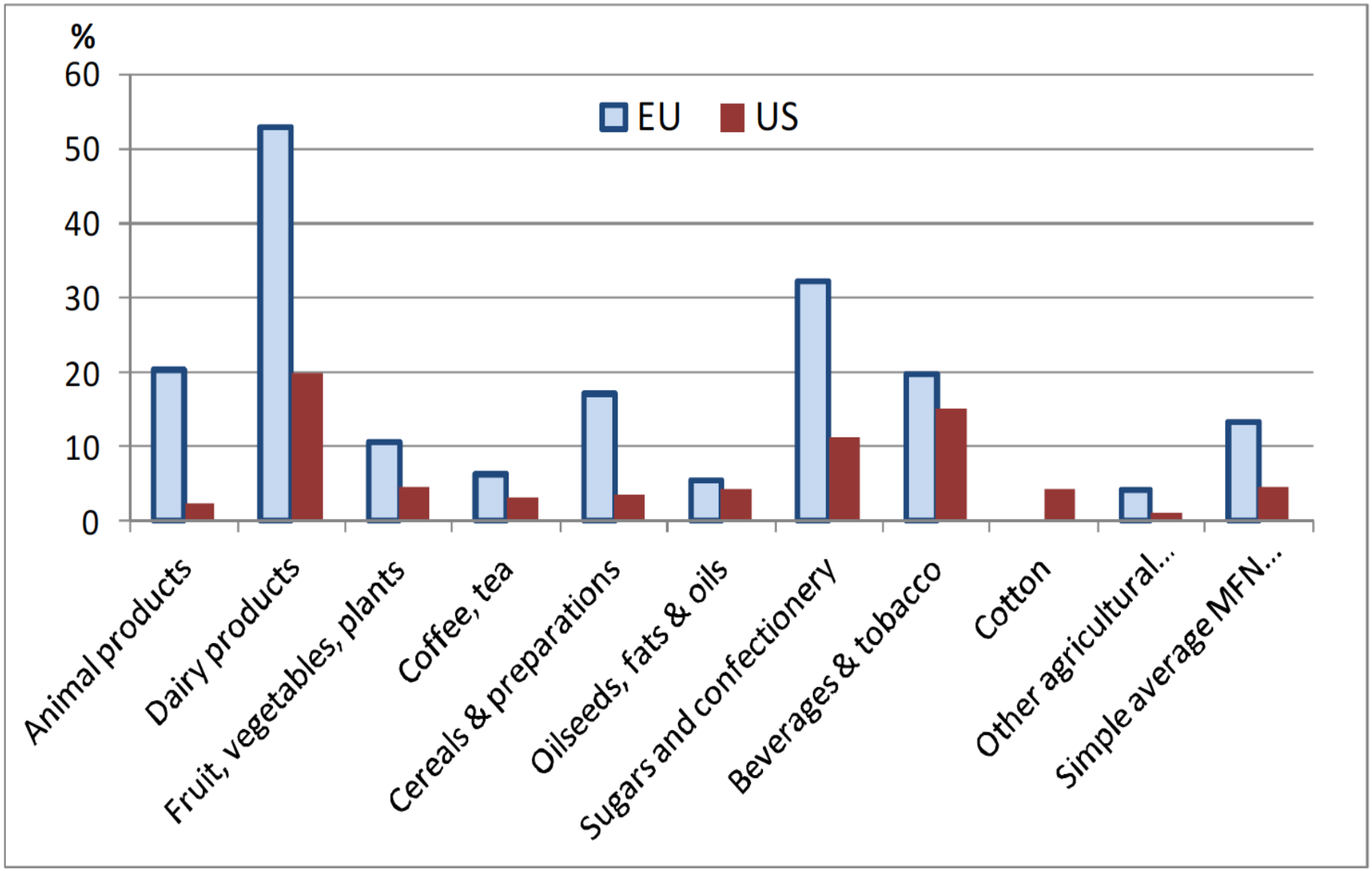
Source: Fontagné, Gourdon, and Jean (2013)

Some EU and US ag and food markets are still highly protected and the political-economic situation in those is pretty much the same-old same-old:

US: tobacco, sugar, peanuts, dairy products, beef, cotton, horticultural goods

EU: dairy, live animals, tobacco, grain

Figure 2. EU and US tariff profiles in agriculture: MFN applied duties



Source: WTO, ITC & UNCTAD (2013).

Source: Josling and Tangermann (2014)

TTIP-consequences for the EU agricultural sector:

EU producers who gain: dairy, wine and spirits

Big EU loser: Beef.

So one can expect somewhat conventional trade negotiations for these sectors:

- Exporters trying to gain access into foreign markets
- Import-competitors trying to keep their governments from liberalizing trade

But the real debate is not about tariffs.

Debate about non-tariff barriers to trade (NTMs) far outweighs their economic impacts.

That is,
harmonization of ag & food technology and safety standards
is the most sensitive political issue:

Impacts of NTMs are notoriously hard to quantify:

Table 4. Estimates of ad valorem equivalents of NTMs and tariffs in the sector of agriculture and food in the EU and the US

	EU	**US**
NTMs: Fontagné et al.	48.2%	51.3%
NTMs: Ecorys	56.8%	73.3%
Tariffs in agriculture: simple average MFN applied	13.2%	4.7%

Sources: Ecorys (2009); Fontagné et al. (2013) and WTO, ITC and UNCTAD (2013).

Source: Josling and Tangermann (2014)

Hormones:

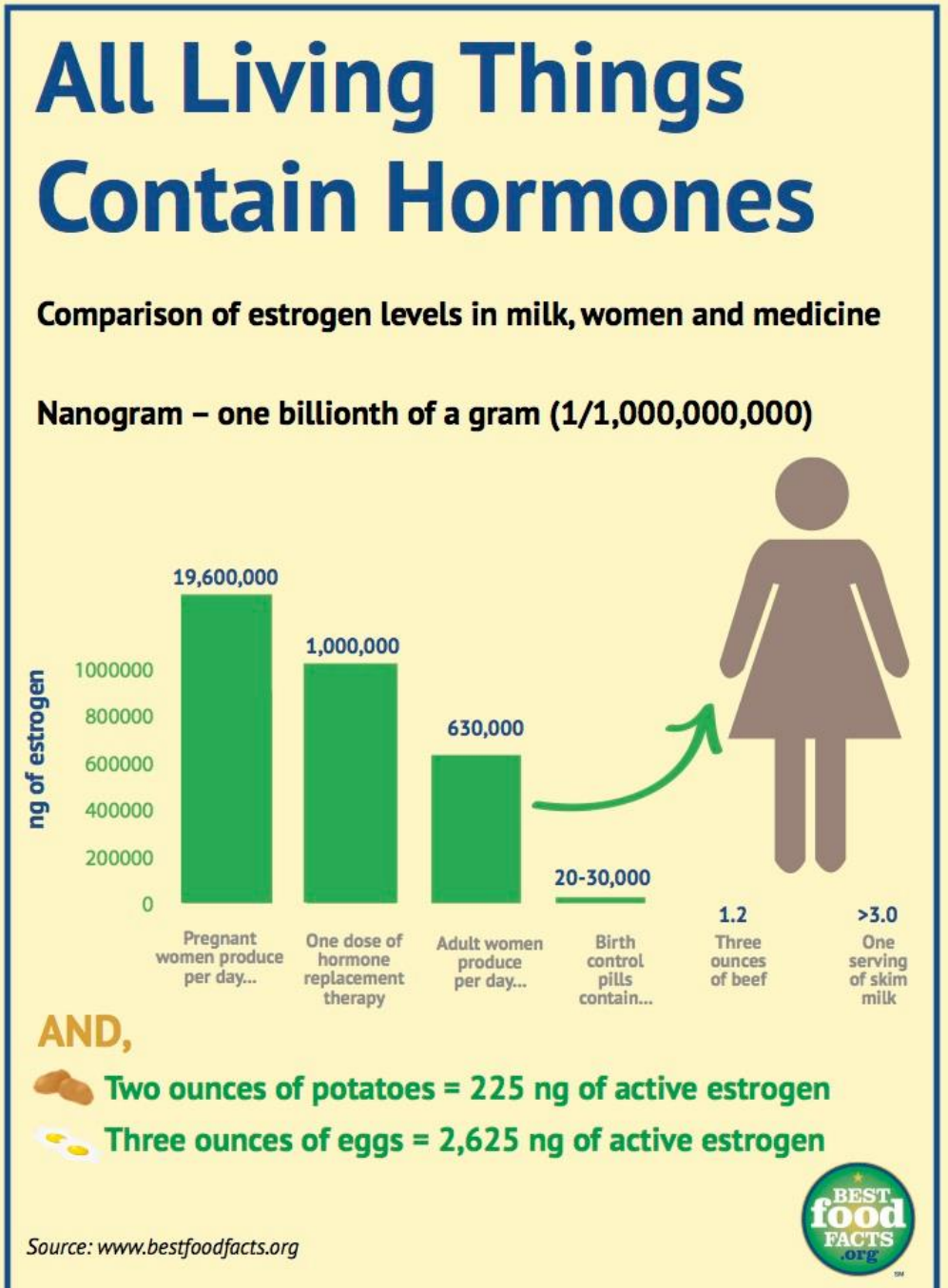
25-year dispute.
US beef exporters believe EU still not WTO-compliant.

Hormone implants increase growth rate and feed conversion efficiency

- FDA has approved steroid hormone drugs for beef since 1950
- Usually at entrance into feedyard, approx. duration 100 – 120 day

Some push from the anti-hormone folks:

Some push-back from the beef industry:

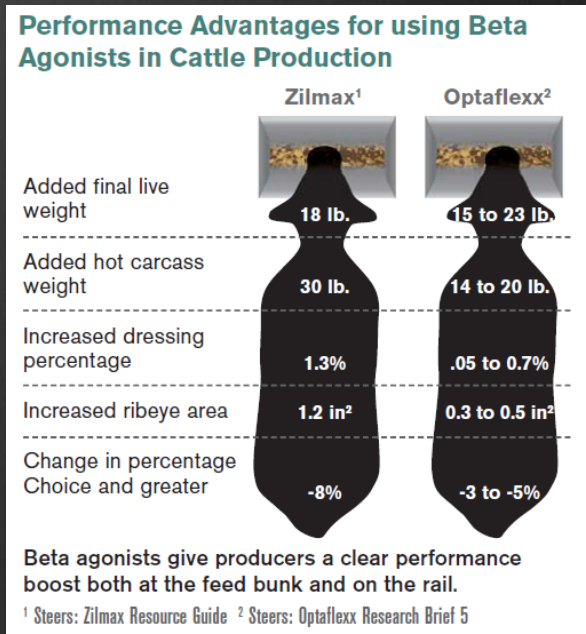


Beta-antagonists:

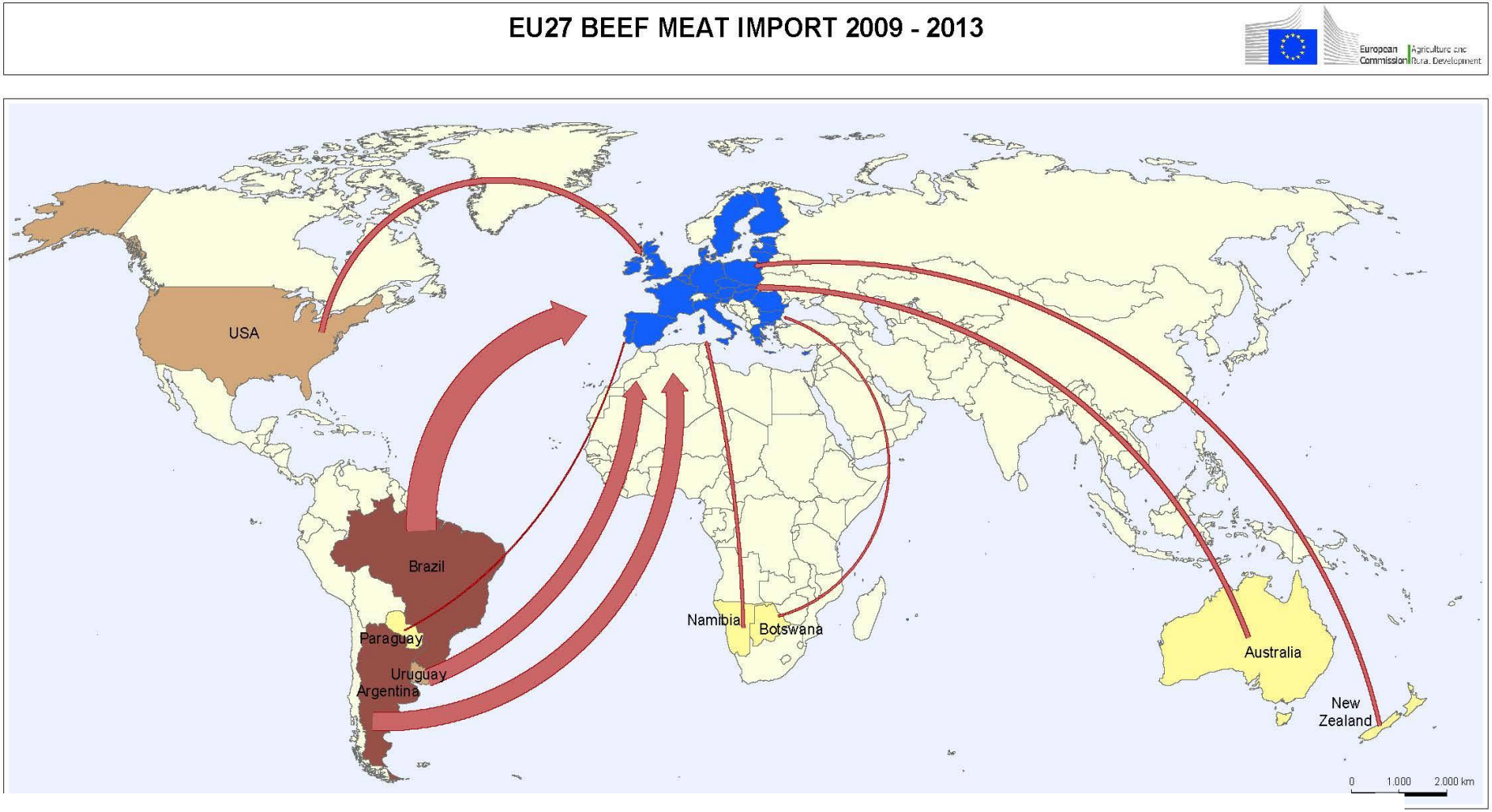
Growth enhancer.
Same dispute, new century.

Beta-agonists are veterinary drugs used as feed supplements to increase weight gain in cattle

- Used to improve feed conversion – more beef per animal
- Fed last 20 – 40 days before slaughter



70-80% of US cattle produced using Beta-agonists in 2013



Hormone and beta-agonist ban have had a huge effect on US exports of beef to the EU

Pathogen reduction techniques:

- Chlorinated chicken
- Lactic acid

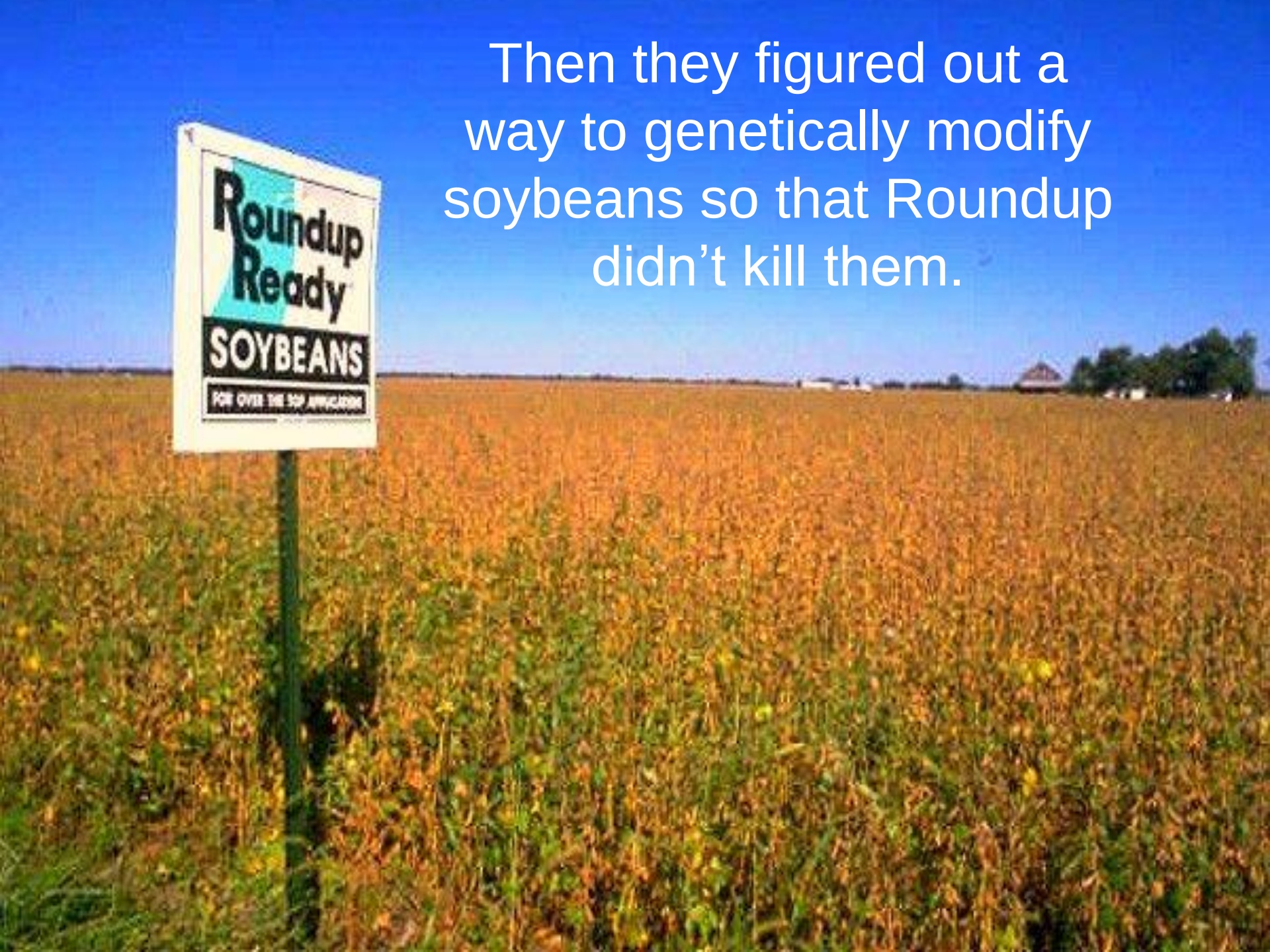
EU says US uses these to compensate for inadequate production techniques earlier in the process

GMOs (of course)

- The issue that is never solved and never goes away.
- TTIP talks unlikely to focus on domestic adoption of transgenic crops

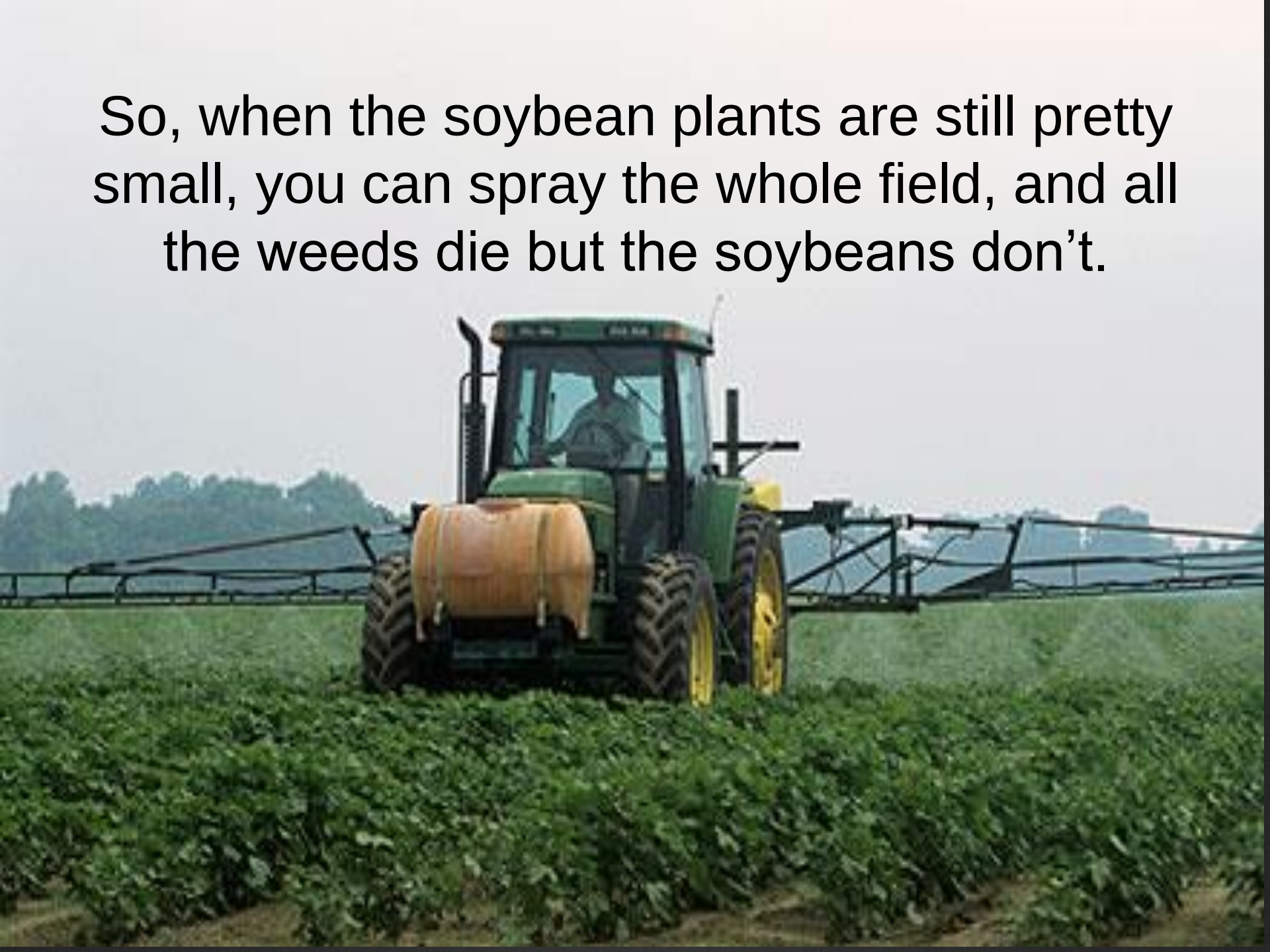
GMOs. For example, "Roundup Ready Soybeans"

When Monsanto first developed the Roundup (glyphosate) herbicide, they used it to control weeds near roads, because it killed pretty much everything.



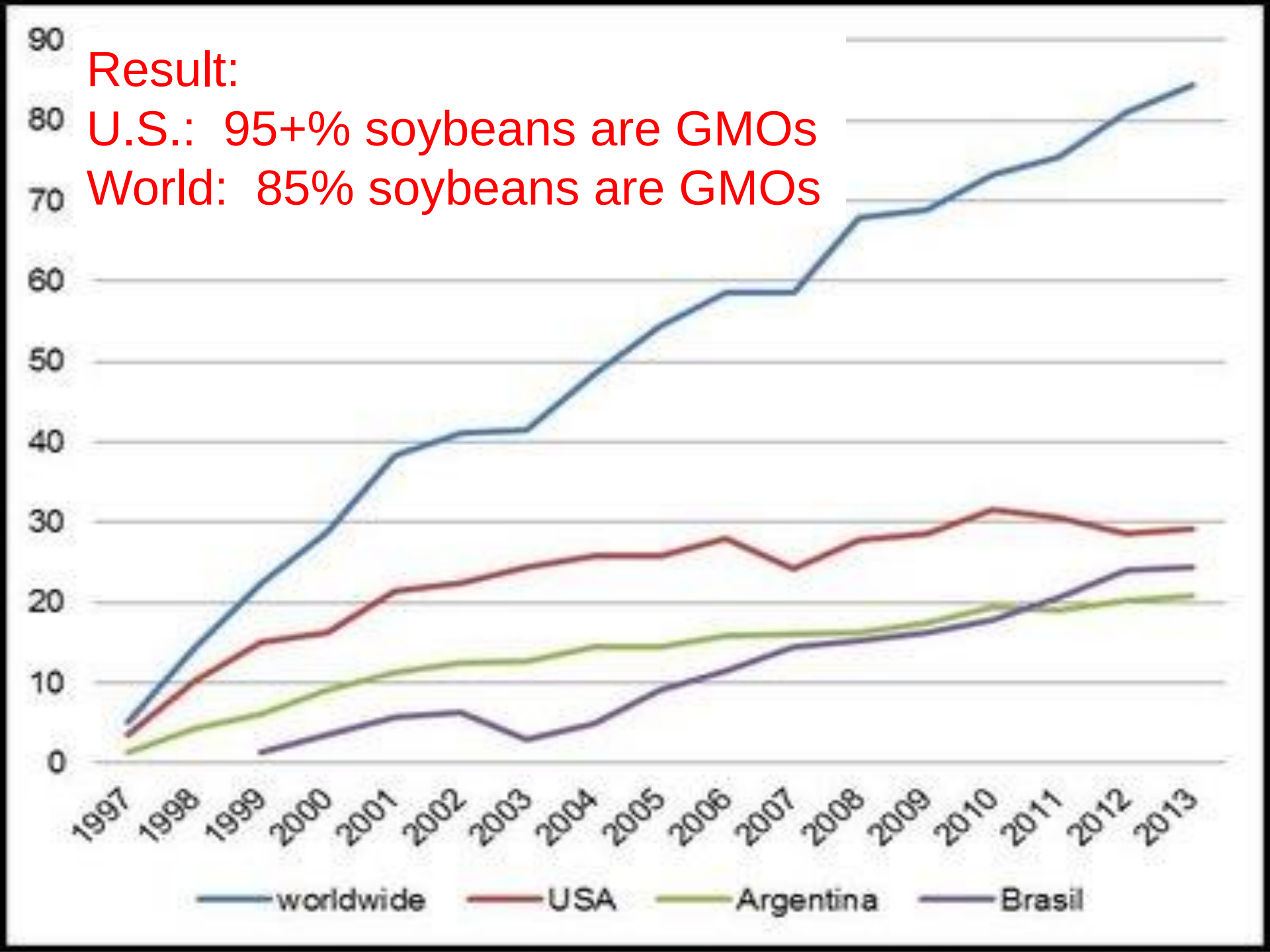
Then they figured out a way to genetically modify soybeans so that Roundup didn't kill them.

So, when the soybean plants are still pretty small, you can spray the whole field, and all the weeds die but the soybeans don’t.



On most farms, this method saves a lot of money and time.

Result:
U.S.: 95+% soybeans are GMOs
World: 85% soybeans are GMOs



Many other crops are gentically modified (for various reasons):

Corn,
Cotton
Canola (rapeseed)
Papaya ….

Unless you are a really serious foody, in the U.S. you eat products from GM soybeans every day:

You will not find GM food products in EU supermarkets.

Is it illegal? No.

Fifty GM plant varieties whose product can be sold in the EU for use in food or animal feed.

Mostly GM maize. Also soybeans, rapeseed, sugar beets, cotton and potatoes.

So why no GMOs in EU supermarkets?

One word:

Greenpeace (actually, two words, sorta).

'GM cows' protest at supermarket

Fifty Greenpeace members have staged a protest at Sainsbury's, claiming cows which produce its own brand milk are fed genetically modified maize.

Dressed as cows, they chained themselves to the dairy aisle and entrance and scaled the roof of the store in Greenwich, south east London.

Protesters say Sainsbury's milk comes from cows fed GM maize

GM crops are imported into the EU to use as livestock feed. You can buy beef or pork that once ate GM corn or soybeans.

Discussion in some U.S. states: foods containing GM products had to be labeled, would this benefit consumers, and would it provide them with valuable information?

Genetically modified bread???

Not to mention:

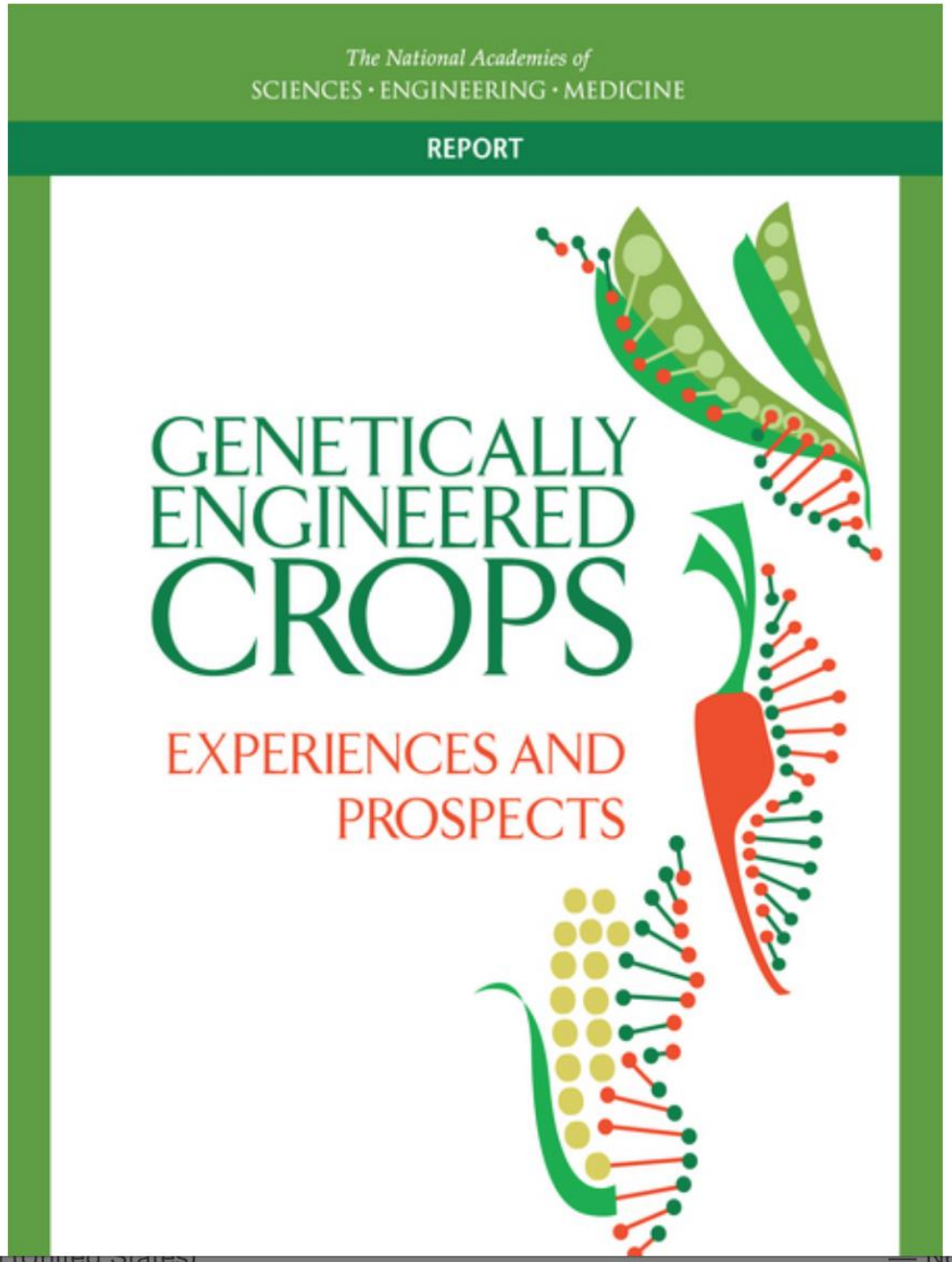
Non-GM Dirt:


PEOPLE & PET SAFE
SEE THE DR. EARTH PLEDGE
NON GMO
DR. EARTH®
Pot of Gold®
ORGANIC

Precautionary Principle vs. Science?

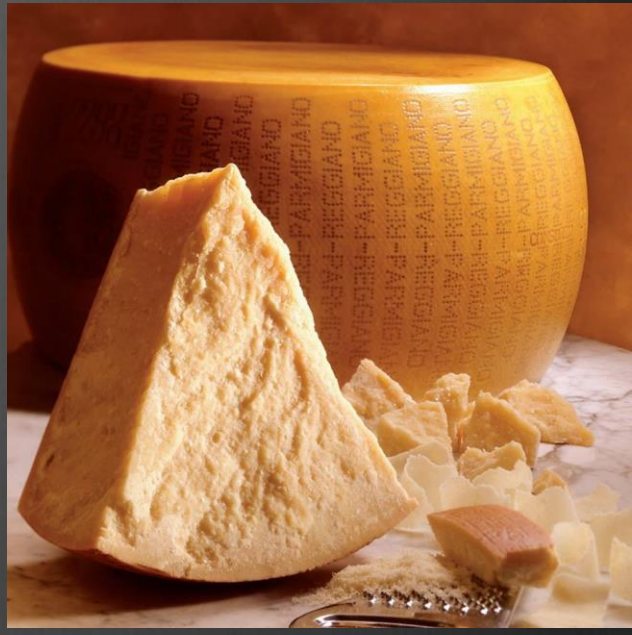
Huge fear of low-probability, catastrophic events?

National Academy of Science Report, Dec. 2016:



Geographic Indicators

What is Parmesan cheese, anyway?



Does champagne have to come from Champagne?

Can you distill Tennessee Whiskey in Central Europe?

Negotiator's dilemma:

Exclude ag & food from the talks, or maintain lofty goals and hope for the best?

It's not impossible for the U.S. and EU to actually come to agreements:

- 1996: US-EU Veterinary Equivalence Agreement (VEA). Limited, but a start.
- 2004: EU Food Hygiene Package. Applies risk-based approval for US slaughterhouses.
- 2006: US-EU Wine Agreement
- 2012: US-EU Organics Agreement. Made both certification systems compatible.