



 FARMERS *for* FREE TRADE

THE COST OF RETALIATION

How American Farmers and Ranchers Have Historically Paid the Price for Trade Disputes

Increasingly, the United States is threatening action or taking action to raise tariffs on a range of American imports. In the last two months alone, we have seen the imposition of new tariffs on washing machines and solar panels while we await a decision on whether the President plans to tax imports of steel and aluminum.

While everyone agrees we need to hold our trading partners accountable, taking unilateral action to raise tariffs often comes with harmful unintended consequences here at home. History shows those consequences are most often paid by American farmers in the form of retaliatory tariffs on the ag exports farmers rely on to make ends meet. At a time when farm incomes have decreased and global supply has increased, it's vital that we not take any action that would result in reducing American agricultural exports. It's more important than ever that U.S. leaders take a thoughtful approach to raising trade barriers that weighs the impact of retaliation on American agricultural exports.

In this report, we look at how, historically, American agriculture has born the brunt of retaliatory action when our actions have enflamed trade disputes. These episodes show how agriculture tends to have the biggest target on its back, even in trade disputes that are unconnected to agricultural products. Whether it's our chickens in retaliation for tariffs on Chinese tires, or U.S. apples and wine exports as a result of a Mexican trucking dispute, time and again, rural America pays the price when trade disputes between the U.S. and our trading partners escalate.

Our trading partners are not political neophytes. They know that targeting U.S. agriculture provides a powerful symbolic and political message both inside and outside Washington, D.C. So there's no reason to think that in the event that we impose broad new unilateral tariffs on imports, they won't come after agriculture again.

*In fact, **just this month, China began investigating placing tariffs on American sorghum** in a move widely seen as a reprisal for the recent tariffs on washing machines and solar panels. That news alone caused the price of sorghum to drop a dollar in a single day due to fears that one of our most important markets for this grain may be closing. The possible closure of this market is reminiscent of the 1980 grain embargo which led to the backing up of domestic product.*

*Export markets and buyer-seller relationships are built through hard work and years of market development efforts. **History has shown that when markets begin to be closed off, prices plummet and when markets are lost entirely they are not easily replaced.***

*The goal of Farmers for Free Trade in highlighting how farmers have been targeted is to ensure that policymakers understand the unintended consequences of raising tariffs. **Our hope is that we protect farmers by heeding the old adage that history repeats itself only when no one was listening the first time.***

*If the President follows through on these tariffs there is no doubt that it could escalate trade tensions rather than resolve them, once again putting U.S. agricultural exports in the cross-hairs. **We urge the President to consider the very real price our farmers and ranchers would end up paying if we continue to escalate back and forth reprisals that close off global markets.***

- Brian Kuehl, Executive Director, Farmers for Free Trade

Mexico

Mexican Trucks Dispute 1995-2001

Background

- In 1995, the United States barred Mexican trucks from operating in the US
- Mexican trucks could bring goods a short way into the US, but then they needed to be transferred to US trucks
- Mexico won a 2001 dispute and initiated duties on 99 products

Retaliation by Mexico on American Agriculture

**Fresh apples:
20% duty**



**Fresh cheese:
20% duty**



**Wine: 20%
duty**



**Oranges:
20% duty**



Resolution

- On July 6, 2011 the US and Mexico signed an agreement allowing Mexican trucks to operate in the US
- Mexico reduced tariffs first by 50%, then completely removed them
- The US has mentioned reapplying this trucking ban as part of the NAFTA renegotiations

Read the full list of products targeted by Mexico here: https://www.trade.gov/mas/ian/build/groups/public/@tg_ian/documents/webcontent/tg_ian_002692.pdf

Mexico

Mexican Trucks Dispute 1995-2001 (continued)

Retaliation by Mexico on American Agriculture

**Onions: 10%
duty**



**Nuts: 20%
duty**



**Pork: 20%
duty**



**Beer: 20%
duty**



**Grapes: 20%
duty**



**Pears: 20%
duty**



**Oats: 10%
duty**



**Ketchup: 20%
duty**



**Corn: 15%
duty**



**Lettuce: 10%
duty**



**Cherries: 20%
duty**



**Strawberries: 20%
duty**



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China

China Tires Dispute 2009-2012

Background

- In 2009, President Obama responded to a petition by tire manufacturing workers to impose punitive tariffs on Chinese tire imports
- The import tariff rose from 4% to 34% from Sept. 2009-Sept. 2010
- The tariff decreased to 30% in Sept. 2010, and then to 25% in Sept. 2012

Retaliation by China on American Agriculture

Chicken parts:
64.5% average duty



Resolution

The U.S. tariffs expired in the second half of 2012.

More on the tire dispute here:

<http://www.latimes.com/business/la-fi-tariffs-trade-analysis-20160724-snap-story.html>

Canada

Country of Origin Labeling (COOL) Dispute 2002-2015

Background

- The 2002 Farm Bill required large retailers to label meat based on where it was born, raised and slaughtered
- Canada appealed this requirement to the WTO and won
- Canada's international trade and agriculture ministers threatened to impose tariffs on many agricultural products

Threatened Retaliation by Canada on American Agriculture

Bovine and bovine products



Pork and pork products



Baked goods



Cheese



Resolution

- Canada was authorized by the WTO to impose over \$1 billion in retaliatory duties
- Congress repealed the law in late 2015 before duties went into effect

Mexico

Byrd Amendment Dispute 2000-2006

Background

- In 2000 the US passed a law that allowed companies that petitioned for retaliatory duties to receive the funds themselves if the US won the dispute
- 8 trading partners filed a claim at the WTO that the practice incentivized creating unnecessary disputes and won

Retaliation by Mexico on American Agriculture

**Dairy blends:
110% tariff**



Resolution

- In 2006, the United States narrowly repealed the Byrd Amendment with a phase-in period of 2 years
- Mexico ended its tariffs in late 2006