Tariff Liberalization and Agriculture in the Trans-Pacific Partnership Region

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Presentation delivered at the 2013 Annual Meeting
of the International Agricultural Trade Research Consortium (IATRC)
Clearwater Beach, FL, December 15-17, 2013

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The TPP Members

- 12 Pacific Rim members with a combined 2012 population of 795 mil and GDP of $28+ trillion.
- GDP per cap averages over $35,000, ranging from $1,750 in Vietnam to over $50,000 in Australia, Canada, Singapore, and the U.S.
- Average agricultural imports in 2010/12 totaled $280 bil, 51% of which came from TPP partners.
- Average agricultural exports in 2010/12 totaled $312 bil, 43% of which went to TPP partners.

Key Findings

- Modest effects on real GDP and agricultural output in TPP member countries in 2025
- Intra-TPP agricultural trade will be 6 percent ($8.5 billion) higher in 2025 due to TPP
- U.S. agricultural exports to region will be 5 percent ($3 billion) higher in 2025 due to TPP
- U.S. agricultural imports from region will be 2 percent ($1 billion) higher in 2025 due to TPP

Model Used in Analysis

- **Standard GTAP model**
  - Computable general equilibrium (CGE) model
  - Describes supply and demand
  - Describes micro and macro outcomes
  - GTAP v8 2007 database updated to 2014
    - Projected/observed endowment, population and real GDP growth
    - Scheduled PTA tariff reductions, 2007-2014
    - Unilateral tariff reductions
- **12 Countries**
  - 11 TPP member countries (excludes Brunei)
  - Rest-of-world

Model Used in Analysis

29 sectors

Cereals
- Rice
- Wheat
- Corn*
- Other cgrains*

Fruits/ Vegs.
- Fruits/ vegetables

Oils and fats
- Oilseeds
- Oils and fats

Meats
- Bovines
- Pigs*
- Poultry*
- Beef
- Pork*
- Poultry meat*
- O. animal products*

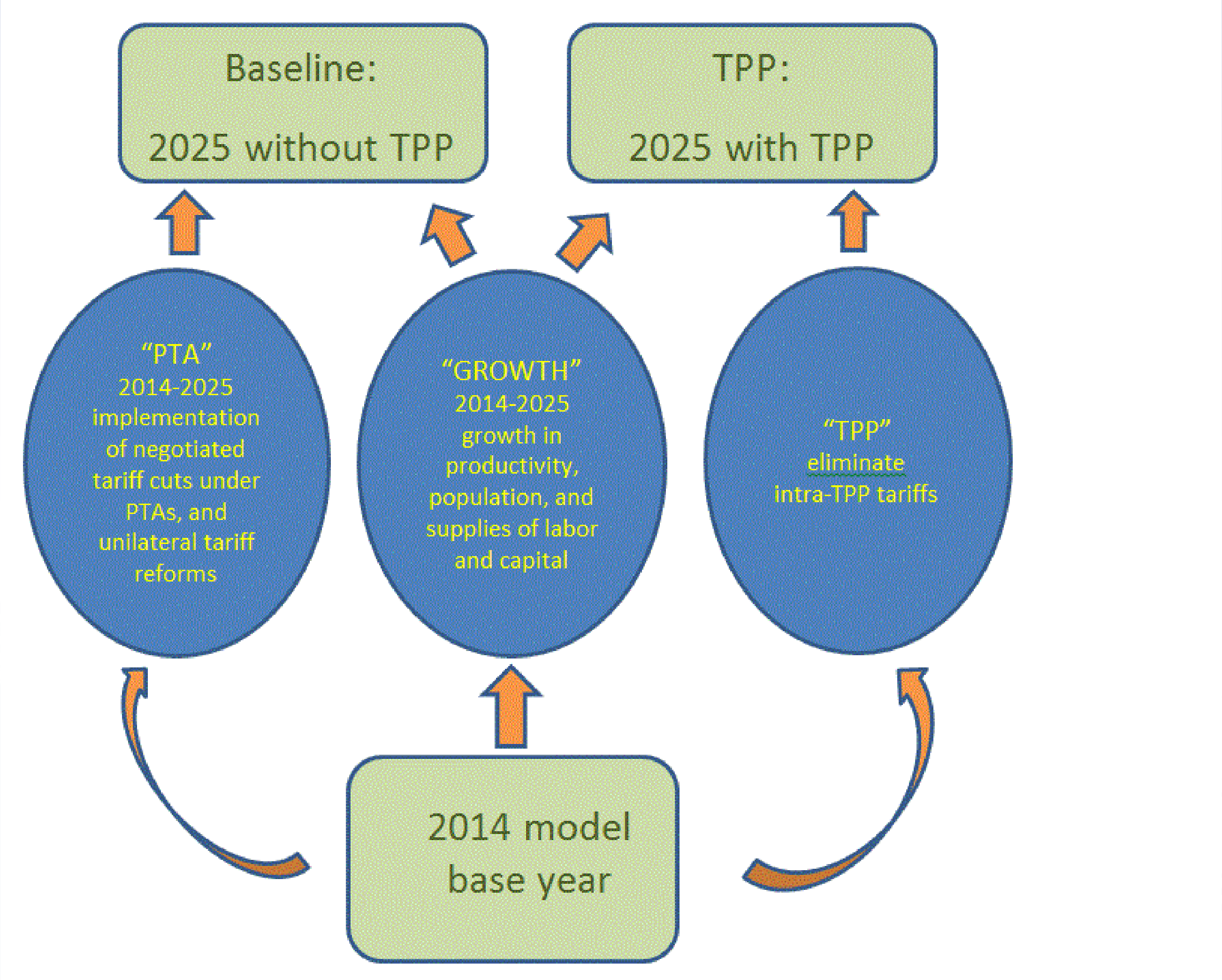
Dairy
- Whey*
- Powdered milk*
- Butter*
- Cheese*
- Fluid and nec.*

Other agric.
- Sugar cane/beet
- Fibers
- O. animals *
- Other crops
- Sugar
- Other foods

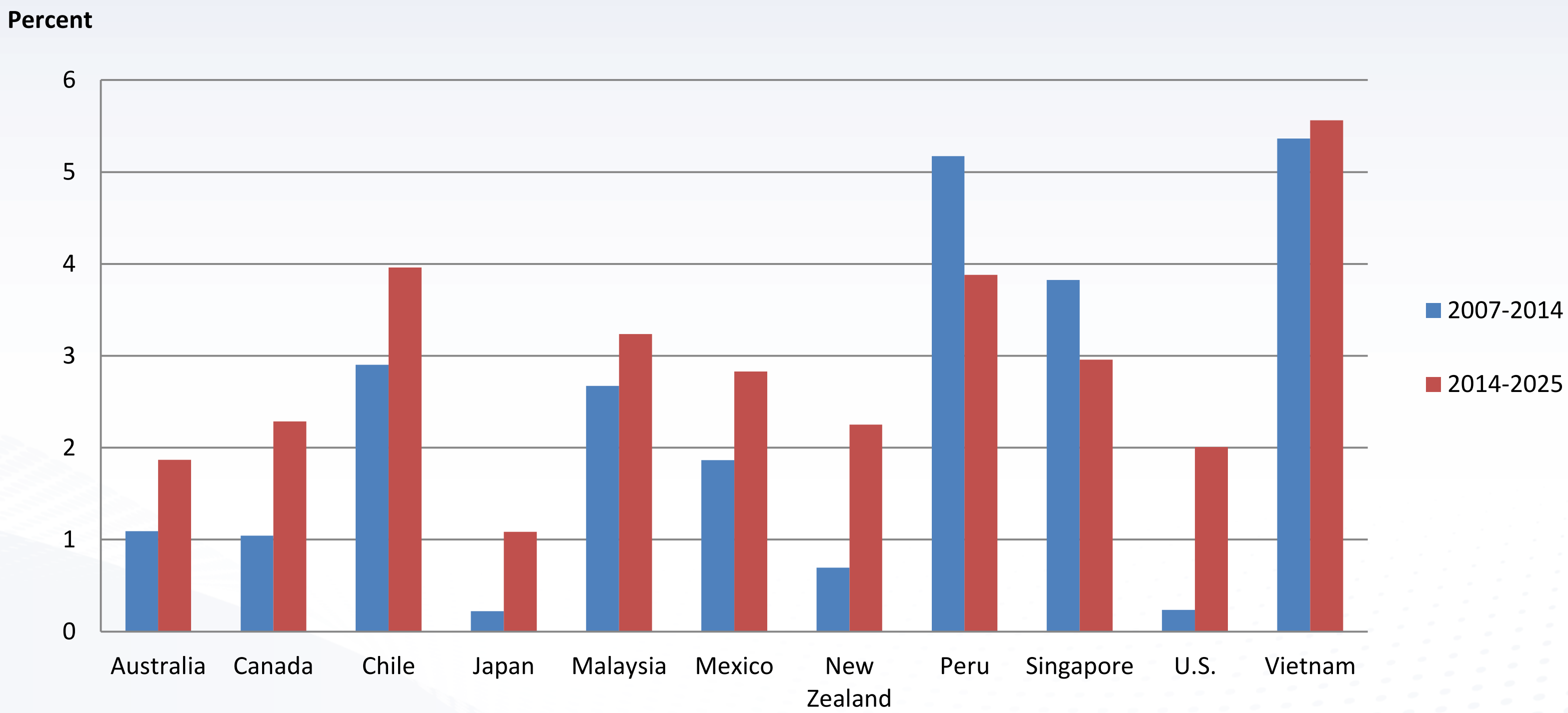
Other sectors
- Natural resources
- Labor-intensive mfg.
- Capital-intensive mfg.
- Services

* Denotes split GTAP sector

Baseline and TPP Scenarios

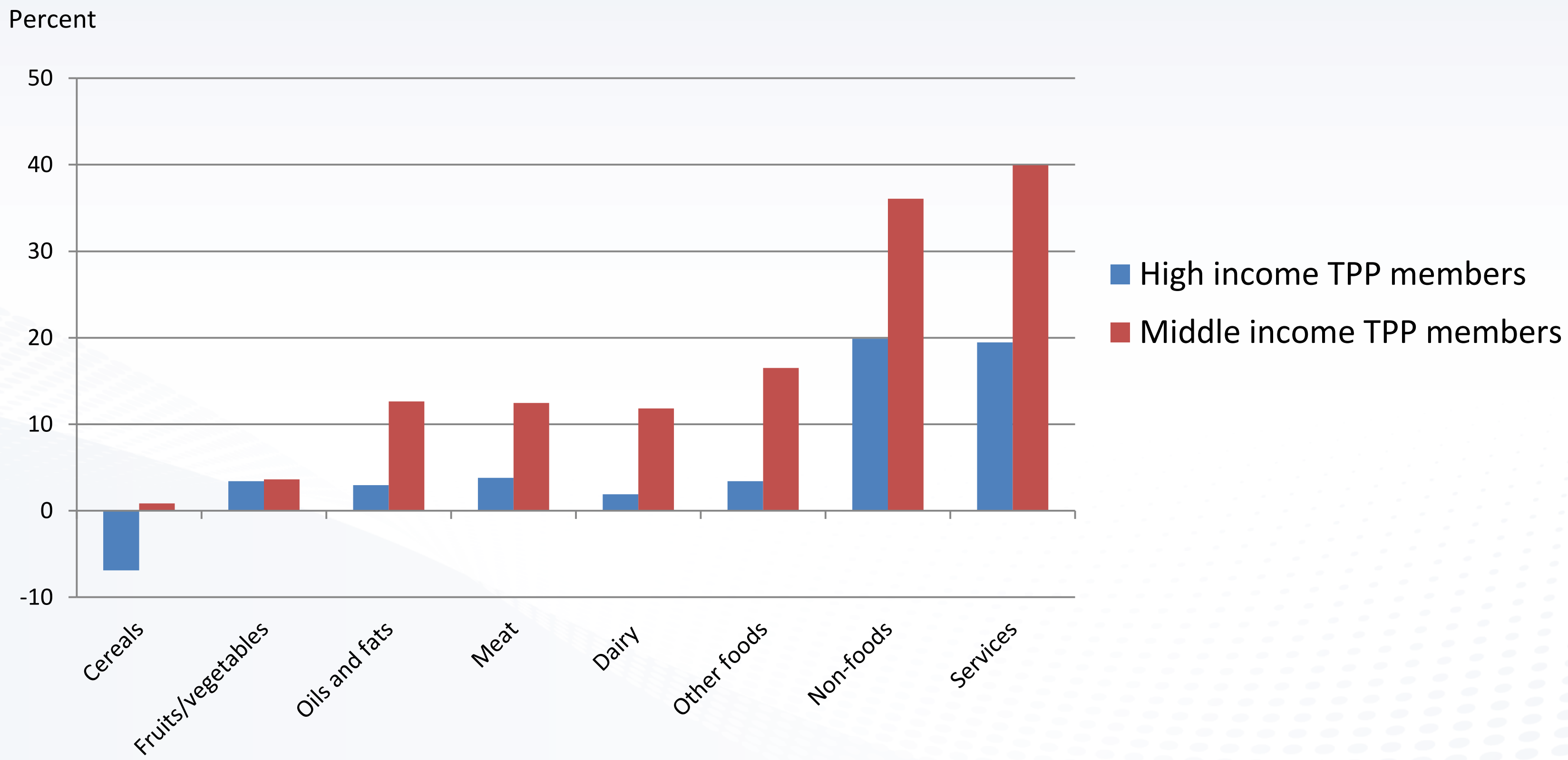


Average annual growth rates in real per capita GDP



Income Growth Leads to Changes in Food Consumption Patterns

Trends in private households' per capita consumption quantities in TPP member countries, 2014-2025



TPP countries have been actively negotiating trade agreements

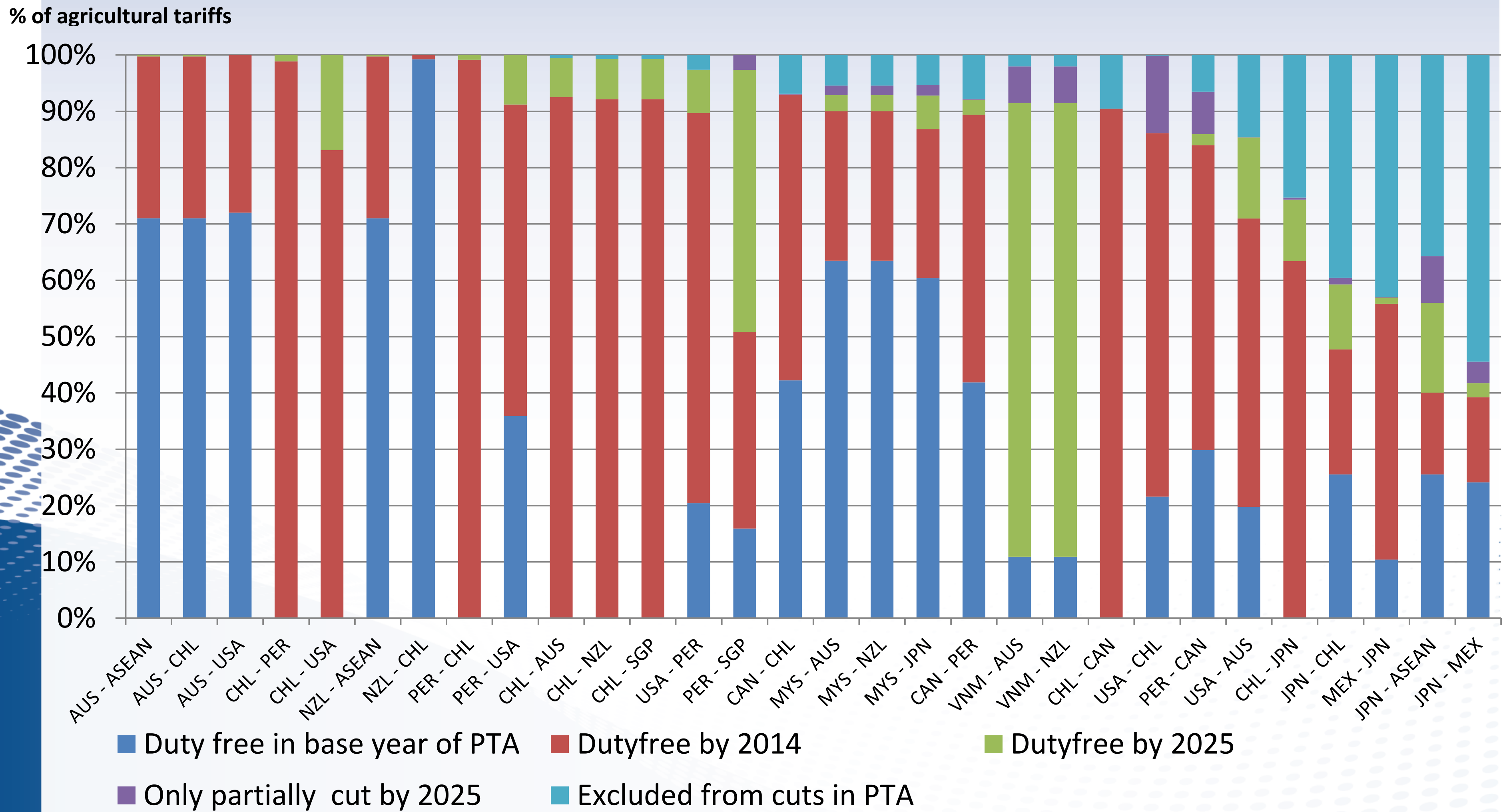
- TPP countries: members of 97 of the 256 PTAs notified to the WTO
- 29 of 97 agreements include tariff concessions between at least two TPP members.
- Among TPP countries already linked by a PTA
  - over 80% of agricultural tariff lines already duty free
  - almost 90% of agricultural tariff lines will be duty free by 2025

Most TPP countries already have negotiated PTAs with many of their TPP partners

Bilateral trade flows covered by preferential tariff agreements (PTA) and/or economic integration agreements (EIA)

Reporter	Austr-alia	Brunei	Canada	Chile	Japan	Malay-sia	Mex-ico	N. Zealnd	Peru	Sing-apore	U.S.	Viet Nam	Total
Australia	---	2010/2025		2009/2015		2010/2025		1983/1995		2010/2025	2005/2023	2010/2025	7
Brunei	2010/2025	---		2006/2017	2008/2026	1992/2010		2010/2025		2006/2017		1992/2010	7
Canada			---	1997/2014			1994/2008		2009/2025		1994/2008		4
Chile	2009/2015	2006/2017	1997/2014	---	2007/2022	2012/2016	1999/2006	2006/2017	2009/2016	2006/2017	2004/2016		10
Japan		2008/2026		2007/2022	---	2008/2026	2005/2015		2012/2027	2008/2026		2008/2026	7
Malaysia	2010/2025	1992/2010		2012/2016	2008/2026	---		2010/2025		1992/2010		1992/2010	7
Mexico			1994/2008	1999/2006	2005/2015		---		2012/2023		1994/2008		5
New Zealand	1983/1995	2010/2025		2006/2017		2010/2025		---		2010/2025		2010/2025	6
Peru			2009/2025	2009/2016	2012/2027		2012/2023		---	2009/2025	2009/2025		6
Singapore	2010/2025	2006/2017		2006/2017	2008/2026	1992/2010		2010/2025	2009/2025	---	2004/2014	1992/2010	9
United States	2005/2023		1994/2008	2004/2016			1994/2008		2009/2025	2004/2014	---		6
Vietnam	2010/2025	1992/2018			2008/2026	1992/2018		2010/2025		1992/2018		---	6
Total	7	7	4	10	7	7	5	6	6	9	6	6	80

Treatment of Agricultural Tariffs in TPP FTAs



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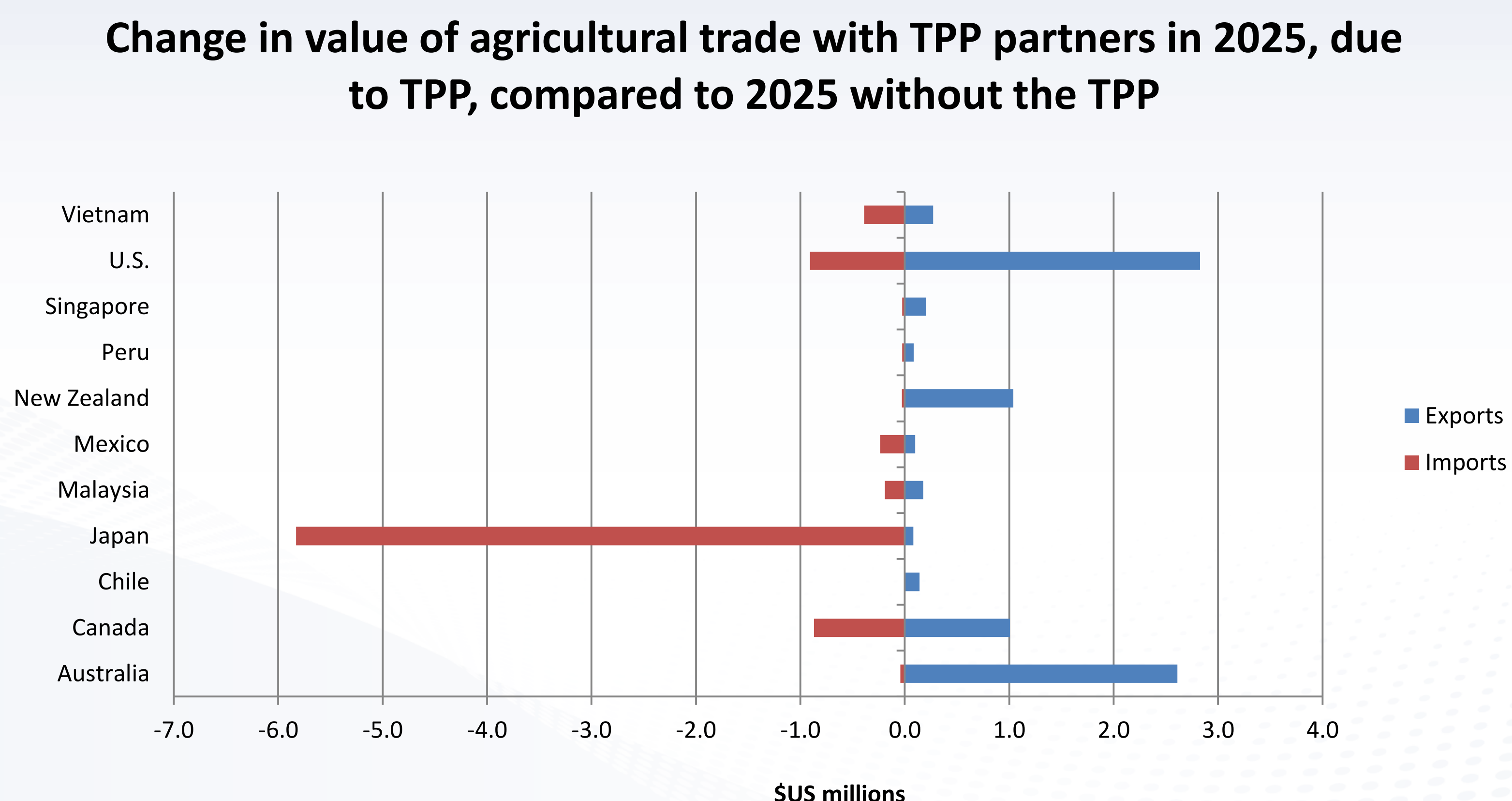
TPP Scenario

- Full elimination of tariffs among TPP members
- Hypothetical
  - Currently no roadmap for agricultural market access
- Excludes non-tariff measures
- Assumes fixed ad valorem farm subsidies (no policy insulation)

TPP – Small Real GDP Effects

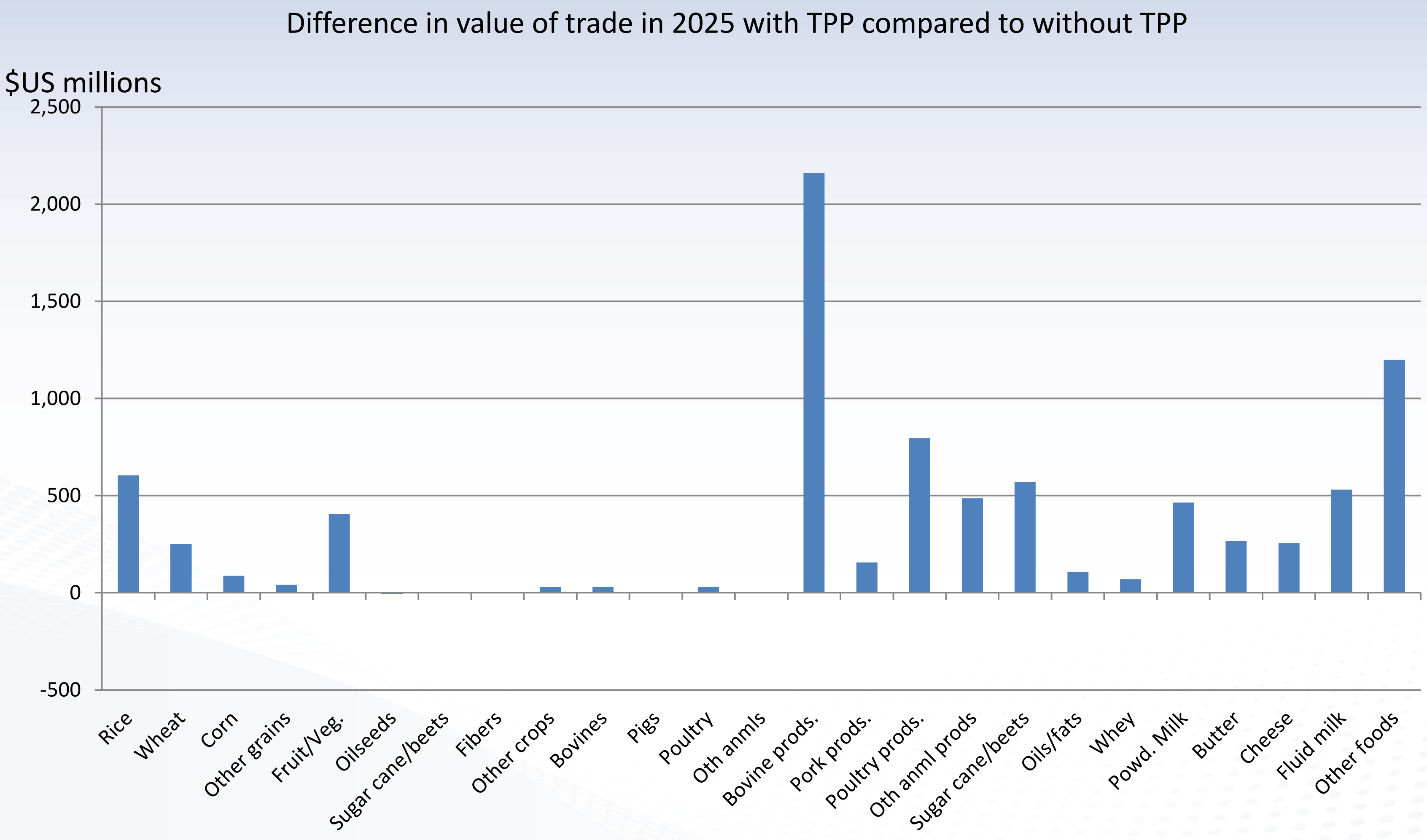
Country	TPP effect on 2025 real GDP
Australia	0.00
Canada	0.00
Chile	0.00
Japan	0.02
Malaysia	0.01
Mexico	0.01
New Zealand	0.01
Peru	0.00
Singapore	0.00
United States	0.00
Vietnam	0.10

6% ($8.5 Billion) Increase in Intra-TPP Agricultural Trade, 2025



$US billions

Growth in Intra-TPP Trade by Commodity



Growth in U.S. Agricultural Trade with TPP partners by commodity group

	2025 base	Difference in 2025 due to TPP	
	$US mil.	%	$US mil.
Exports			
Cereals	9,582	6.9	664
Fruits/vegetables	5,906	3.7	221
Oilseeds and products	5,030	0.7	36
Meat	8,521	8.5	726
Dairy	1,800	32.2	580
Other agriculture	21,556	2.8	600
Total agriculture	52,395	5.4	2,827
Imports			
Cereals	1,410	0.3	4
Fruits/vegetables	9,022	0.1	10
Oilseeds and products	2,469	0.4	11
Meat	8,073	3.0	245
Dairy	914	20.5	187
Other agriculture	22,958	2.0	451
Total agriculture	44,846	2.0	908

Agricultural Production Impacts of the TPP

Percent change in output quantities in 2025 due to the TPP

	Australia	Canada	Chile	Japan	Malaysia	Mexico	New Zealand	Peru	Sing-apore	United States	Vietnam
Cereals	2.2	0.7	0.1	-3.2	-0.6	0.1	1.6	0.1	-0.1	1.0	1.3
Fruits/vegetables	0.0	2.5	0.2	-0.5	0.0	0.0	0.4	0.1	-4.7	0.3	-0.9
Oils and fats	-0.3	0.0	0.3	-0.2	0.0	0.0	-0.1	0.0	1.5	0.1	-3.2
Meat	5.3	0.5	0.7	-5.7	0.3	0.1	3.2	0.3	-0.2	0.4	-1.0
Dairy	2.6	-2.5	1.0	-3.8	2.6	-1.6	3.7	-0.1	0.6	0.5	-1.6
Other agriculture	0.8	0.4	0.3	-0.2	0.5	0.0	0.5	0.3	5.5	0.0	-0.3

Trade Creation and Trade Diversion

Change in value of 2025 intra-TPP agricultural trade due to TPP relative to baseline scenario ($US millions)		
Change in intra-TPP trade	Change in TPP members' imports from ROW	Change in TPP members' exports to ROW
8,548	-2,583	-423