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Agriculture in the Trans-Pacific Partnership

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What Is the Issue?

The proposed Trans-Pacific Partnership (TPP) is a trade and investment agreement under negotiation by 12 Pacific Rim countries, including the United States. With a combined population of about 800 million and a combined gross domestic product (GDP) of about \$28 trillion, these 12 countries encompassed 11 percent of global population and almost 40 percent of global GDP in 2012. The total size of their market for agricultural imports averaged \$279 billion over 2010-12, 51 percent of which was sourced from TPP partners. The TPP accounts for 42 percent of the global agricultural exports of the United States and 47 percent of its agricultural imports. For over three decades, TPP members have been actively engaged in negotiating preferential trade agreements (PTAs) that have provided for greater market access in their trade with each other. Despite the intensity of PTA activity in the region, the high tariffs that remain among TPP partners on some agricultural products, as well as the trade flows between TPP members that have not already negotiated bilateral PTAs, leave scope for significant additional agricultural trade liberalization under the TPP.

What Did the Study Find?

This report quantifies the economic effects on agriculture of a hypothetical and stylized TPP scenario in which all agricultural and nonagricultural tariffs and tariff-rate quotas (TRQs) on intra-TPP trade are eliminated. Trade barriers between TPP countries and other countries remain unchanged in this analysis. However, because the TPP is expected to build upon its members' existing networks of bilateral and regional PTAs within the TPP region, the study first applies these previously negotiated tariff cuts in a baseline scenario.

The study finds that the existing regional PTAs do not eliminate or reduce all intra-TPP tariffs and TRQs. The elimination of the remaining tariffs and TRQs (i.e., the hypothetical TPP scenario) will increase the value of agricultural trade among TPP countries by 6 percent, or about \$8.5 billion (all model values in the report are in 2007 U.S. dollars, the model's base year), in 2025 relative to the baseline scenario. While both agricultural imports and exports

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in each member country will grow, Japan and the United States will account for the largest shares of the increases in intraregional imports and exports, respectively. The United States will supply about 33 percent of the expansion in intraregional agricultural exports—the value of U.S. agricultural exports to TPP partners in 2025 is estimated to be 5 percent (\$2.8 billion) higher under the hypothetical TPP scenario than under the baseline. Japan will account for almost 70 percent of the expansion in intraregional agricultural imports—the value of Japan’s agricultural imports from its TPP partners in 2025 is expected to be 14 percent (\$5.8 billion) higher than under the baseline.

By commodity, the percentage increases in the value of intraregional trade due to eliminating tariffs and TRQs among TPP members will be largest for rice, sugar, and “other meat” (which includes animal fats and oils and offals). In absolute value terms, the increase will be greatest for bovine meat (which includes beef and mutton), “other foods” (which includes processed foods and feeds), and poultry meat; although their growth rates are lower, these commodities have large initial values in intra-TPP trade, so even relatively small percentage gains translate into relatively large absolute gains in their trade value. The total increased trade in meats of about \$3.7 billion will account for 43 percent of the expansion in the value of intra-TPP trade in 2025, most of which is supplied by Australia, the United States, Canada, and New Zealand. About three-quarters of the increase in meat exports is destined for Japan, whose meat imports (mostly bovine meat) will increase by about \$2.8 billion relative to the baseline.

Agricultural output in the United States will increase in most sectors due to increased market access within the TPP region, especially in cereals (1 percent), dairy products (0.5 percent), and meat (0.4 percent). Among TPP members, the largest percentage gains in agricultural output will be in meats in Australia, dairy in New Zealand, and “other agriculture” in Singapore. Agricultural output quantities will decline in most sectors in Japan and Vietnam in 2025 relative to the baseline.

Eliminating intraregional tariffs and TRQs will have zero or small positive effects on members’ real gross domestic product (GDP). There are no measurable effects on U.S. real GDP in 2025 relative to the baseline scenario. Most of the increase in agricultural trade among TPP members is due to an expansion in their total trade, rather than a diversion of their trade away from the rest of the world toward TPP partners.

How Was the Study Conducted?

The study uses the Global Trade Analysis Project’s (GTAP) static computable general equilibrium model with the GTAP v8 2007 database (the base year of the v8 dataset was updated from 2007 to 2014). Two scenarios were modeled to reflect developments between 2014 and 2025—the assumed implementation period for the TPP. The first is a “baseline scenario,” which simulates projected growth in GDP, increased supplies of capital and labor, changes in population and diets, and the implementation of a network of preferential trade agreements and unilateral tariff reforms already committed to in the region. A hypothetical and stylized TPP scenario adds a full elimination of intra-TPP agricultural and nonagricultural tariffs and TRQs to the network of trade agreements. The differences between the scenarios capture the effects of eliminating intraregional tariffs and TRQs on members’ economies in 2025. The scope of the TPP negotiations goes well beyond cutting tariffs; they also cover other areas that could impact agricultural trade, including investment, trade in services, technical barriers to trade, sanitary and phytosanitary barriers, etc. This analysis does not account for the gains that might be achieved in these other areas of the negotiations. This analysis also does not account for possible insulating domestic farm-policy responses or market responses (e.g., structural or efficiency changes in industries that lose their trade protections) or the productivity gains that may result from increased trade opportunities.