The Trans-Pacific Partnership and the Agriculture Industry: Growing the Economy?

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Growing the Economy?: The Trans-Pacific Partnership and the Agriculture Industry

On a sunny day in October, 1992, American President George H. W. Bush, Canadian Prime Minister Brian Mulroney, and Mexican President Carlos Salinas de Gortari met with reporters to announce a momentous piece of legislation. The North American Free Trade Agreement, or NAFTA, was the culmination of a decade-long effort to create what Ronald Reagan called a “North American Common Market”.[1] NAFTA promised to facilitate increased trade between Canada, Mexico and the United States, promote free market economics, increase investment opportunities and create procedures for resolving trade disputes. Free trade is the economic policy where a country removes trade barriers such as tariffs, import and export licenses, import quotas, voluntary export restraints, and adopts a *laissez-faire* economic policy with little to no government intervention in international trade. Unfortunately, NAFTA has fallen short on many of these goals, and now an even larger free trade agreement is looming over the horizon.

My name is Braden Kundert. I come from a long line of farmers impacted by the economic policy of our country regarding agriculture. These policies are an integral factor in the decisions being made by farmers across the country. Perhaps the largest and most important policy decision that will be made by our nation’s leaders is whether or not to ratify the Trans-Pacific Partnership, or TPP. According to the Office of the United States Trade Representative, the TPP is a free trade agreement with 12 Pacific Rim countries, including the United States, Canada, Mexico, Japan, Australia, Brunei, New Zealand, Chile, Singapore, Malaysia, Peru, and Vietnam. These countries account for about 11 percent of the global population and 40 percent of the global GDP.[2]

[1] Kimberly Amadeo, President of World Money Watch and About.com U.S. Economy Expert
[2] Office of the United States Trade Representative

Although these statistics suggest that this deal is certainly to the benefit of everyone involved, a dangerous pattern of economic loss in the agriculture industry follows many free trade agreements.

Currently, the TPP is a very controversial topic, as politicians on both sides of the aisle debate whether its ratification would help or harm the American economy, and the agriculture industry. While free trade has the potential to expand economic opportunities, the TPP will lead to a loss of agricultural jobs in the United States due to the influx of cheaper commodities from foreign countries. The United States Department of Agriculture published a study that shows that countries within the TPP are responsible for 42 percent of the global agricultural exports and 47 percent of the global agricultural imports of the United States.[3] Proponents of this deal argue that free trade will raise prices for American producers and lower prices for American consumers; however, critics argue that this free trade deal will dramatically lower prices and result in sections of the agriculture industry being seriously harmed by cheaper commodities from other countries[4].

Many critics of the TPP point to the North American Free Trade Agreement, or NAFTA, as evidence of the potentially detrimental effects on the agriculture industry. Farm Aid, an agricultural advocacy organization, points out that this agreement completely destroyed the incomes of Mexican corn producers as cheaper American corn flooded the local markets. Meanwhile, NAFTA, coupled with the 1996 Farm Bill, saw American commodity prices go on a downward spiral that only ended when Congress authorized payments in order to preserve farm incomes. These payments

[3] U.S. Department of Agriculture Economic Research Service
[4] Farm Progress

were later made permanent, and are now called farm subsidies. Another example of how American agriculture suffered as a result of free trade, is a deal with South Korea. Since the ratification of this deal, beef exports to South Korea are down 5 percent, pork is down 4 percent, poultry is down 41 percent and grains are down 21 percent. Meanwhile, South Korean exports to the United States have increased 28 percent, which leads many to believe that while free trade may increase American exports, it will undoubtedly lead to an even bigger expansion in foreign agricultural imports which will lead to more and more American consumers choosing cheaper foreign agricultural products over American commodities[5].

Economist Kimberly Amadeo states that in Wisconsin alone, 24,300 jobs are supported by agricultural exports and many of those jobs could be lost as a result of the TPP[6]. Additionally, the top exports for Wisconsin commodities are soybeans and corn. According to the USDA, tariffs are already low for these markets; therefore, benefits to the Wisconsin agriculture industry would be limited[7]. Another potential problem of the TPP is that health and sanitary regulations in other nations within the TPP, particularly those in Brunei, Malaysia and Vietnam, are substantially more relaxed than the regulations in the United States. Currently, American Customs authorities are able to inspect and reject foreign commodities. However, the TPP would curb the authority of US law enforcement to reject foreign products, according to the Department of Homeland Security[8].

[5] FarmAid
[6] U.S. Department of Agriculture, Wisconsin TPP Study
[7] Farm Futures
[8] U.S. Department of Homeland Security NAFTA Report

Supporters of this deal argue that when other countries lower tariffs on American products, more American commodities will be able to reach those foreign markets and generate larger revenues for American farmers[9]. At a question and answer session with reporters at the Department of Agriculture, President Obama stated that, “Under this agreement, all those foreign taxes will fall. Most of them to zero”[10]. According to some estimates from the United States Department of Agriculture, American agricultural exports could increase by $130 billion, which would see the agriculture industry take a historic 9 percent of the total American exports[11].

The debate about the impact of the TPP on the American agriculture industry rages on, and there seems to be two major schools of thought: experience, which dictates that a free trade deal will have a negative effect on the industry; or current statistics, which suggest that the TPP will positively affect the agriculture industry. As NAFTA has shown before, free trade can result in lower commodity prices, and a loss of American jobs. Here in Wisconsin, the benefit would be minimal at best, and detrimental to the industry at worst. It is up to us to make sure our that voice is heard and ensure that the TPP is not ratified in its present form.

Aided by a host of economists, lawyers, professors, as well as business and industry professionals, the governments of all 12 nations that are considering ratification of the agreement are carefully weighing the pros and cons of the Trans-Pacific Partnership. Members of the agriculture industry must be educated on the economic

[9] Jacqui Fatka, Agriculture Reporter
[10] Pro Ag
[11] U.S. Department of Agriculture Foreign Trade Service (TPP)

repercussions of the TPP, and make sure that our leaders hear and address the concerns of the agriculture industry.

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