



Trans Pacific Partnership: A one-hit wonder?

- As in New Zealand, the TPP has seen growing US opposition over the past 10 months.
- Indeed mirroring the US presidential elections, a Washington-agricultural heartland split is emerging.
- While I expect Congress to pass the TPP, a new US President may take US trade policy in a new direction.
- As a consequence, for NZ over the coming years, these political developments have the potential to slow the progress of freeing up agricultural trade with the US and its neighbours.

The TPP negotiations started with good (economic) intentions

Traditional economists see trade as good – everyone benefits. It was with this traditional perspective that the Trans Pacific Partnership (TPP) was crafted. Over nine years in the making (good things take time), the TPP is a new, high-standard trade agreement that claims to level the playing field for domestic workers, farmers and businesses, and, according to US politicians, will result in more Made-In-America exports and higher-paying American jobs.

The TPP has been widely championed by a broad variety of farm and commodity organizations in both New Zealand and the United States. Supporters include the American Farm Bureau Federation, the Australian National Farmers' Federation, and Federated Farmers of New Zealand. US commodity group support comes from the National Milk Producers Federation, the North American Meat Institute, the American Soybean Association, US Wheat Growers Association and the National Corn Growers Association. The support from the Corn Growers is summarized in their statement: *"The National Corn Growers Association supports the Trans-Pacific Partnership because it would give America's farmers and ranchers greater access to some of the world's fastest-growing economies. This agreement is good for both corn farmers and our friends and partners in the livestock industry."*

And, in addition to all of the above agricultural organizations supporting TPP, we can add President Obama, who views the TPP as a particularly significant accomplishment of this term in office.

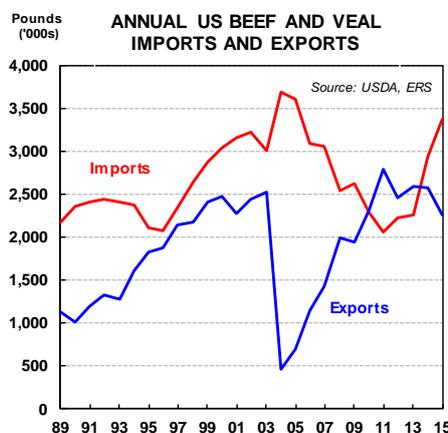
But the US free trade experience has been mixed at best

The figures attached do not reflect a totally positive US economic outcome from freer trade. Since the North American Free Trade Agreement between the US, Canada and Mexico was signed by President Bill Clinton in 1994, US beef exports to those countries have increased 35% while imports from those countries have increased 100%. Total US beef imports, from all countries, now exceed exports while the US has experienced a strong, and growing, trade deficit (see charts above). In agriculture, US corn and soybean exports have been flat since 1994 while losing market share to competitors (see charts on next page).

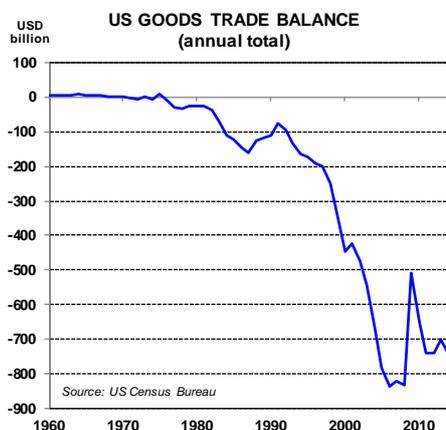
And the US public became suspicious during the lengthy and secretive TPP negotiations

During the long TPP negotiations, the text of the treaty was not available to the general public. For reasons only understandable to lobbyists and negotiators, they did not want people to know what was being negotiated. To reveal the contents to the general public would open up criticism and second-guessing from people, such as me, who have, in the lobbyists and government's eyes, no understanding of complicated international negotiations. So, we were expected to trust the negotiators and lobbyists to do good things.

ANNUAL US BEEF AND VEAL IMPORTS AND EXPORTS



US GOODS TRADE BALANCE (annual total)



The text of the treaty was finally released in November 2015. Early this year, all of the countries involved – The United States, Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam – signed the treaty, clearing the way for US domestic approval. TPP is not yet law in the US because it must be approved by Congress. Last summer, the US Congress voted on rules (referred to as Fast Track) related to enacting TPP. The Senate passed the rules 60 - 37; the House vote was closer – 219-211. The Congressional action was seen as a shadow vote on TPP and supporters were happy.

The US political environment has also since turned on a dime

However, the political environment has changed dramatically since then, with Presidential candidates forcing a broad range of politicians to take a public stand on TPP, with an increasing number of politicians voicing opposition to TPP.

The path forward for the Treaty is not clear. There will be a Congressional vote, eventually. Will the vote come before the Presidential elections in November? Will it come after the elections in a lame-duck Congress? Will it be left for the next President to sort out?

In what could be reflective of a similar shift in policy relationships, we are seeing the current leading Republican candidate, Donald Trump, not from the Washington political establishment nor even marginally supported by the national leaders of his own party. In response to voter concerns, we are seeing Congressional support for the Treaty moving away from positions pushed by the Washington establishment – lobbying groups, powerful agribusiness firms and national farm groups. Farmers, like voters, are making their own decisions about TPP. And those decisions may not track with the decisions established by the agricultural establishment.

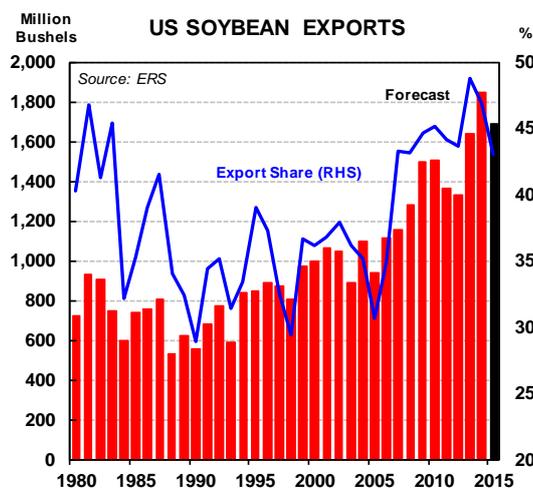
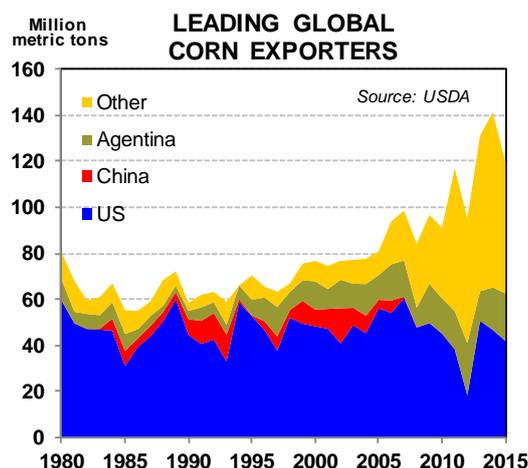
A Washington-US agricultural heartland split is emerging

A more fundamental question has arisen - Is there a split between farmers and their Washington leaders, just as there is a split between those who voters seem to prefer for President and those who the establishment in Washington want? I think that split exists. And what might that split mean for the next Farm Bill – just two years away? I think Farm Bill discussions will be different this time around because of this Washington-heartland divergence. And what might this divergence mean for agricultural policy? That is a topic for another time.

While Congress is likely to pass the TPP, a new US President may take US trade policy in a new direction

So I will end with my prediction of the fate of TPP. I think it will be voted on and passed in a lame duck session of Congress. Since all 435 members of the House of Representatives are up for election, along with 34 senators and a new President, the established agricultural lobbies will push for a vote before a new President and a new Congress are sworn in January 2017. But after the swearing in, there will be a whole new posse in town, led by a new sheriff, who will deal with trade issues potentially very differently than the old sheriff.

As a consequence, for NZ over coming years, these US political developments have the potential to slow the progress of freeing up agricultural trade with the US and its neighbours.



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