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LDP-M-226 SA2

Apr 16, 2013

Livestock, Dairy and Poultry Outlook: Special Article

Implications of the Trans-Pacific Partnership for Meat, Poultry, and Seafood Trade

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Approved by the
World Agricultural
Outlook Board

The Trans-Pacific Partnership (TPP) is a plurilateral free trade agreement presently being negotiated among 11 countries (TPP11): Australia, Brunei Darussalam, Canada, Chile, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam, and the United States. In 2011, beef, pork, poultry, lamb, and seafood trade with the TPP11 countries accounted for about 27 percent of total U.S. exports of these products and 53 percent of total U.S. imports (tables 1 and 2). While the TPP has implications for all sectors of the economy, potential outcomes for different agricultural sectors are likely to vary based on existing trade relationships and the unique issues commodities face. In general TPP may:

- Offer little reduction in tariff levels between countries already engaged in free trade agreements (FTAs) that reduced tariffs on animal products. The United States has bilateral or regional FTAs with six of the TPP11 countries: Australia, Canada, Chile, Mexico, Peru and Singapore;
- Create opportunities for expanded U.S. meat and poultry exports to fast-growing developing countries such as Vietnam and Malaysia with which the United States does not have FTAs; and
- Be used as leverage to address sanitary and phytosanitary (SPS) issues.

What is TPP?

The Office of the U.S. Trade Representative has outlined the objective of the TPP as enhancing trade and investment among the partner countries, promoting innovation, economic growth and development, and supporting the creation and retention of jobs (USTR, 2011). The agreement framework includes core issues such as tariff and other trade barriers, as well as boosting the competitiveness of TPP countries in the global economy. The TPP builds on work done in previous FTAs and is designed to improve regulatory coherence among TPP members, while at the same time maintaining the flexibility for unforeseen trade events or future expansion of participating countries (USTR, 2011).

Table 1. United States livestock, poultry, and fish export statistics, calendar year 2012

Partner Country	Beef	Pork	Lamb	Poultry meat	Fish
	-----Total (Million \$)-----				
World	5506.51	5,499.59	21.38	5,026.08	5,019.16
TPP11	2064.67	1,615.32	10.89	1,530.00	1,082.70
<i>% US Exports</i>	37%	29%	37%	30%	22%
Australia	4.12	181.96	0.16	1.18	21.53
Canada	1099.86	512.06	3.44	409.51	964.36
Chile	49.45	1.07	0.04	36.23	3.07
Malaysia	0.02	0.00	0	9.19	8.97
Mexico	875.42	897.29	6.84	951.47	22.64
New Zealand	1.85	0.00	0.03	0.12	3.39
Peru	27.08	0.05	0	9.65	8.91
Singapore	0.14	21.99	0.31	52.55	21.78
Vietnam	6.71	0.90	0.07	60.10	28.06

Source of Data: U.S. Department of Commerce, Bureau of Census.

Table 2. United States livestock, poultry, and fish import statistics, calendar year 2012

Partner Country	Beef	Pork	Lamb	Poultry meat	Fish
	-----Total (Million \$)-----				
World	3552.18	1023.97	624.49	199.63	12,643.42
TPP11	3224.92	820.69	622.05	198.24	4,926.49
<i>% U.S. Imports</i>	91%	80%	100%	99%	39%
Australia	1100.22	0	414.37	0.00	21.39
Canada	868.13	788.99	0.07	136.21	2,148.26
Chile	0.48	9.70	0.48	61.91	988.4
Malaysia	0.00	0	0.00	0.00	179.22
Mexico	516.11	22.00	0.60	0.13	422.19
New Zealand	739.99	0	206.54	0.00	104.37
Peru	0.00	0	0.00	0.00	177.58
Singapore	0.00	0	0.00	0.00	35.71
Vietnam	0.00	0	0.00	0.00	849.37

Source of Data: U.S. Department of Commerce, Bureau of Census.

Prior Tariff Reduction Measures

In the last 15 years, reductions in tariff rates among TPP11 countries have been achieved through World Trade Organization (WTO) membership. Consequently, the TPP's impact on export expansion through tariff reduction may vary by country and particularly by product. Based on the 2007 WTO most-favored nations (MFN) tariff structure,¹ the tariff rates for meat and livestock products for most of the TPP11 countries are relatively low; all but Mexico and Vietnam already have average MFN applied tariffs of less than 10 percent (table 3) for meat.

In addition, further tariff reductions have been achieved for U.S. meat and poultry through bilateral and regional trade agreements implemented since 1994. Through such agreements, tariffs have already been phased out, or are in the process of being phased out, for most U.S. exports of meat, poultry meat, edible offal, and some seafood to six TPP11 partner countries: Australia, Canada, Chile, Mexico, Peru and Singapore (fig. 1). For example, as a result of the North American Free Trade Agreement, the tariff rate on meat, poultry meat, and edible offal between the United States and Mexico is zero, as opposed to Mexico's MFN rate of 56 percent. Gains in tariff reduction may still be possible with TPP11 countries with which the U.S. does not have an active FTA, namely, Brunei, Malaysia, New Zealand, and Vietnam.

Opportunities in Growing Markets

The United States currently does not have an FTA in place with either Vietnam or Malaysia, both of which are markets with growing populations of affluent meat consumers. Vietnam is a large consumer of pork, with nearly 2 million metric tons consumed in 2012, more than doubling since 2000. Broiler meat consumption was almost 0.8 million tons in 2012, less than 10 percent of which was imported (FAS/PSD). A trade agreement that phased out tariffs could offer an expansion opportunity for U.S. meat and poultry exports, given Vietnam's current MFN tariff rate of 20 percent for fresh, chilled, or frozen pork, 21 percent for fresh and chilled beef, and 30 percent for fresh, chilled, and frozen poultry and edible offal of poultry.

Malaysia has a current MFN tariff rate of 50 percent for fresh, chilled, or frozen swine carcasses and half carcasses and 40 percent for fresh, chilled, or frozen poultry meat and edible offal of poultry². Compared with pork and beef, Malaysian consumers demand greater quantities of poultry meat, consumption of which has increased by nearly 50 percent in the last two decades. In 2012, Malaysians consumed nearly 1.0 million tons of broiler meat (FAS/PSD). However, there are other barriers to expanding exports to Malaysia, discussed in the following section.

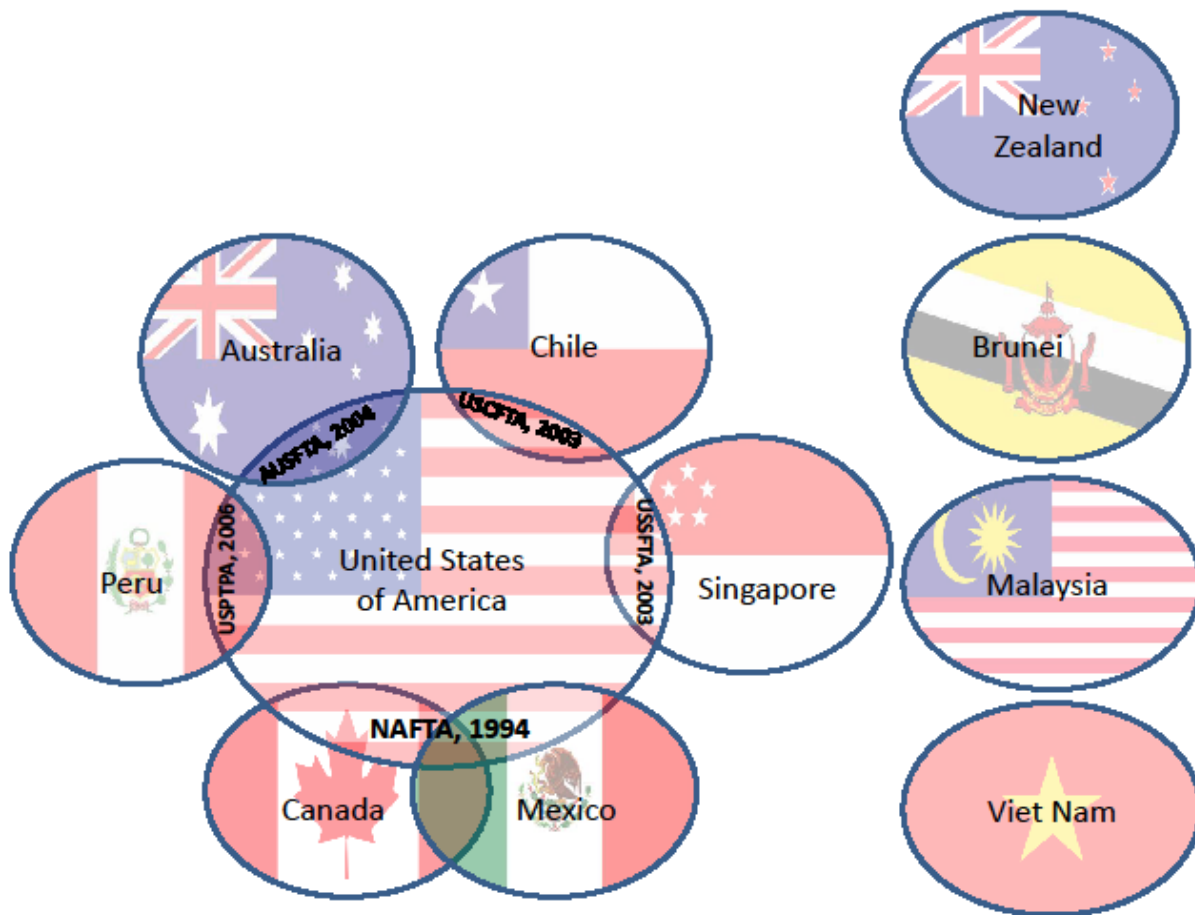
The Potential Role of TPP and Non-Tariff Barriers to Trade

The constraints remaining to U.S. livestock, meat, poultry, and seafood trade are primarily sanitary and phytosanitary (SPS) measures and technical barriers to trade (TBTs). TBTs related to production practices, such as traceability or animal welfare concerns, or to slaughter practices may also be discussed in negotiations. Differences in production practices among countries and specialized demand by consumer segments in the importing country may also have consequences on the potential to expand trade volume. As one example, Malaysia has the potential to expand beef and poultry meat imports from the United States but requires halal certification, which limits shipments to product from approved halal plants.

¹ Simple mean most favored nation tariff rate is the unweighted average of most-favored-nation rates for all products subject to tariffs, calculated for all traded goods (WorldBank, <http://data.worldbank.org/indicator/>).

² HS codes 020711, 020712, 020713 and 020714 only.

Figure 1. Existing FTAs between TPP countries or potential TPP entrants and the United States³



³ Most recent FTA only, though prior FTAs may have occurred.

Conclusions

The TPP provides an opportunity to strengthen already-established trade relationships and expand trade. The impact of the TPP on the U.S. meat, poultry, and seafood exports through tariff reductions may be more promising with some countries, such as Vietnam and Malaysia, than with others because the United States already has bilateral or regional trade agreements with most of the TPP economies. Harmonization through the TPP of the standards underlying SPS and TBT-related actions could be a benefit for U.S. trade expansion, both directly through the agreement and indirectly through strengthened trade relationships with partner countries where meat, poultry, and seafood demand is growing.

Sources:

United States Trade Representative (USTR). 2011. "Enhancing trade and investment, supporting jobs, economic growth, and development: Outlines of the Trans-Pacific Partnership Agreement." Available at: <http://www.ustr.gov/about-us/press-office/fact-sheets/2011/november/outlines-trans-pacific-partnership-agreement>.

Database. Accessed 04/04/2013. <http://www.fas.usda.gov/psdonline>.

Table 3. TPP country-applied MFN tariff structure for meat, poultry meat and edible offal, and seafood

Country	Applied Average			Duty nature ¹	Duty type ²
	Meat, poultry and edible offal (02) ³	Seafood (03) ³	Specific duty		
Australia	0.00%	0.00%	-	A	NQ
Brunei	0.00%	0.00%	-	A	NQ
Darussalam	0.00%	0.00%	-	A	NQ
Canada	2.50%	0.40%	-	A	NQ
Chile	6.00%	6.00%	-	A	NQ
Malaysia	4.50%	0.80%	-	A	NQ
Mexico	56.00%	16.40%	-	A	NQ
New Zealand	2.00%	0.10%	-	A	NQ
Peru	6.10%	0.40%	-	A	NQ
Singapore	0.00%	0.00%	-	A	NQ
U.S.	4.20%	0.60%	4.4 CENTS/KG	A	NQ
Vietnam ⁴	17.70%	14.90%	-	A	NQ

Under free trade agreements with the U.S. all meat, poultry meat and seafood tariff barriers with Canada^[1], Mexico³, Australia^[2], and Singapore^[3] have already been phased out as well as beef and pork tariffs with Chile^[4] and key beef and pork cuts to Peru^[5]. Tariffs for poultry meat to Chile, and or beef and pork to Peru are in the final years of phase out.

[1] <http://www.fas.usda.gov/info/factsheets/NAFTA.asp>

[2] <http://www.fas.usda.gov/info/factsheets/australia.asp>

[3] http://www.ustr.gov/w eb_fm_send/2656

[4] <http://www.fas.usda.gov/info/factsheets/ChileFTA/chilefta06.asp>

[5] http://www.fas.usda.gov/info/factsheets/peru.asp#Tariff_Elimination

1/ A signifies Ad-Valorem Duties.

2/ NQ signifies non quota rate.

3/ Based on the HS 2007 Base Nomenclature, 2011 rates with exception of Vietnam.

4/ 2010 rates, as 2011 rates were unavailable for Vietnam.

Source: WTO, online tariff analysis, Figure 1.