Symposium:
Integrating agricultural markets – Impact of border measures

Janine Pelikan
Thünen Institute of Market Analysis

WTO, Geneva
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Import tariffs: Applied import weighted, all products

Source: Justin Weidner and Torsten Slok, DB Global Research, 2019
Outline

• Why are tariffs **not** beautiful?
  • the cases of soybeans
  • .... and beef
  • new risks

• How much market access do the EU trade agreements generate?
  • Tariffs and tariff rate quotas
  • Preference utilization
### Timeline of U.S.-China tariff actions

<table>
<thead>
<tr>
<th>Date</th>
<th>Import tariff</th>
<th>Stated imports impacted</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 2018</td>
<td>25%</td>
<td>$34 billion</td>
</tr>
<tr>
<td>August 2018</td>
<td>25%</td>
<td>$16 billion</td>
</tr>
</tbody>
</table>

**25% import tariff on U.S. soybeans**
The case of soybeans

“... the European Union can import more soybeans from the U.S. and it will be done.”

(Jean-Claude Juncker, 25 July 2018)

But: The EU already has zero tariffs on soybeans.
## Estimated soybean price

<table>
<thead>
<tr>
<th>Origin</th>
<th>MY 2017/18 €/tonne</th>
<th>MY/MY</th>
<th>MY 2018/19 €/tonne</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>333</td>
<td>-3.4%</td>
<td>322</td>
</tr>
<tr>
<td>Brazil</td>
<td>333</td>
<td>+3.6%</td>
<td>345</td>
</tr>
<tr>
<td>Ukraine</td>
<td>353</td>
<td>+3.1%</td>
<td>364</td>
</tr>
<tr>
<td>Canada</td>
<td>336</td>
<td>+10.6%</td>
<td>372</td>
</tr>
<tr>
<td>Paraguay</td>
<td>334</td>
<td>+4.6%</td>
<td>349</td>
</tr>
<tr>
<td>Others</td>
<td>444</td>
<td>+14.1%</td>
<td>507</td>
</tr>
</tbody>
</table>

Source: EU-Commission, 2019
1. Market Effect

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2. Policy Effect

EU Commission approved U.S. soybean that meet the technical requirements for producing biofuels in the EU (29 January 2019)
EU imports of soybeans: First 42 weeks of the marketing year (July to June)

Source: EU-Commission, 2019

- **2017/18**
  - USA: 36%
  - Brazil: 34%
  - Canada: 12%
  - Ukraine: 7%
  - Paraguay: 9%
  - Others: 9%
  - Total: 10,459,909 tonnes

- **2018/19**
  - USA: 72%
  - Brazil: 21%
  - Canada: 2%
  - Ukraine: 2%
  - Paraguay: 2%
  - Others: 7%
  - Total: 11,386,789 tonnes
## Timeline of U.S.-China tariff actions

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<tr>
<td><strong>September 2018, June 2019</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S.</td>
<td>10% then 25%</td>
<td>$200 billion</td>
</tr>
<tr>
<td>China</td>
<td>5%, 10% then 10%, 20%, 25%</td>
<td>$60 billion</td>
</tr>
<tr>
<td><strong>Mai 2019 (action pending)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S.</td>
<td>25%</td>
<td>$300 billion</td>
</tr>
</tbody>
</table>
Import tariffs between China and the USA for selected agricultural products

Source: Own calculation, reference group weights, MacMAPs, 2019

OldApplRate  NewApplRate

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The case of beef

2009

Memorandum of Understanding (WTO):
EU opens a quota of 45,000t non-hormone treated beef to qualifying suppliers, which included the U.S.

June 2019

35,000t of this quota will be allocated to the U.S.; 10,000t left available for all other exporters.
“With this step, the EU reaffirms its commitment to bring about a new phase in the relationship with the U.S. in line with the agreement reached between Presidents Juncker and Trump in July 2018”

(Phil Hogan, 14 June 2019)
New risks

• Bilateral arrangements
  • Power of influential states increases

• Environmental risks
  • Deforestation

• Risk of corruption

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New risks

• Confidence in world agricultural markets decreases
  • Importers will try to hedge against such risks
  • China’s direct investment in agriculture and the food industry increased tenfold between 2009 and 2016 (USDA, 2018)
  • Investment in African and Asian farmland → new wave of land acquisition (Smaller, Laborde, 2018).
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• How much market access do the EU trade agreements generate?
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EU trade agreements:
Phasing in of tariff reductions

- Peru
- Colombia
- South Korea
- Canada
- Japan
- Palestine
- Algeria
- Egypt
- Morocco
- Serbia
- Moldova
- Georgia
- Ukraine
- ESA
- Cameroon
- Central America
- Cariforum

Industries
Agriculture
Industries and Agriculture

2011 2016 2021 2026 2031 2036

Free trade agreements
Euro-Mediterranean Association Agreement
Stabilisation and Association Agreement
Other trade agreements
Research question

- Trade agreements are phased in over rather long implementation periods
- Countries are engaged in a web of trade agreements with overlapping implementation periods
- During the implementation period:
  - Tariffs are reduced
  - Tariff rate quotas are expanded

To what extent do existing trade agreements influence the outcome of new trade agreements?
Agricultural tariff protection of the EU

Source: Pelikan, Döbeling, Freund (2018)
Agricultural tariff protection of EU-partners

Source: Pelikan, Döbeling, Freund (2018)
EU: Changes in agricultural production volume (2017-2027)

Source: Own calculation with MAGNET, 2018
Tariff rate quotas of the EU in regional trade agreements

Source: Own illustration, TARIC, 2019
Trade-weighted tariffs on animal products: Japan with the EU

Sources: JEFTA Agreement, 2017, own calculations, MAcMAps tariff data 2011 (ITC); for presentation: weighted with reference groups.
Conclusion

• Trade tensions $\rightarrow$ new risks

• Trade agreements of the EU become increasingly complex
  • The overall effect of tariff reductions in trade agreements decreases with the number of additional agreements
  • Human rights, intellectual property, environment, consumer protection, food safety etc. become more important

• Future challenges in terms of market access
  • Importance of tariff rate quotas increases
  • Preference utilization is low for some products
  • Public perception and fake news