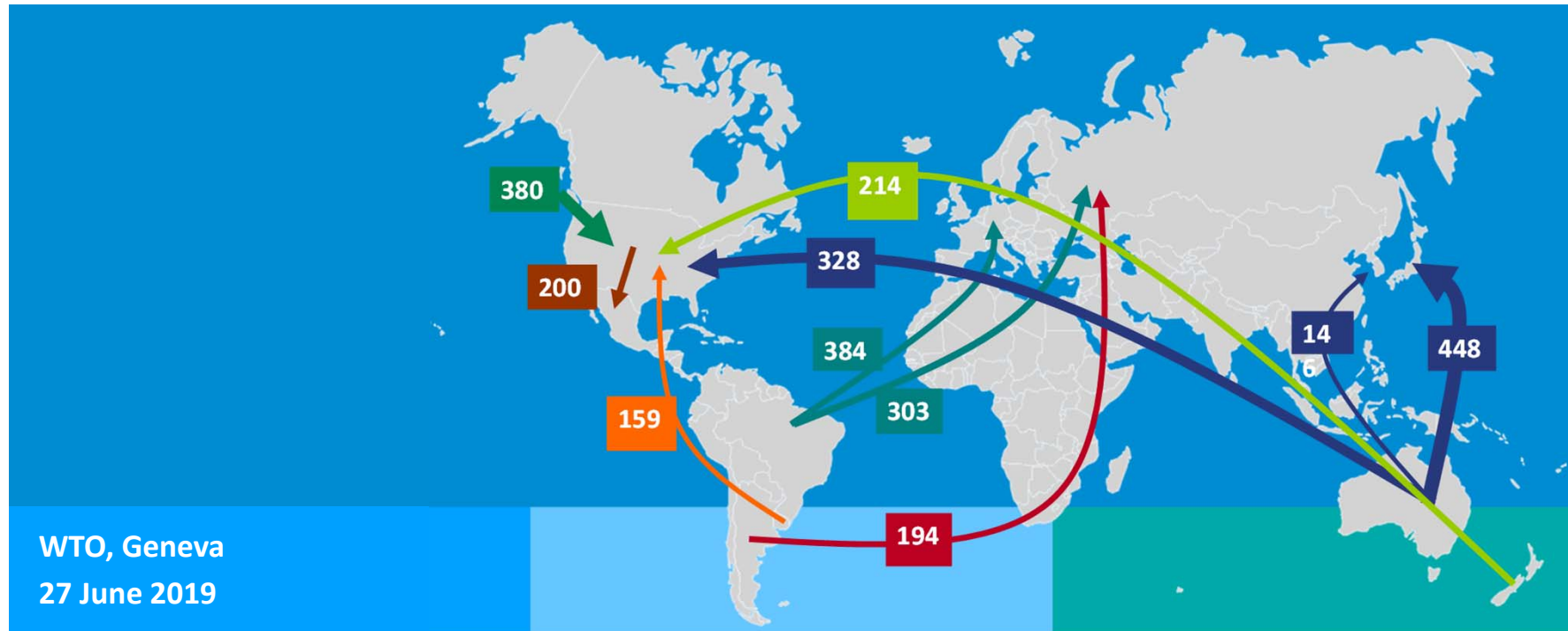


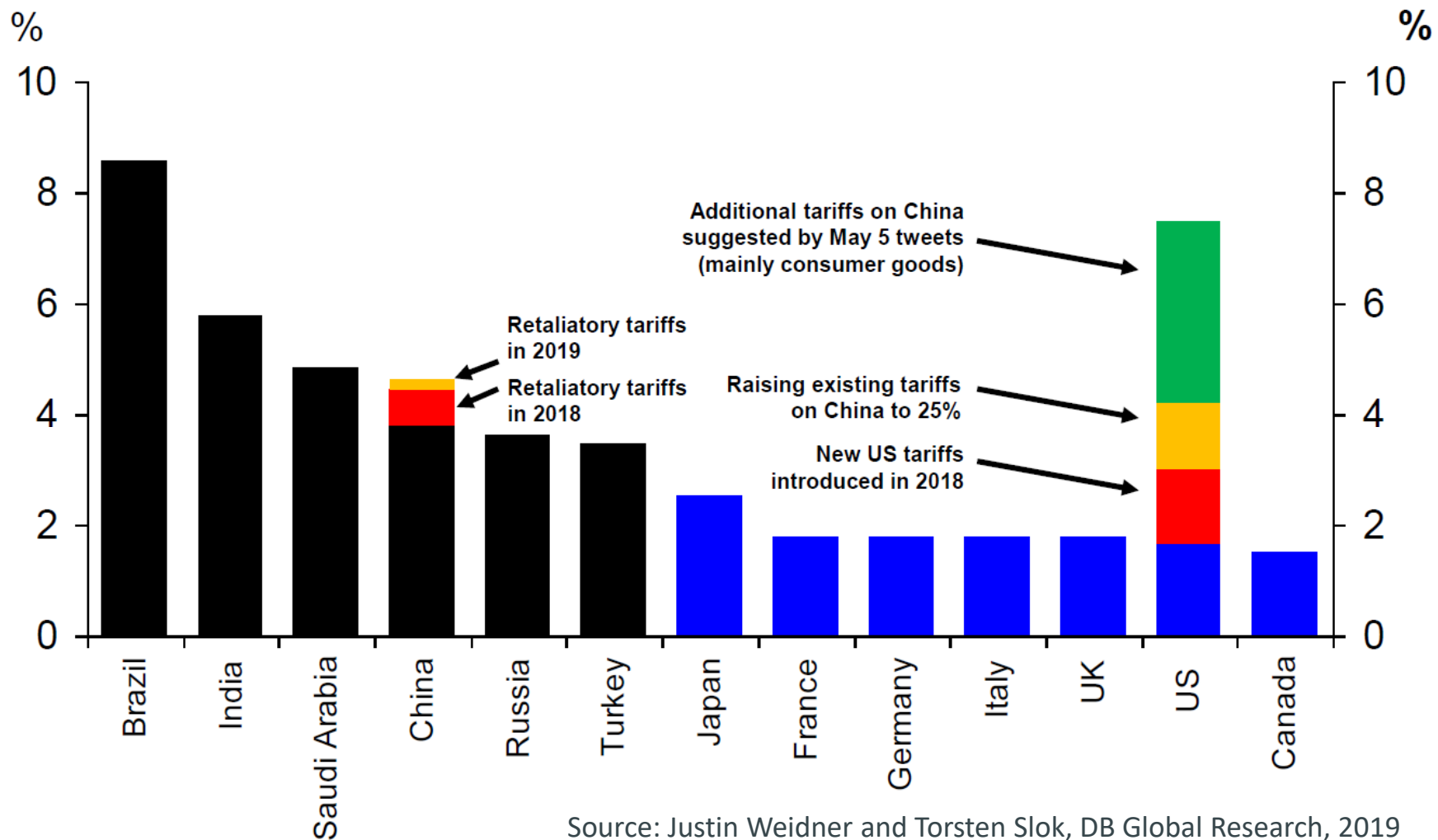
Symposium: Integrating agricultural markets – Impact of border measures

Janine Pelikan

Thünen Institute of Market Analysis



Import tariffs: Applied import weighted, all products



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



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Timeline of U.S.-China tariff actions

	Import tariff	Stated imports impacted
June 2018		
U.S. & China	25%	\$34 billion
August 2018		
U.S. & China	25%	\$16 billion



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)



© European Union, 2004-2019

But: The EU already has zero tariffs on soybeans.

Estimated soybean price

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

Source: EU-Commission, 2019

The case of soybeans

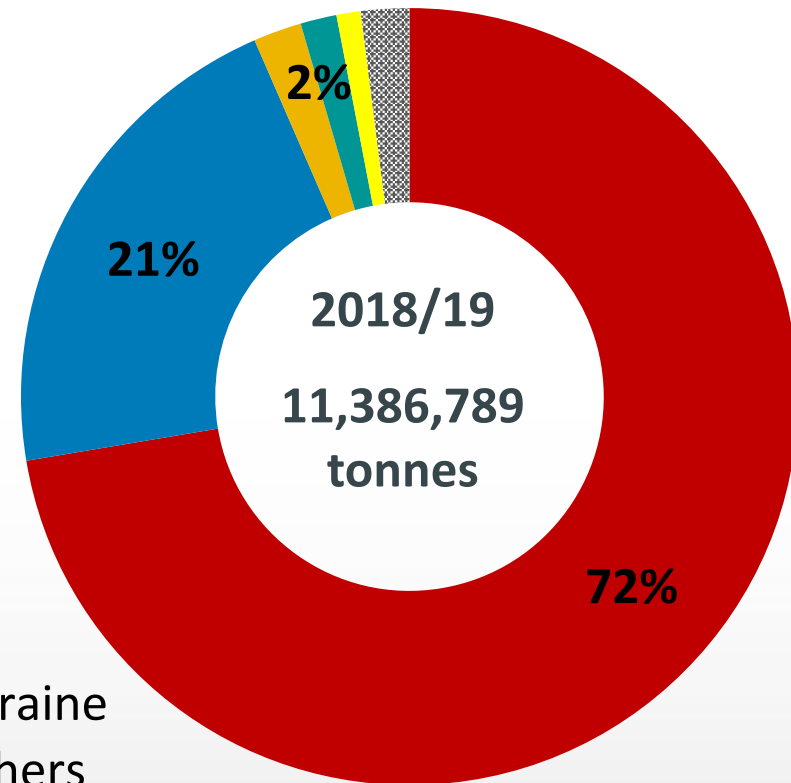
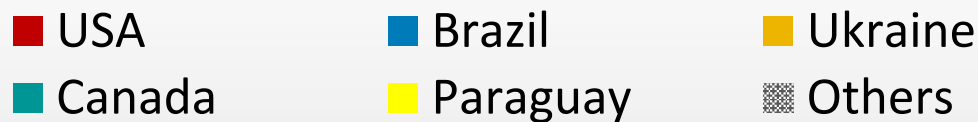
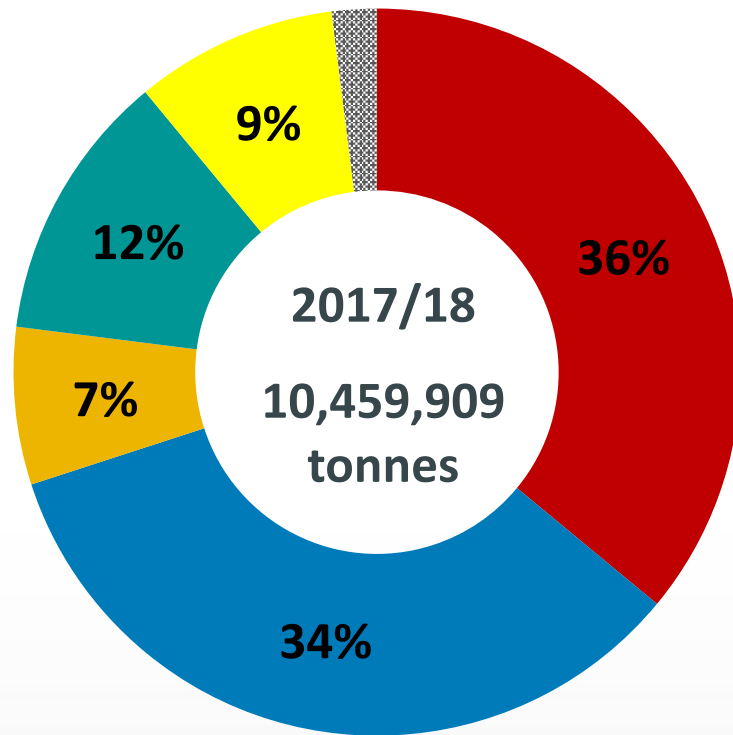
1. Market Effect

Origin	MY 2017/18 €/tonne	MY/MY	MY 2018/19 €/tonne
USA	333	-3.4%	322

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)

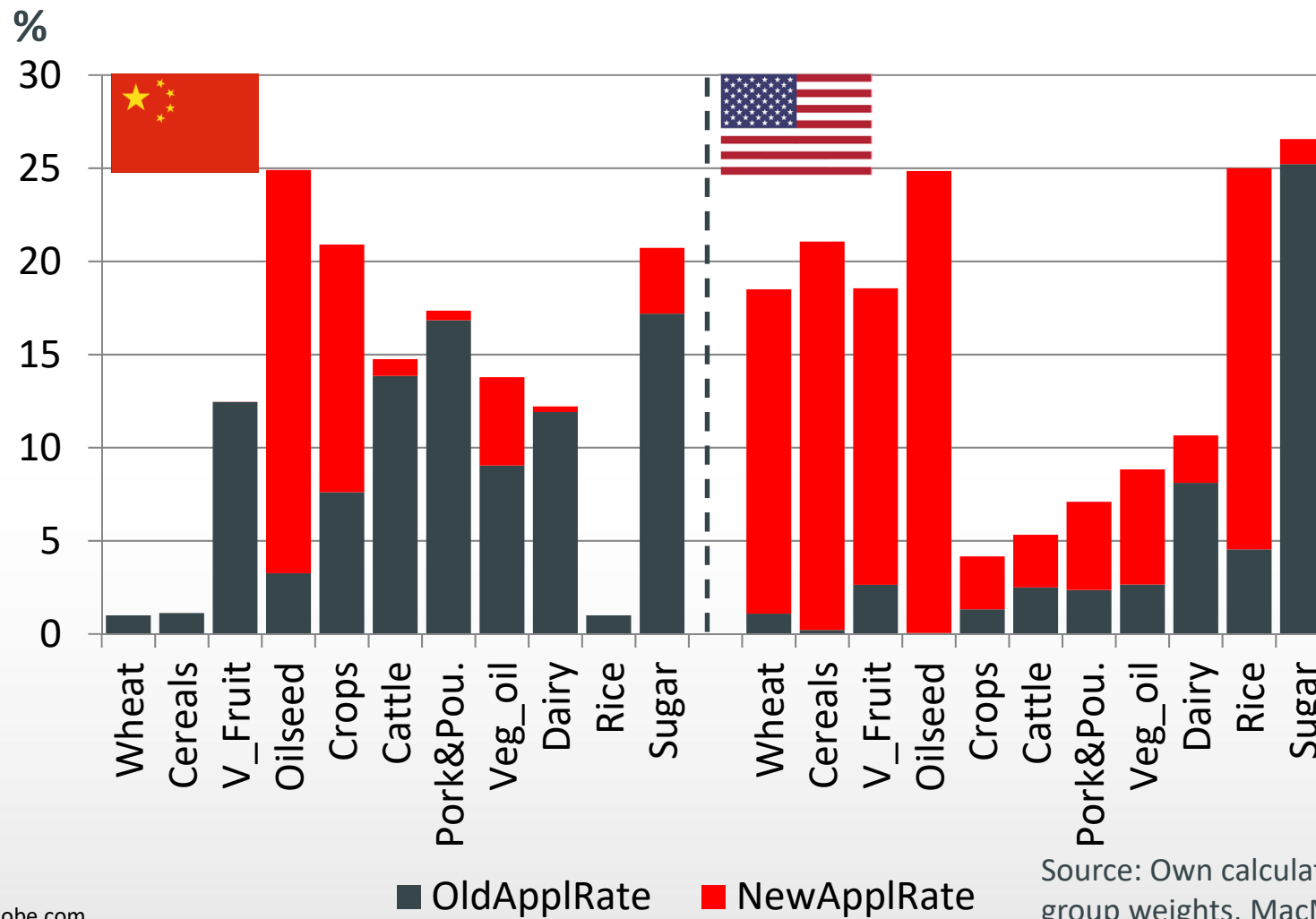


Source: EU-Commission, 2019

Timeline of U.S.-China tariff actions

	Import tariff	Stated imports impacted
September 2018, June 2019		
U.S.	10% then 25%	\$200 billion
September 2018, June 2019		
China	5%, 10% then 10%, 20%, 25%	\$60 billion
Mai 2019 (action pending)		
U.S.	25%	\$300 billion

Import tariffs between China and the USA for selected agricultural products



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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.

The case of beef

“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)



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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).

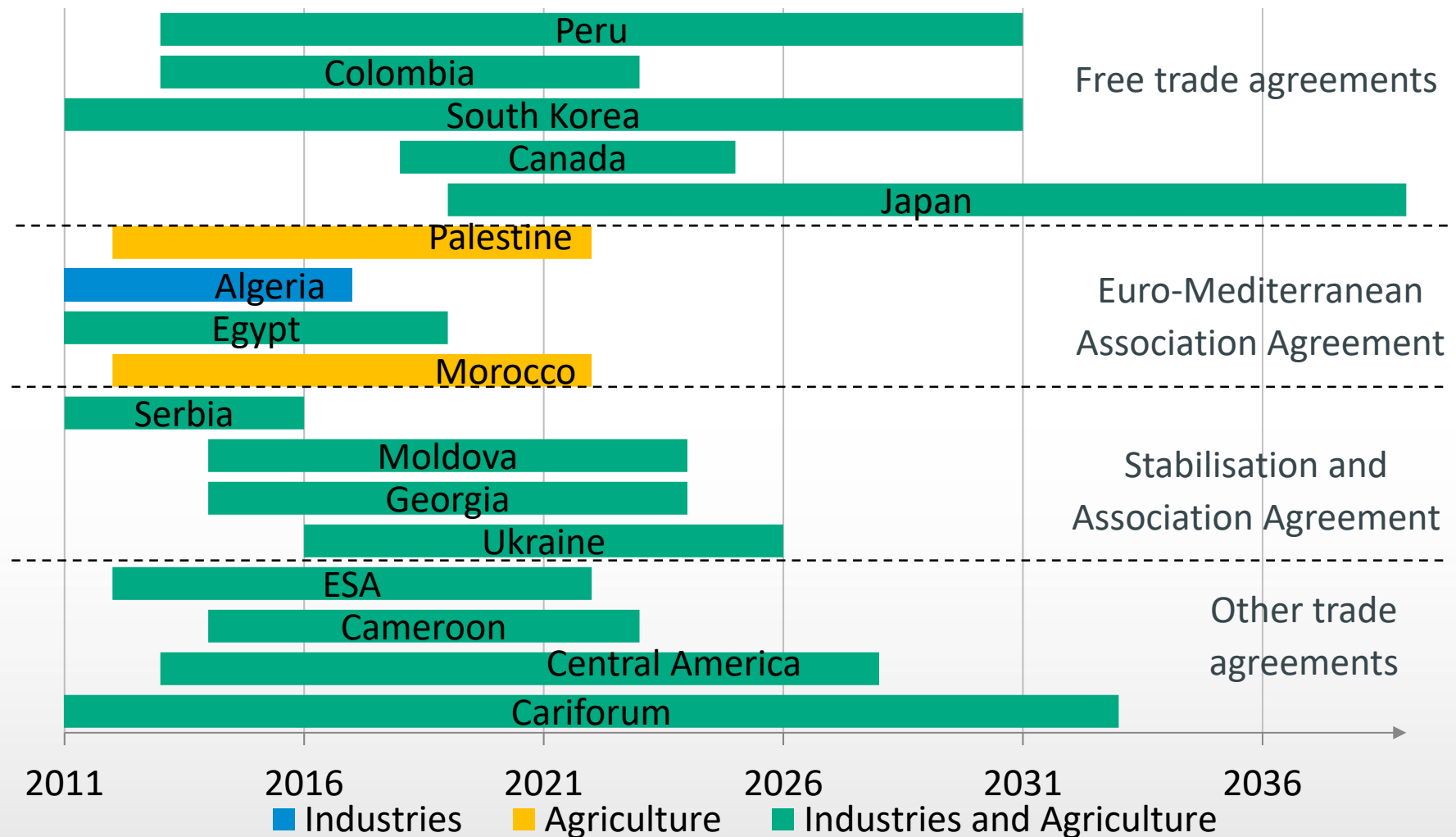
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EU trade agreements: Phasing in of tariff reductions

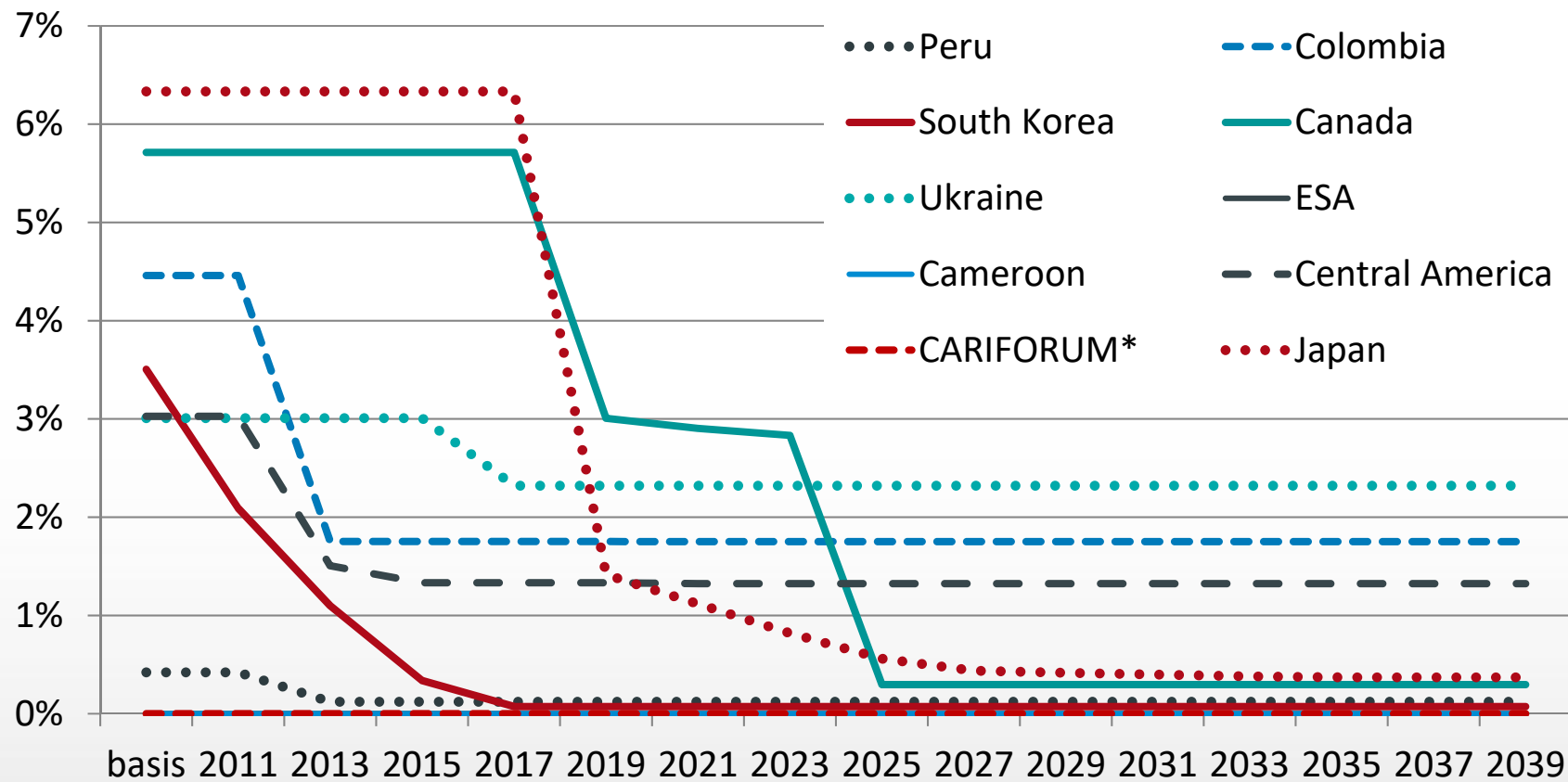


Research question

- 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

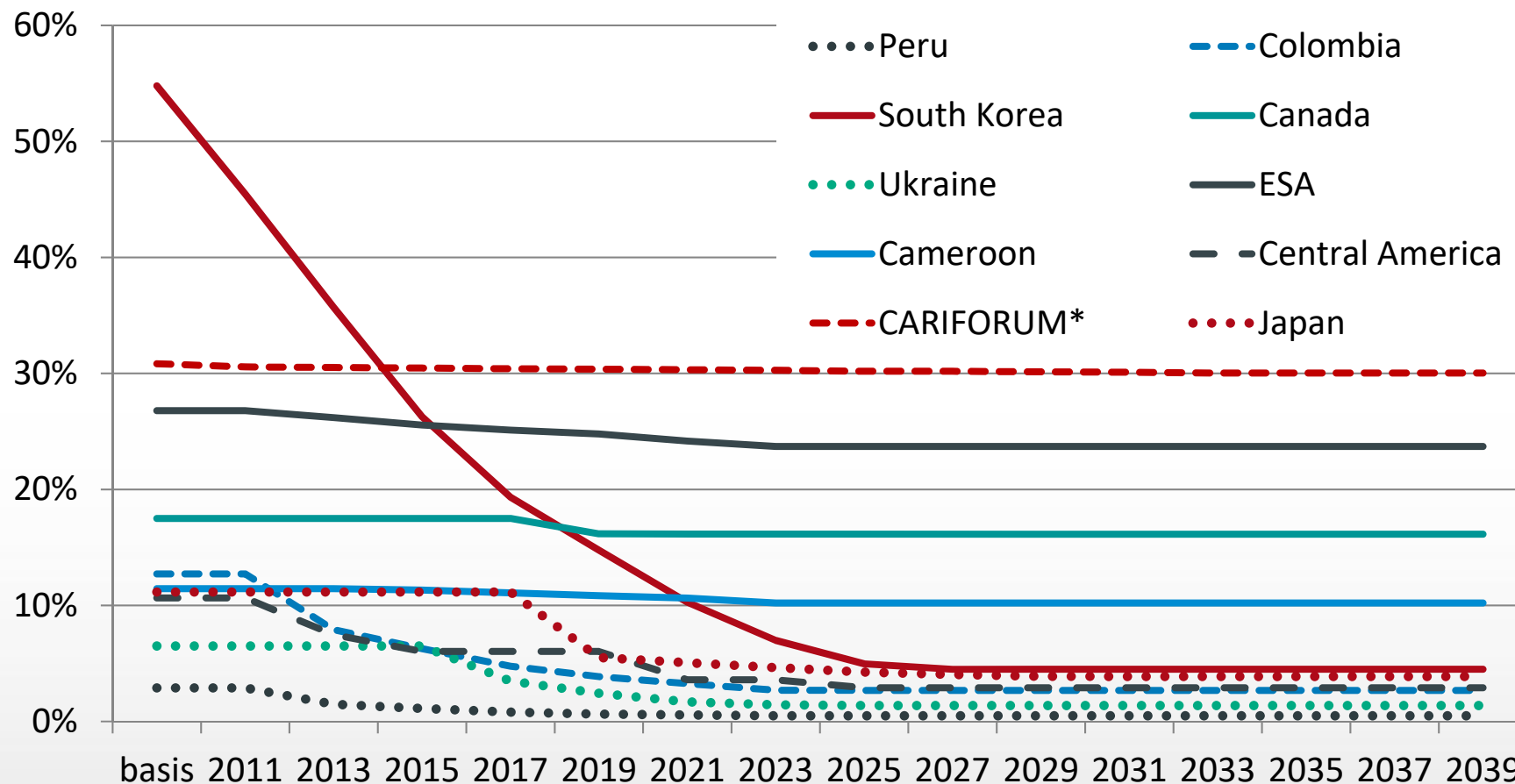
To what extent do existing trade agreements influence the outcome of new trade agreements?

Agricultural tariff protection of the EU



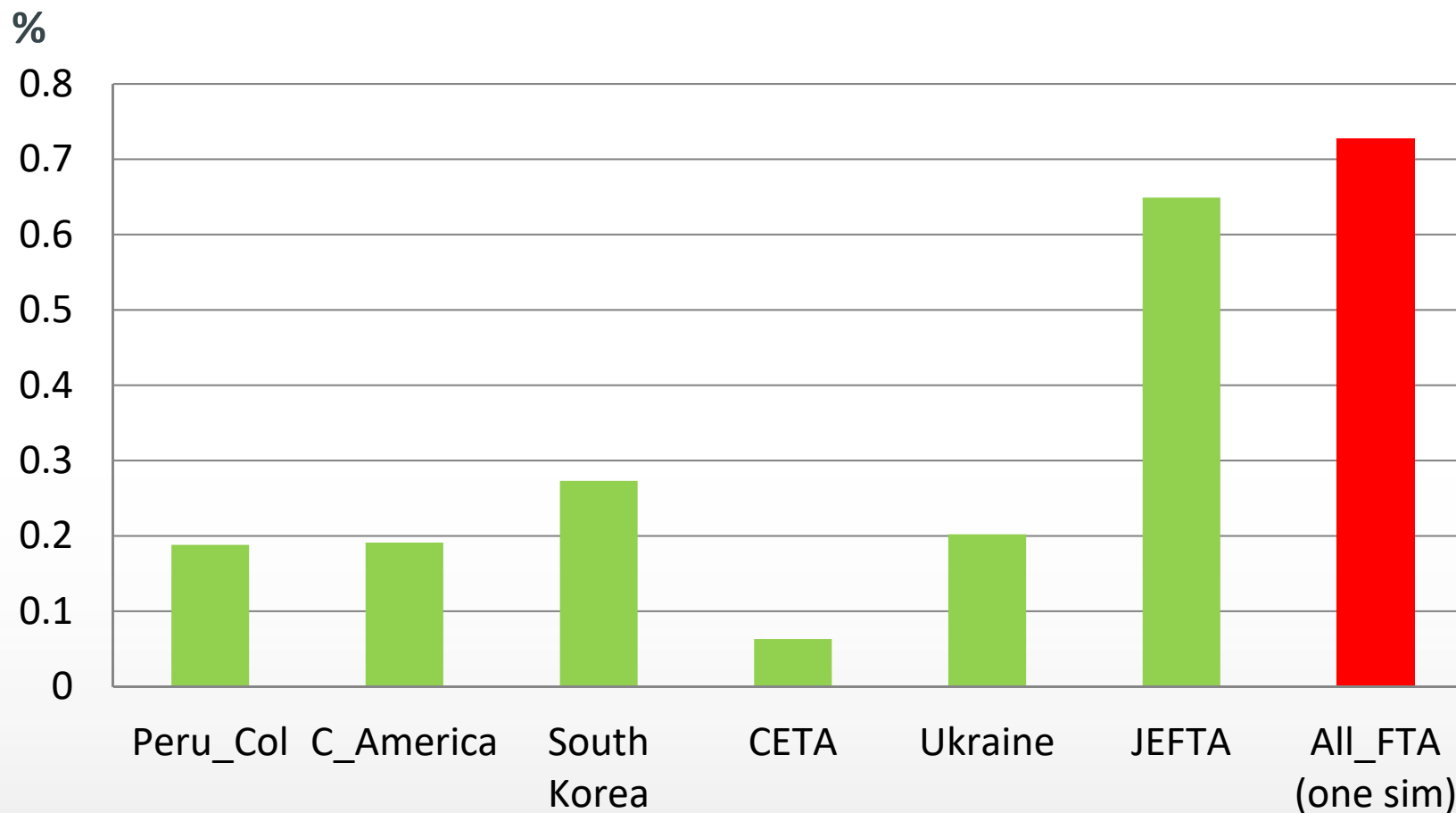
Source: Pelikan, Döbeling, Freund (2018)

Agricultural tariff protection of EU-partners



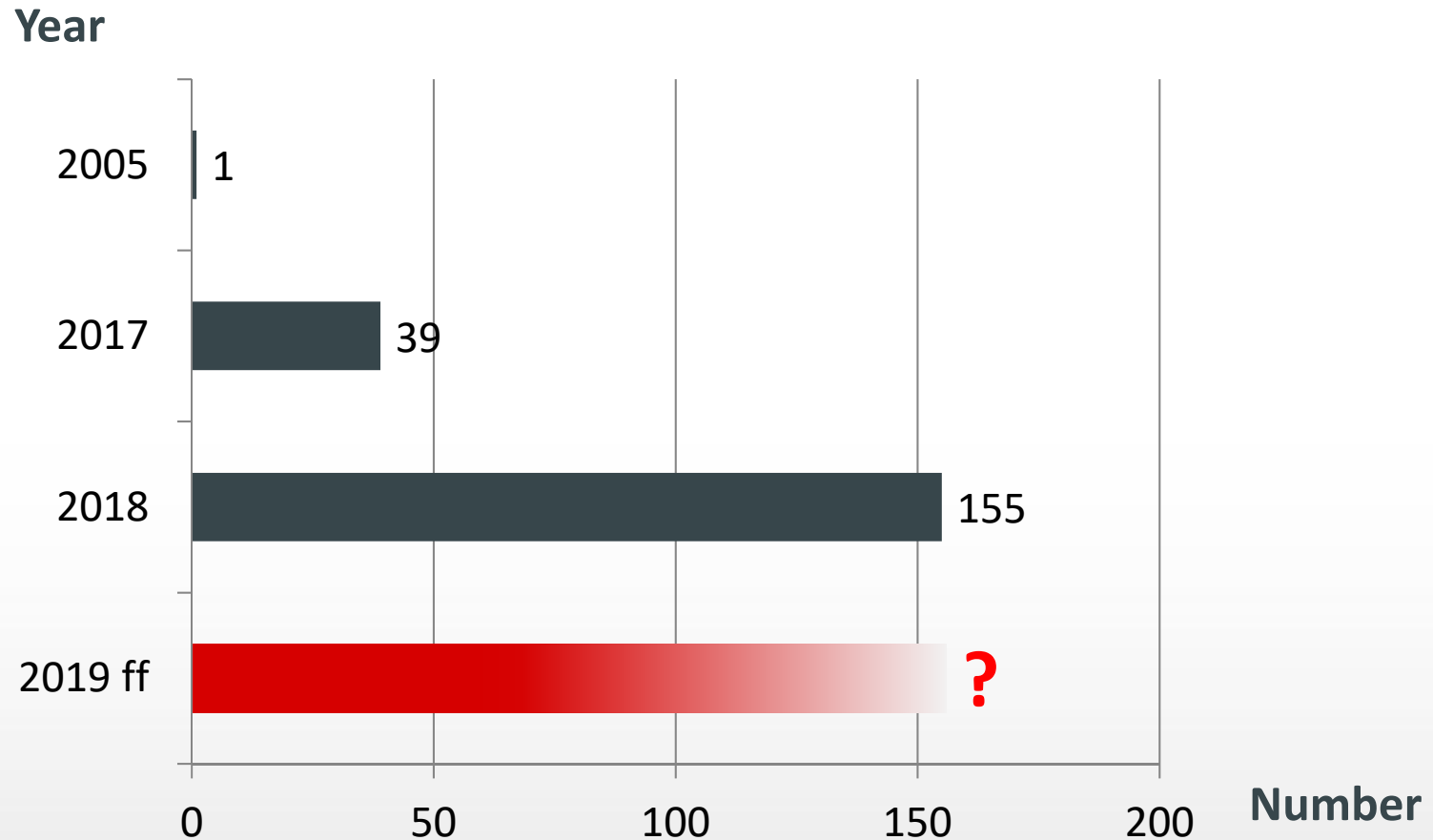
Source: Pelikan, Döbeling, Freund (2018)

EU: Changes in agricultural production volume (2017-2027)



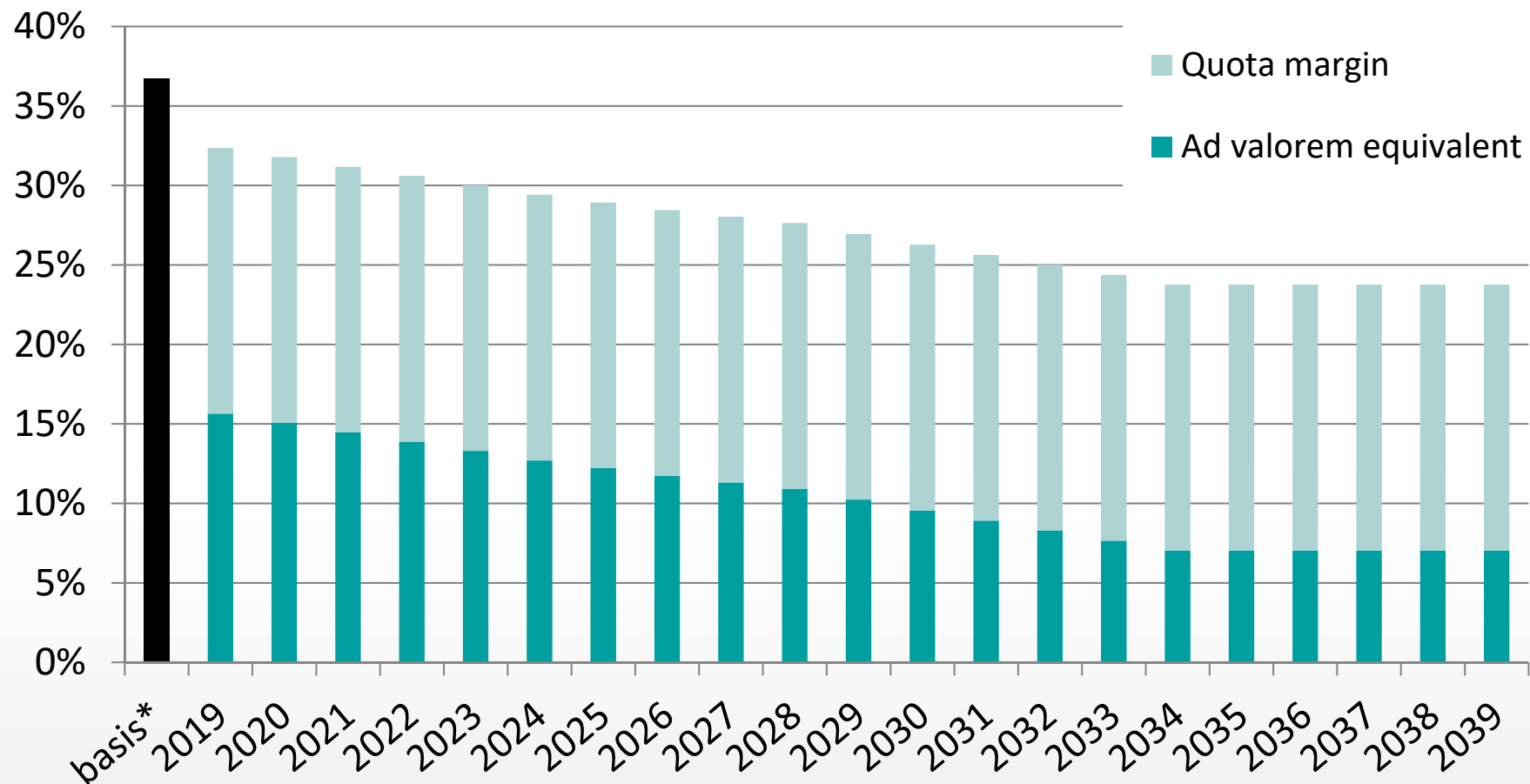
Source: Own calculation with MAGNET, 2018

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 → 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