Study on the cumulative economic impact of future trade agreements on EU agriculture

Presentation of the results

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European Commission
DG Agriculture and Rural Development

Why a study on the cumulative impacts of FTAs?

- European Commissions regularly runs impact assessment for individual Free Trade negotiations
- A study about the joint effect of different trade negotiations simultaneously – at least for the agricultural sector – has never been carried out.
- Following requests from MS and stakeholders, Commissioner Hogan at Council meeting of 15/2/16 announced study to analyse the economic cumulative effects of trade negotiations on the EU agricultural sector.
- Study to explore trade-offs between new export opportunities and more imports increasing competition on domestic agri-food markets.

Agriculture and Rural Development

What is the study about?

- Analysis of economic effects on EU agriculture of most significant future trade agreements:
  - recently concluded (Canada, Vietnam)
  - under negotiation
    (USA, Japan, Mercosur, Thailand, Philippines, Indonesia)
  - likely to be launched (Australia, New Zealand)
  - to be modernised (Mexico, Turkey)

- Provides the difference between prospects for 2025 with cumulative free trade agreements (scenarios) and prospects without agreements (baseline: AGRI market outlook December 2015)

Trade scenarios

Canada and Vietnam: agreement as concluded

All other agreements: two theoretical scenarios

1. **ambitious** scenario: full tariff liberalisation for 98.5% of 6-digit tariff lines and 50% tariff cut for other (sensitive) lines;
2. **conservative** scenario: full tariff liberalisation of 97% of 6-digit tariff lines and 25% tariff cut for other (sensitive) lines;

➔ avoid speculation on TRQ volumes

➔ assumptions applied identically for all trade agreements and symmetrically for both the EU and the trade partners

Methodology and process

- agreement on models and scenarios
- selection of sensitive tariff lines
- sensitivity analysis TPP

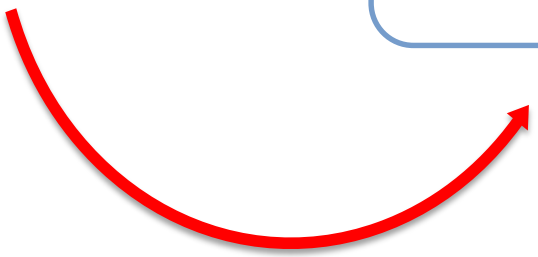
Methodology

General equilibrium model(CGE)

- baseline Outlook 2015
- ➔ changes in EU bilateral agri-food trade flows

OECD/FAO Aglink Cosimo model (partial equilibrium)

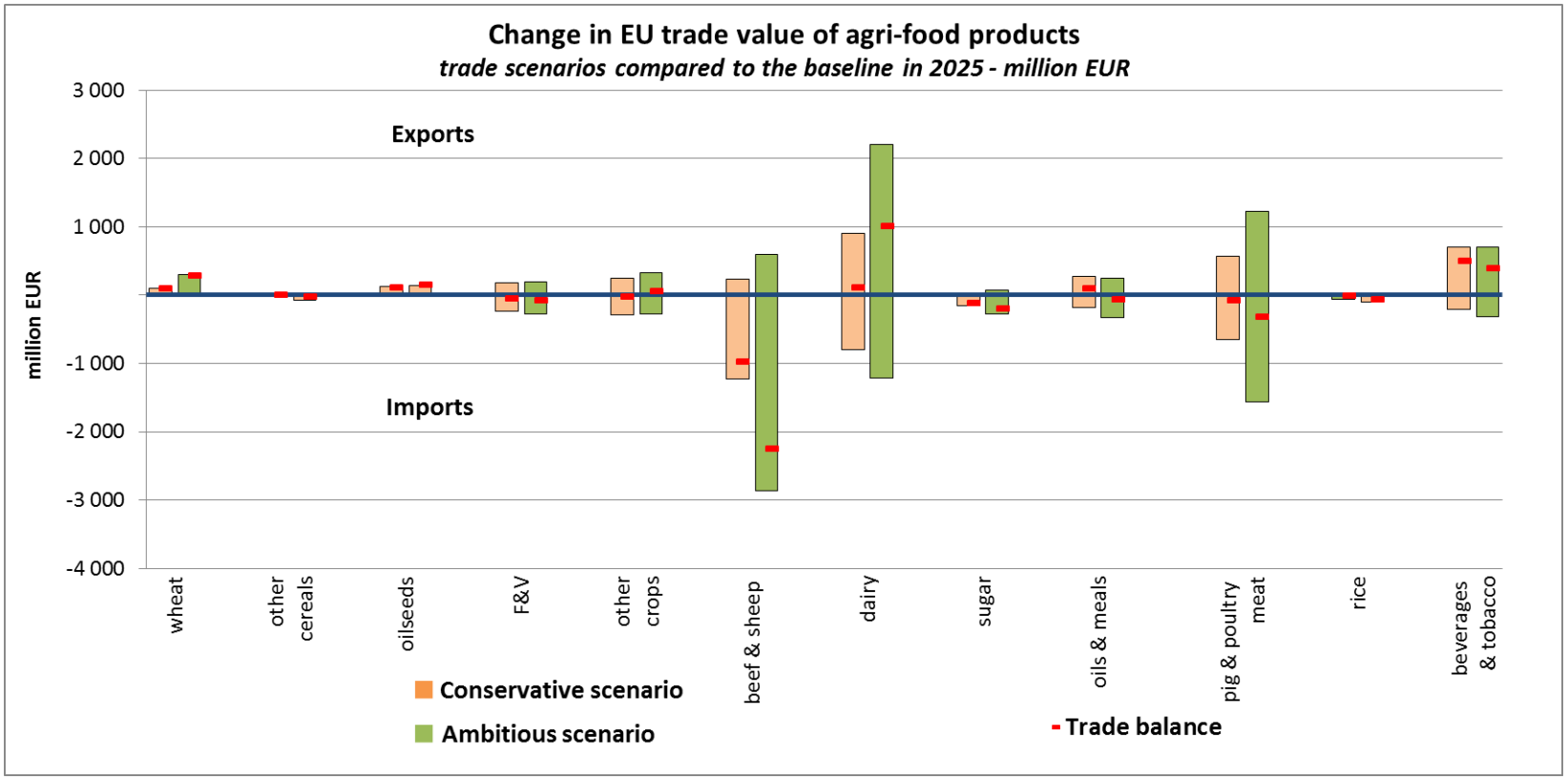
- ➔ "translation" of trade impacts into effects on production, prices, etc. at commodity level



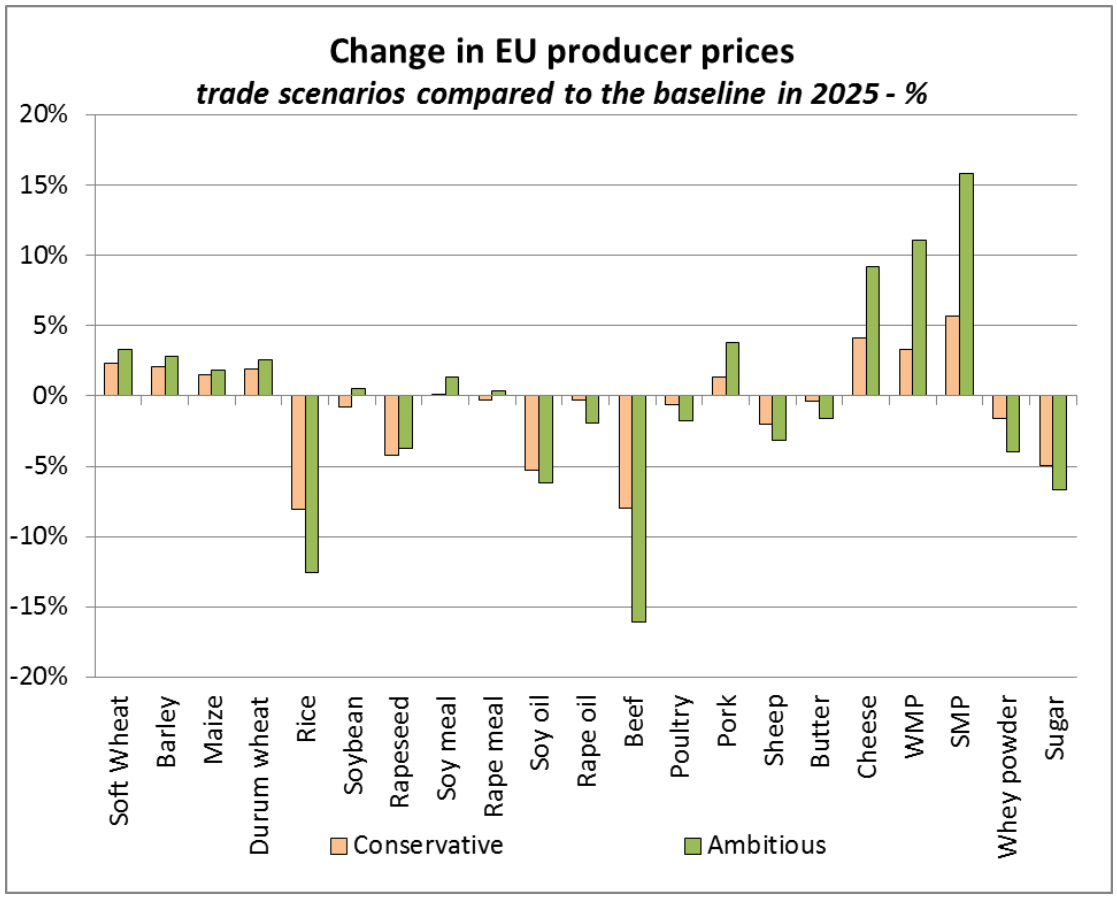
Main caveats and limitations

- Set of assumptions on many developments as in outlook exercise (macroeconomics, population growth, nutrition habits, no WTO agreement, …)
- Product coverage: main agricultural commodities – no processed agricultural products – no detailed results for wine, olive oil, fruit and vegetables, etc.
- EU-only results, no national or regional disaggregation
- Theoretical scenario: no consideration of TRQs, partial tariff cut
- No analysis of non-tariff barriers (e.g. SPS)
- No Brexit scenarios

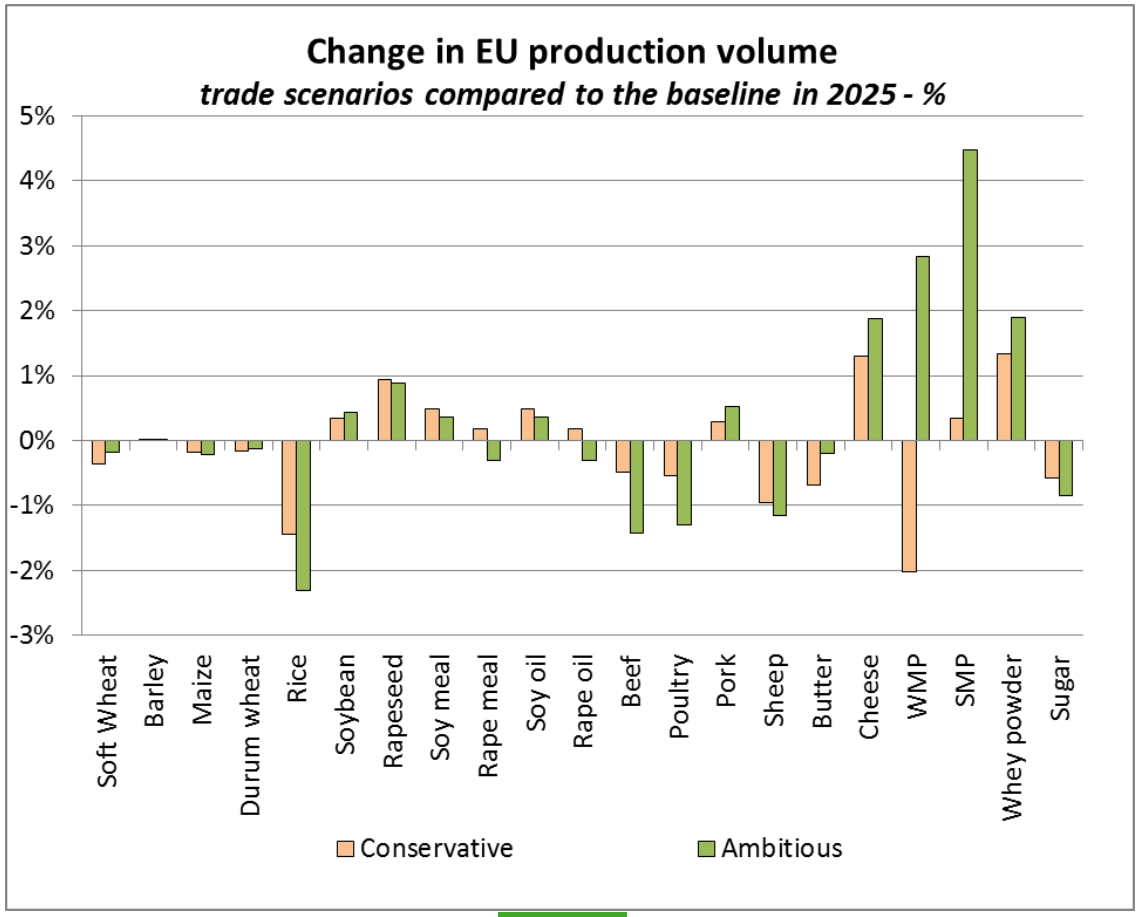
Overall trade impact for EU agri-food sectors



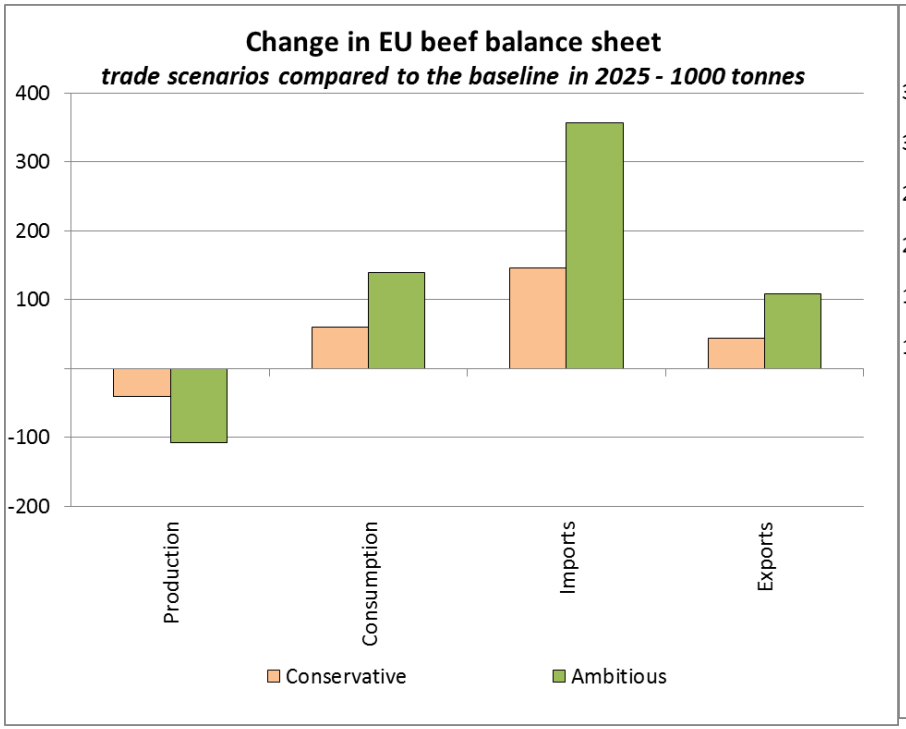
Impact on EU producer prices

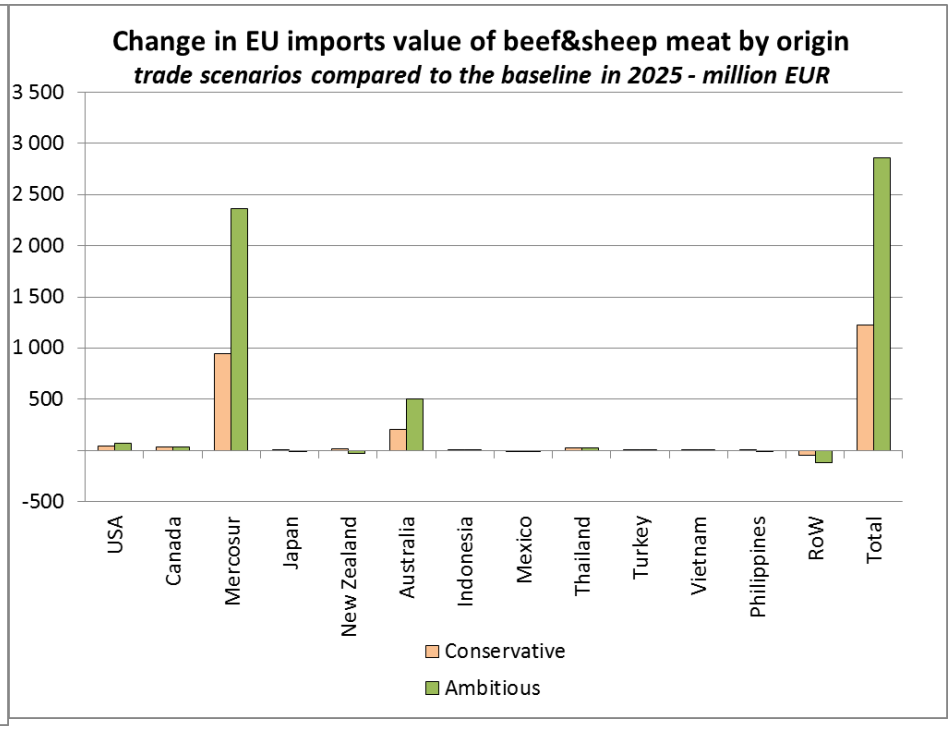


Impact on EU production

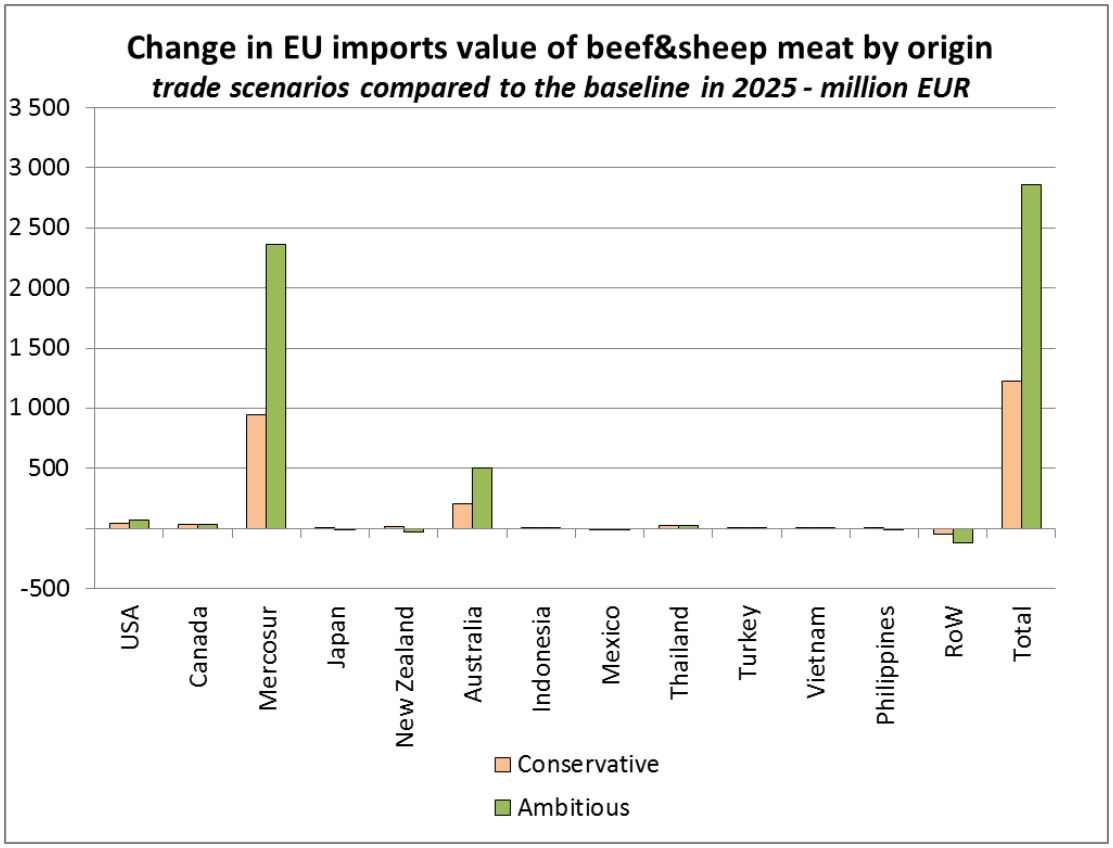


Sector-specific impacts: 1) beef balance





Sector-specific impacts: 2) origin of additional beef & sheep imports



Summary of main results

- Substantial opportunities for certain commodities, and sensitivities for others
- Dairy and pork (++); wheat, wine & beverages (+)
- **Beef** and rice (--); sheep, sugar and poultry (-)
- Smaller impact: other arable crops, F&V as a whole

Conclusions

- Substantial opportunities for dairy and pigmeat – need for trade agreements to achieve benefits and not lose out (TPP)
- Additional benefits: geographical indications, sanitary and phyto-sanitary, other non-tariff
- Make use of promotion and economic diplomacy
- **Keep existing approach of limiting import liberalisation for sensitive products**
- Agricultural policy provides instruments to accompany market opening and improving competitiveness