



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

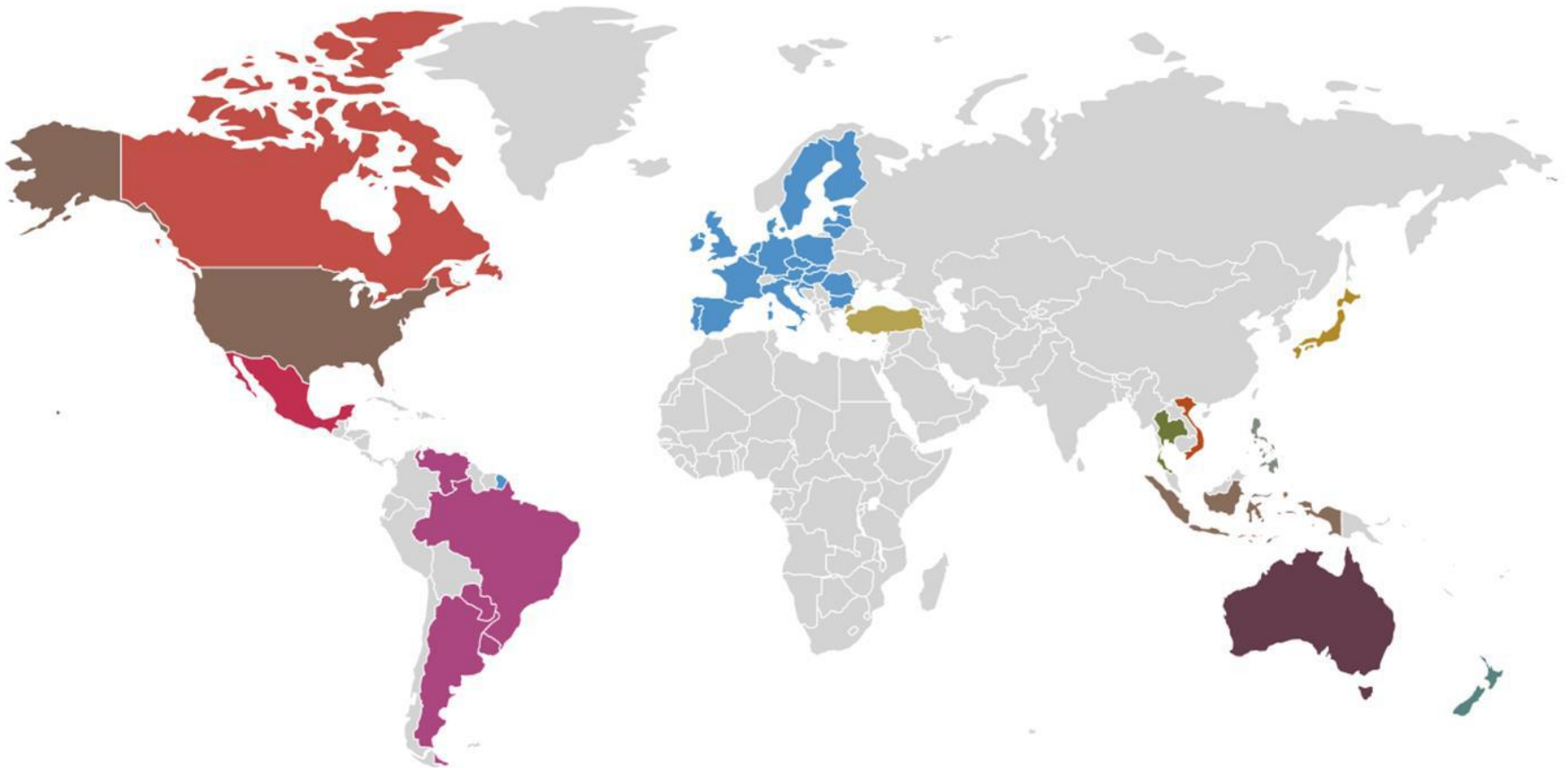
Presentation of the results

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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)

Geographical coverage



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

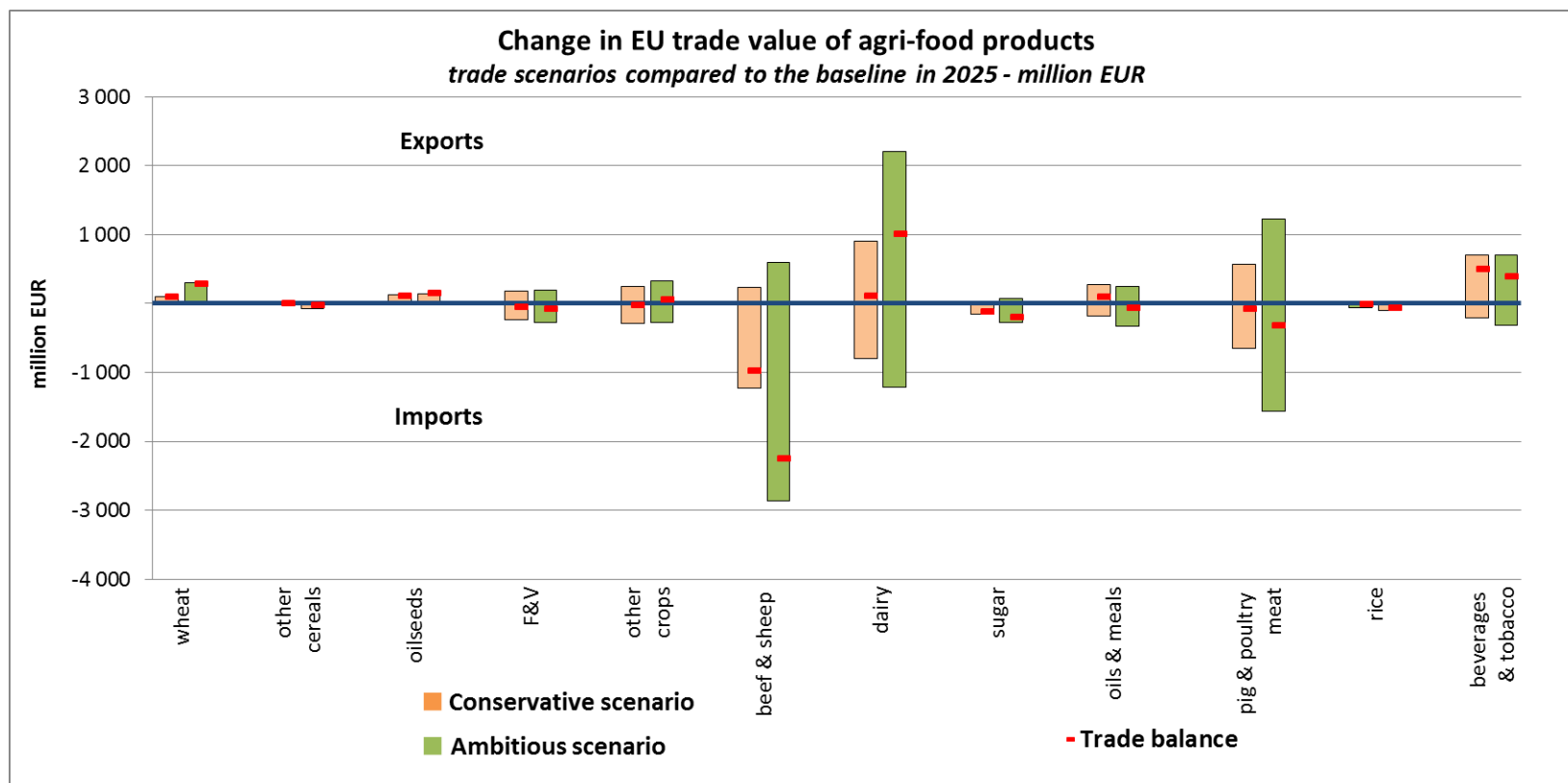
OECD/FAO Aglink
Cosimo model
(partial equilibrium)

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

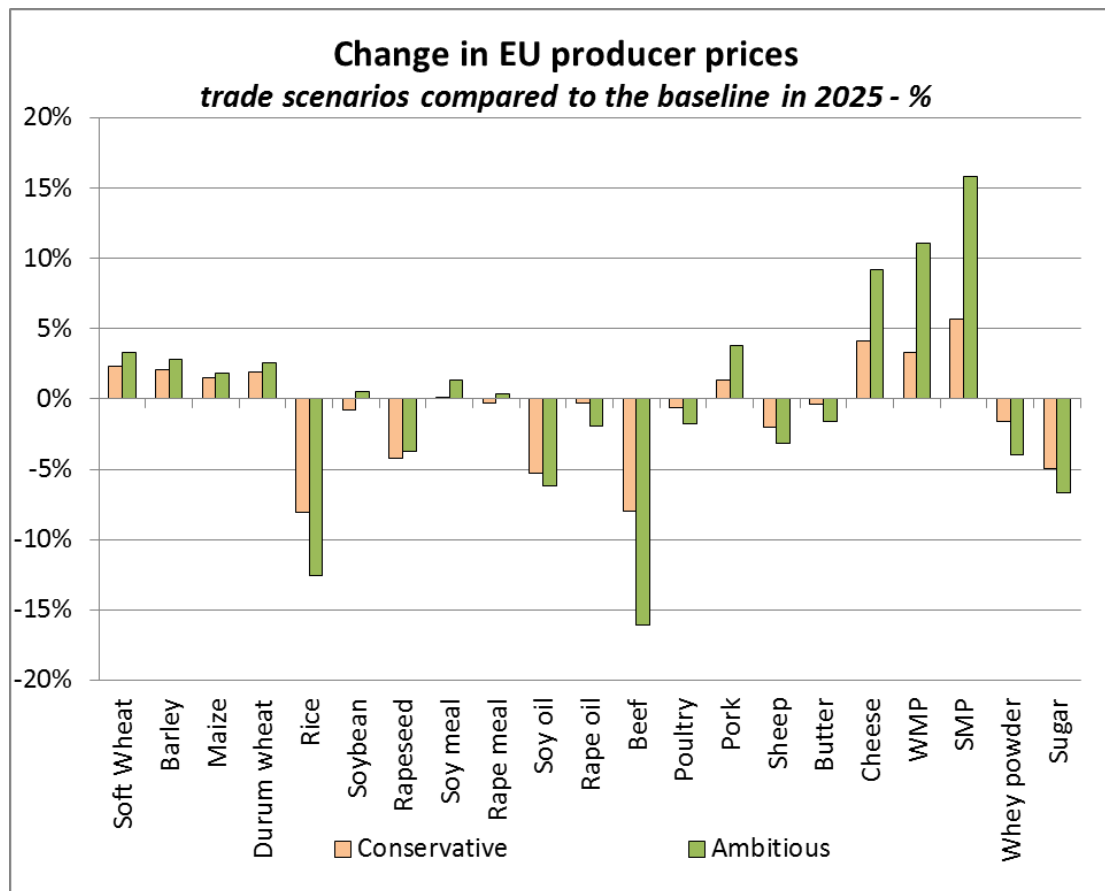
Main caveats and limitations

- Projections for 2025: set of assumptions on many developments as in outlook exercise (macroeconomics, population growth, nutrition habits, no WTO agreement on tariff cuts, ...)
- Product coverage: main agricultural commodities – no processed agricultural products – no detailed results for wine, olive oil, fruit and vegetables, etc.
- Theoretical scenario: no consideration of TRQs, partial tariff cut
- EU-only results, no national or regional disaggregation
- No analysis of non-tariff barriers (e.g. SPS)

Overall trade impact for EU agri-food sectors



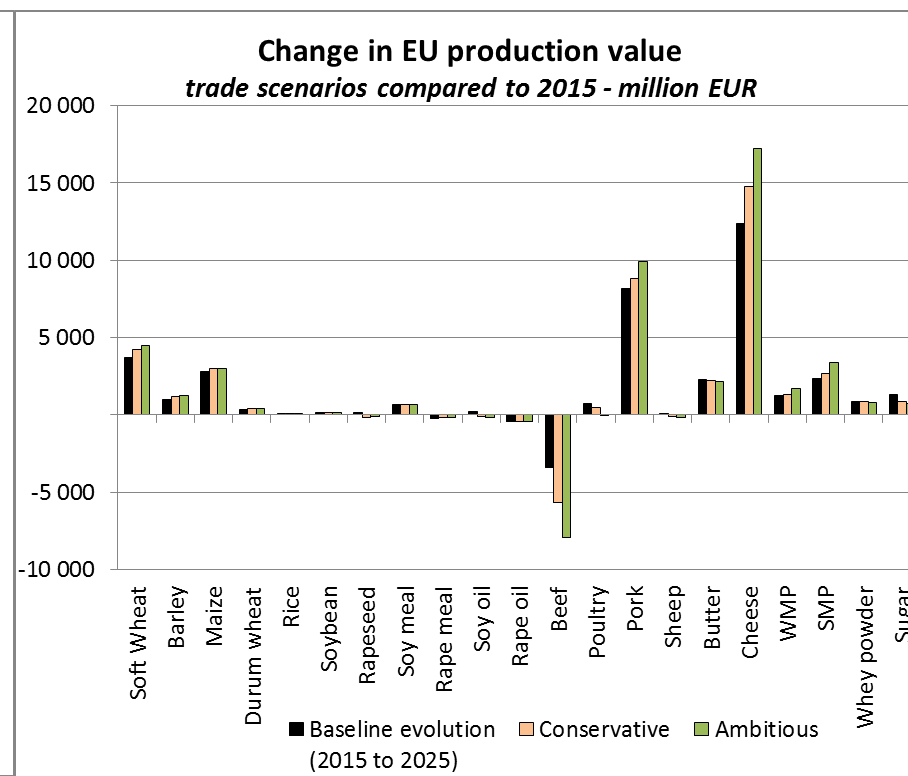
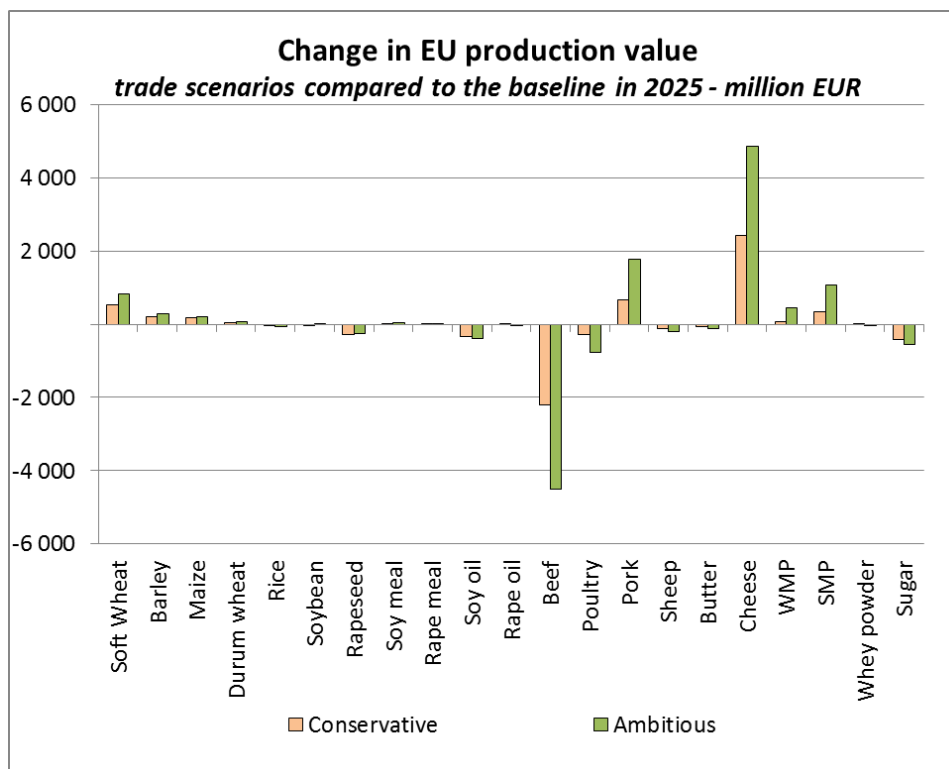
Impact on EU producer prices



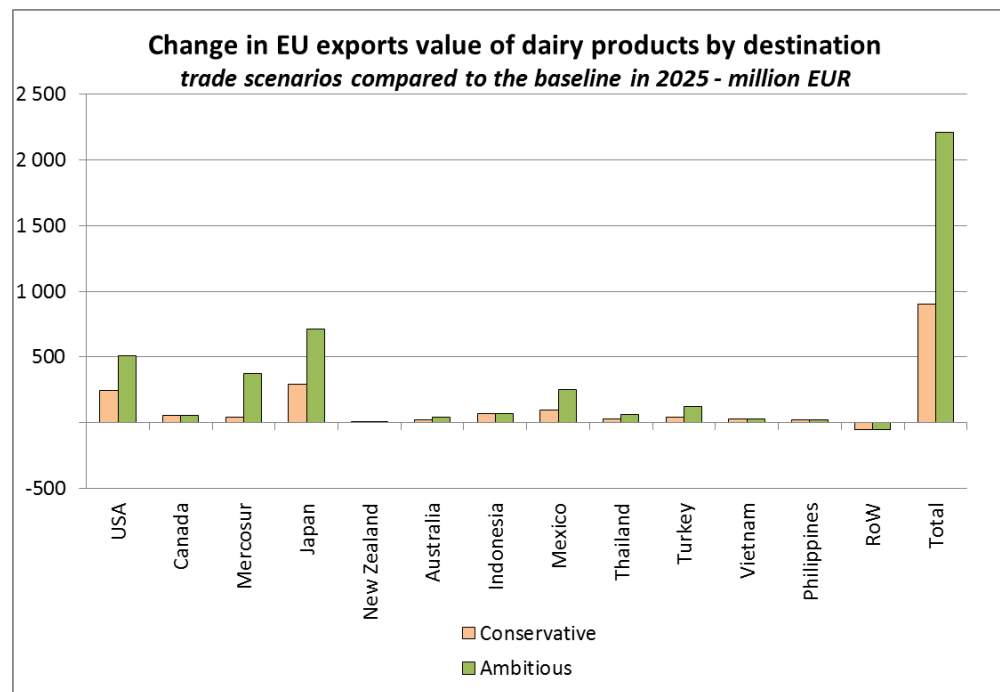
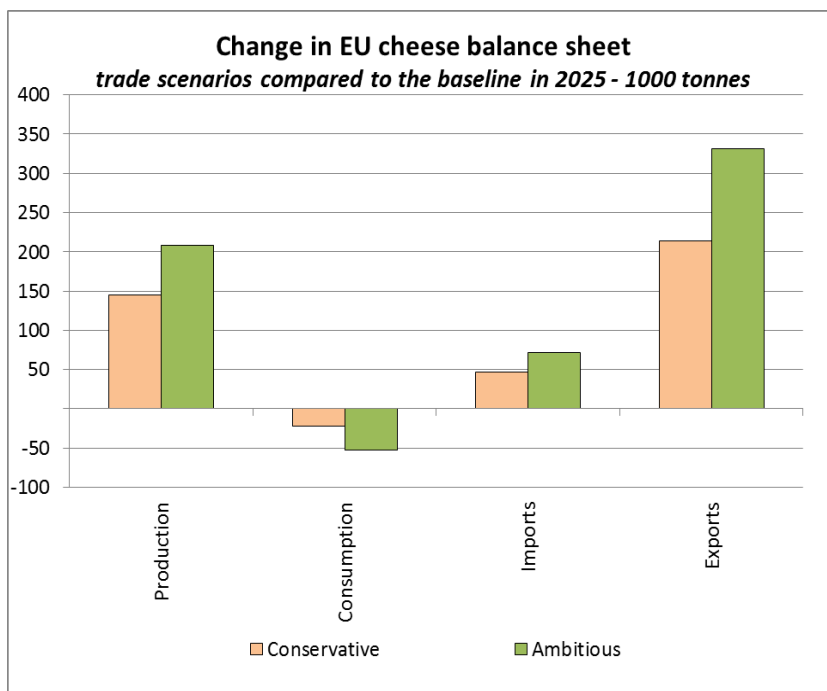
Impact on EU production value

vs. 2025 (baseline)

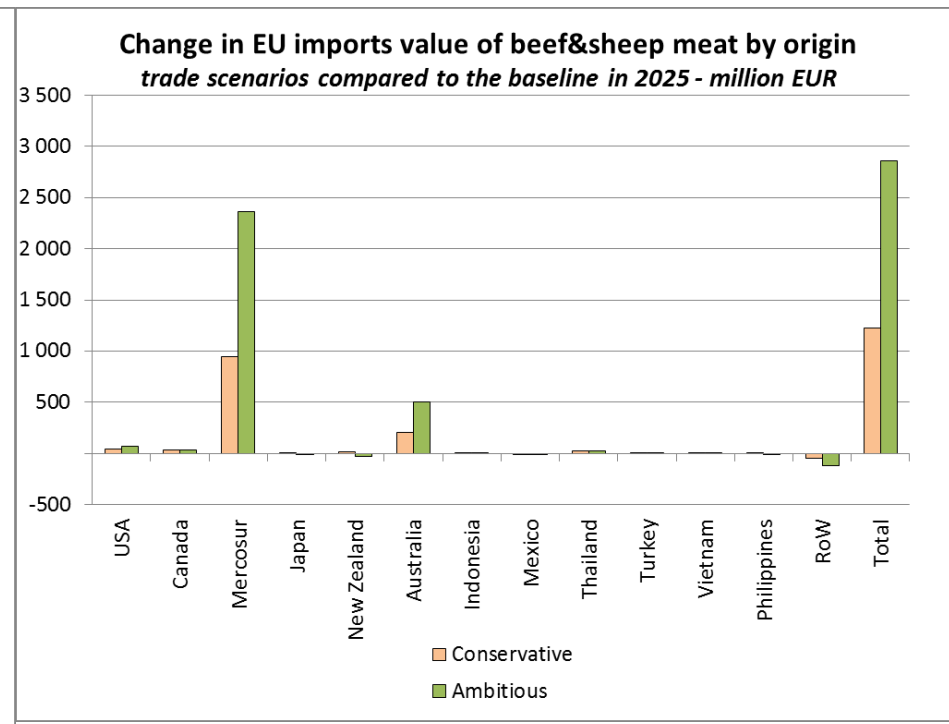
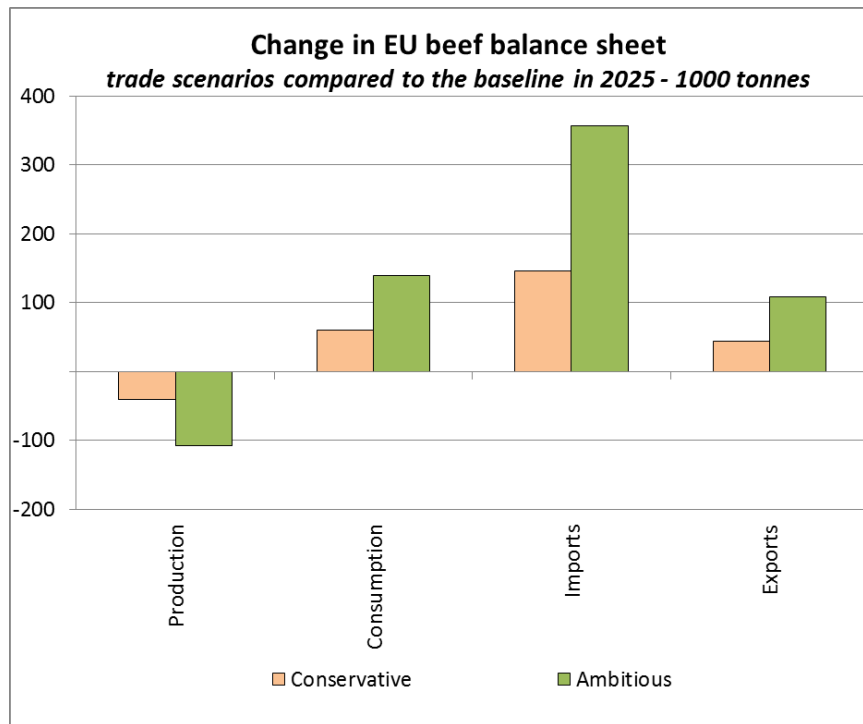
vs. 2015 (current situation)



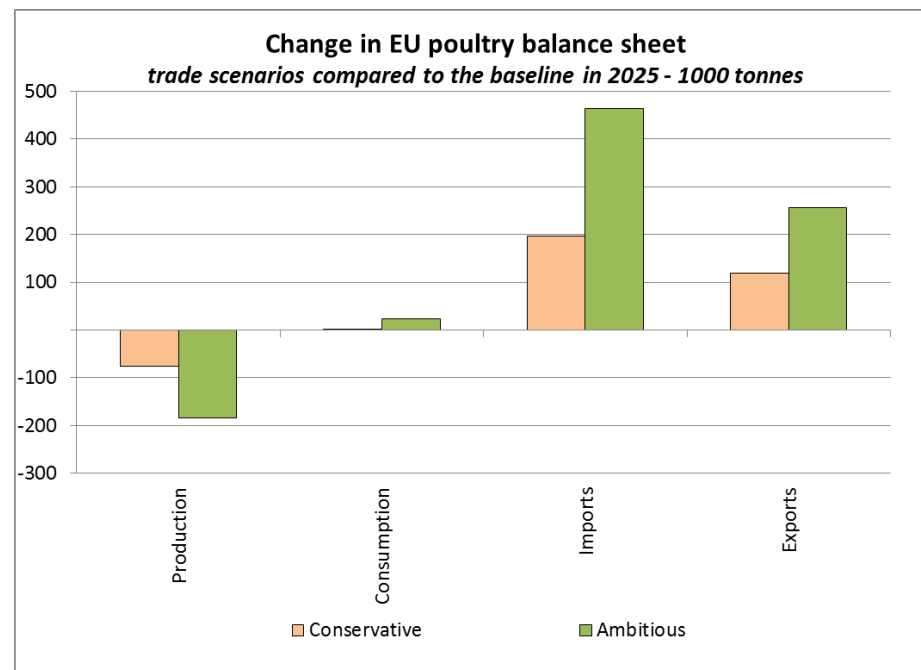
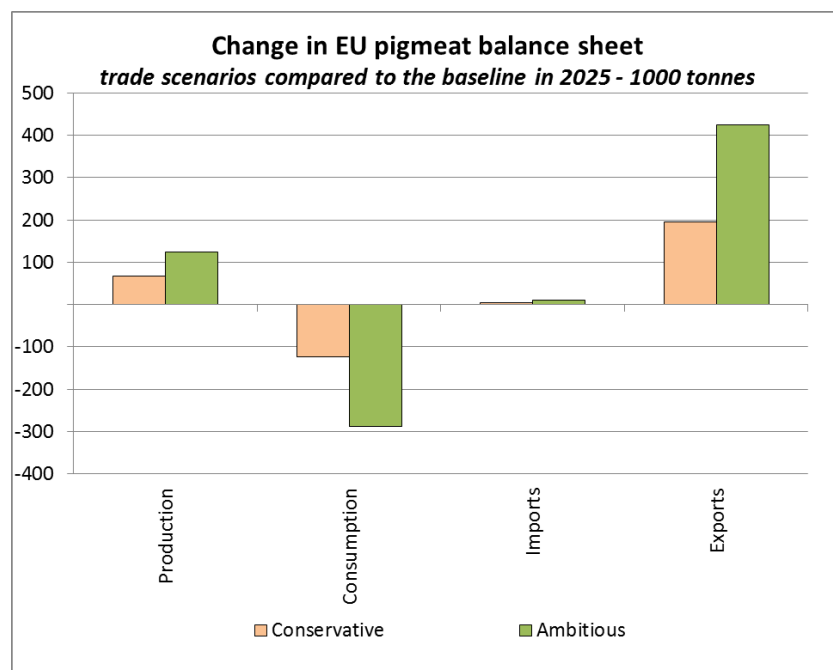
Sector-specific impacts: 1) dairy



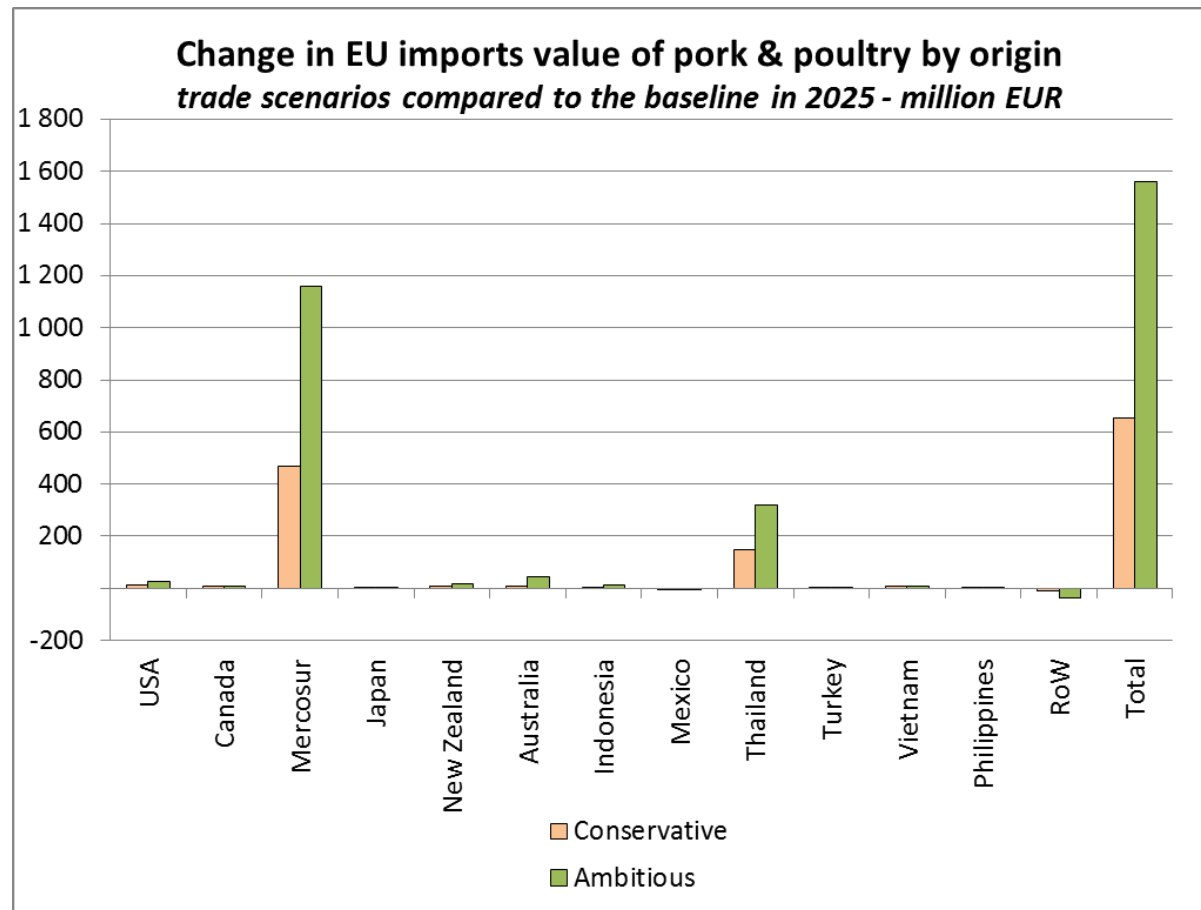
Sector-specific impacts: 2) beef & sheep



Sector-specific impacts: 3) pig & poultry



Sector-specific impacts: 3) pig & poultry

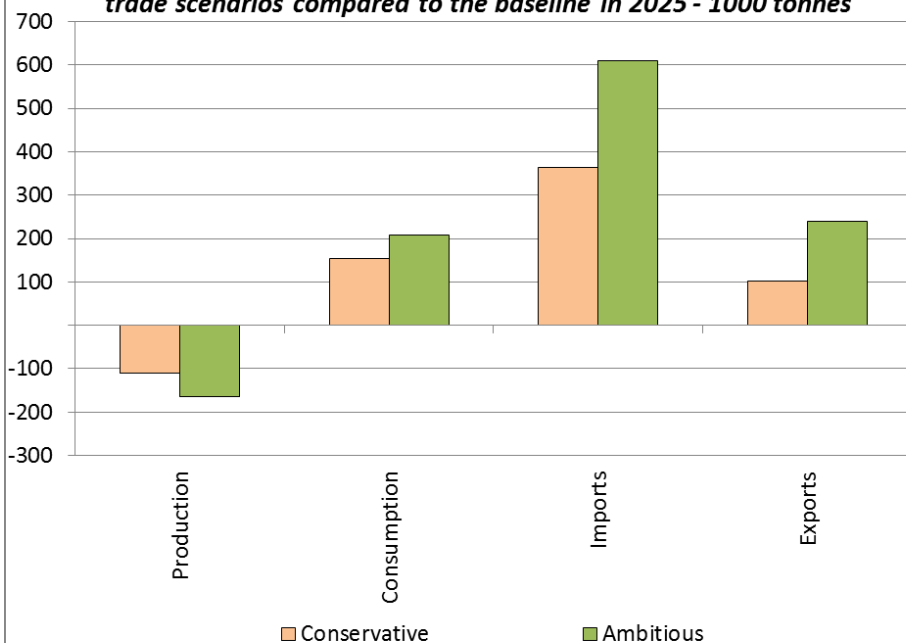


Sector-specific impacts: 4) sugar

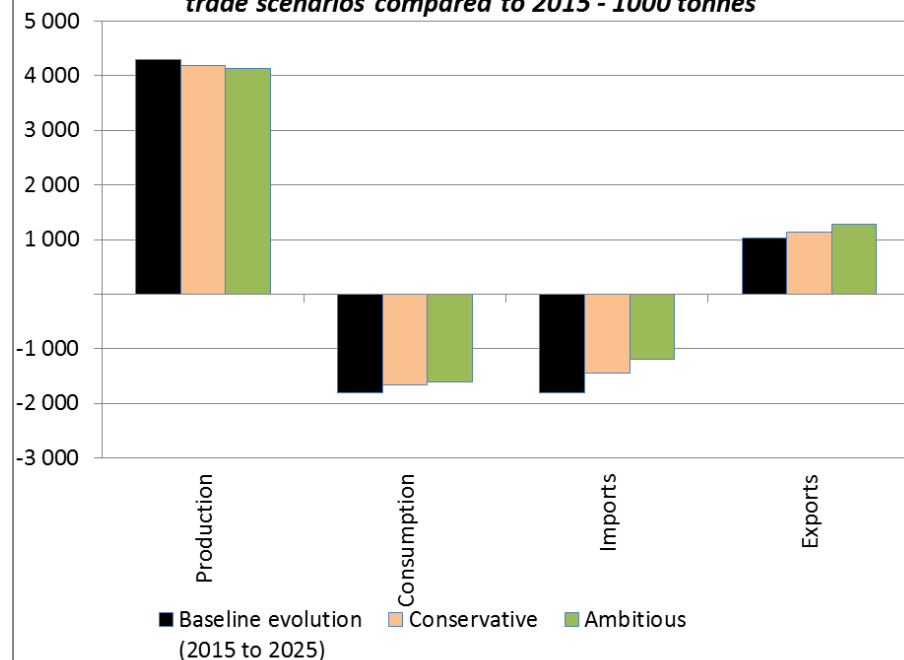
vs. 2025 (baseline)

vs. 2015 (current situation)

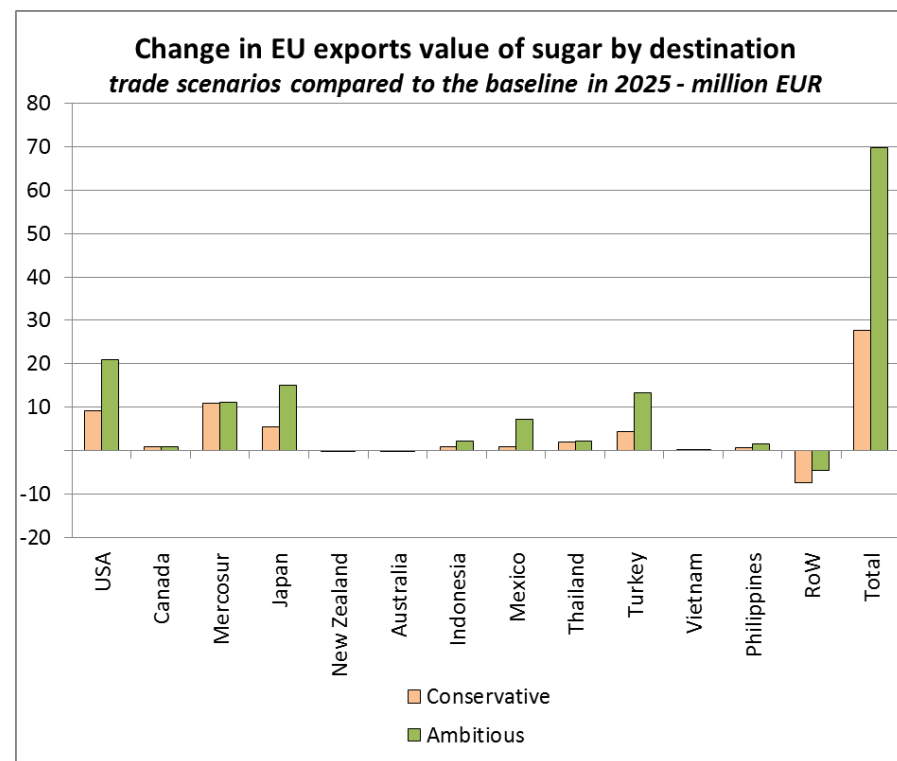
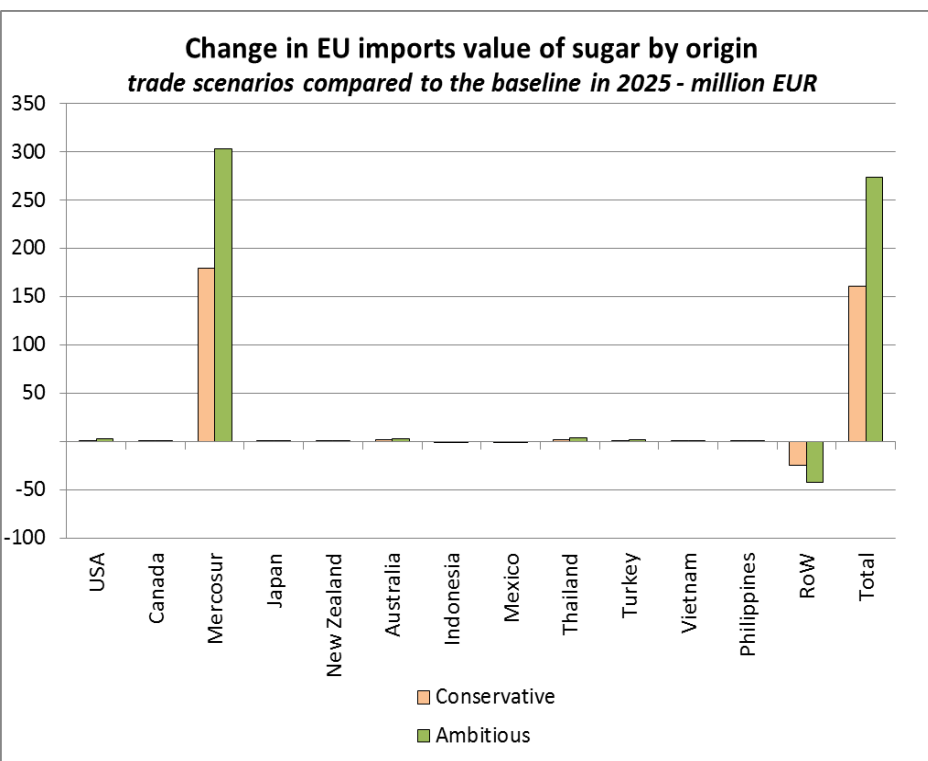
Change in EU sugar balance sheet
trade scenarios compared to the baseline in 2025 - 1000 tonnes



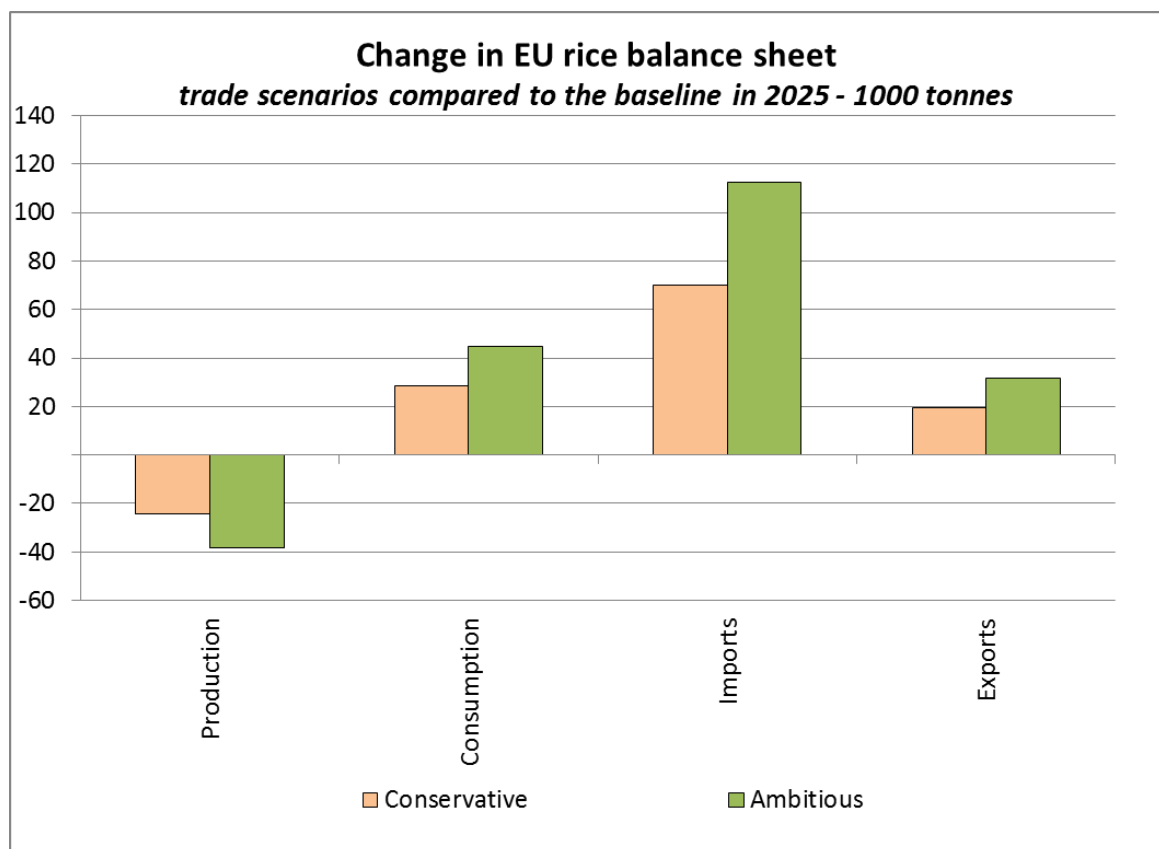
Change in EU sugar balance sheet
trade scenarios compared to 2015 - 1000 tonnes



Sector-specific impacts: 4) sugar



Sector-specific impacts: 5) rice



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
- TPP offsetting EU gains in pork (but TPP without EU agreements would be much worse!) – little impact for beef, dairy and other sectors

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