

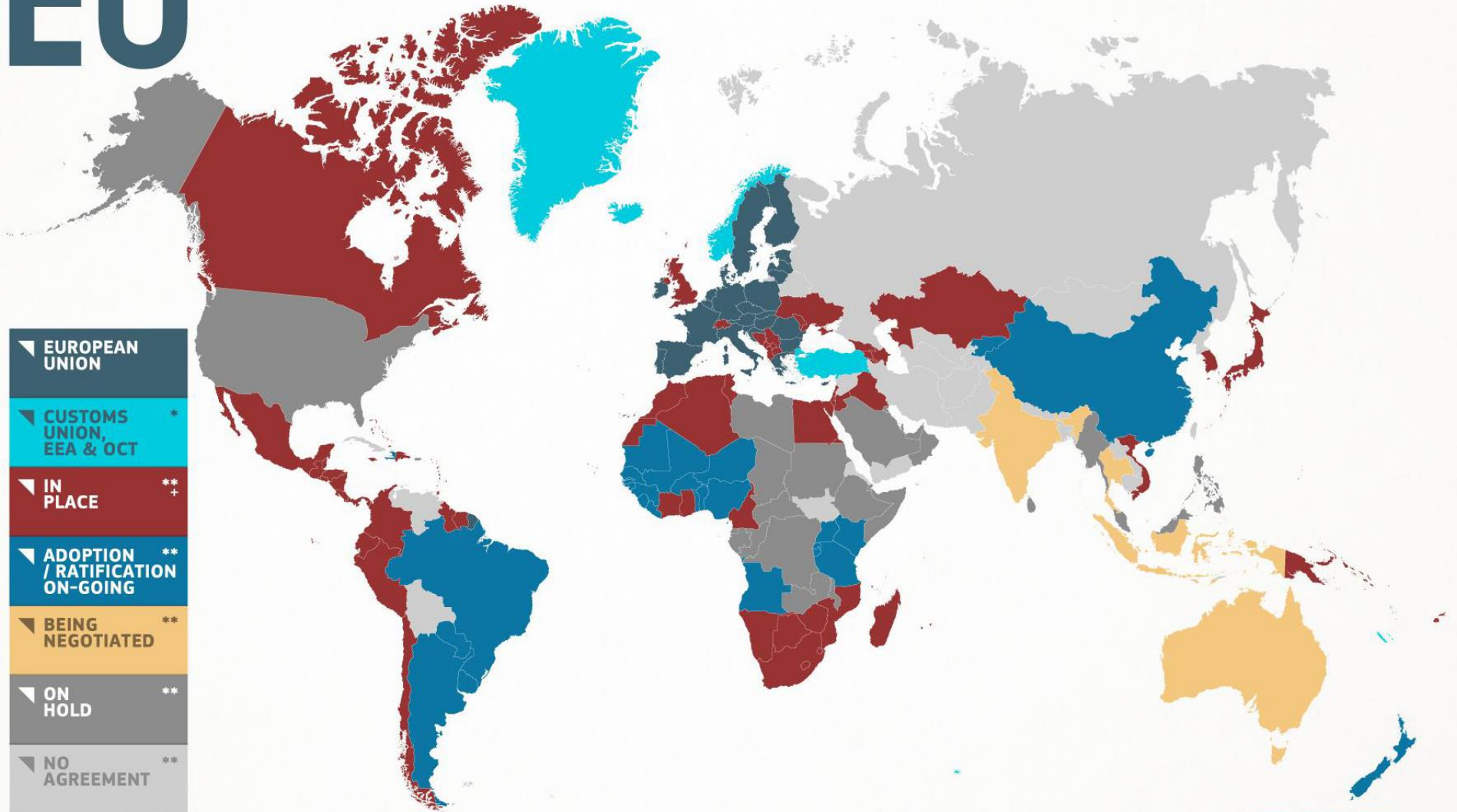


# Study on the cumulative economic impact of trade agreements on EU agriculture - 2024 update



# EU trade agreements 2023

Updated 18/09/2023



▶ EUROPEAN UNION	
▶ CUSTOMS UNION, EEA & OCT	*
▶ IN PLACE	** +
▶ ADOPTION / RATIFICATION ON-GOING	**
▶ BEING NEGOTIATED	**
▶ ON HOLD	**
▶ NO AGREEMENT	**

\* European Economic Area (EEA) / Overseas Countries and Territories (OCT).

\*\* Free Trade Agreement (FTA), Deep and Comprehensive Free Trade Agreement (DCFTA), Investment Agreement, Enhanced Partnership and Cooperation Agreement (EPCA), Partnership and Co-operation Agreement with preferential element (PCA).

+ The updated agreements with Tunisia, and Eastern and Southern Africa are currently being updated; the updated agreements with Mexico and Chile are under ratification. The DCFTA with Georgia does not apply in South Ossetia and Abkhazia.



# What is the study about?

Ex-ante economic analysis of 10 of the most significant upcoming Free Trade Agreements (FTAs) on EU agri-food markets. The study includes:

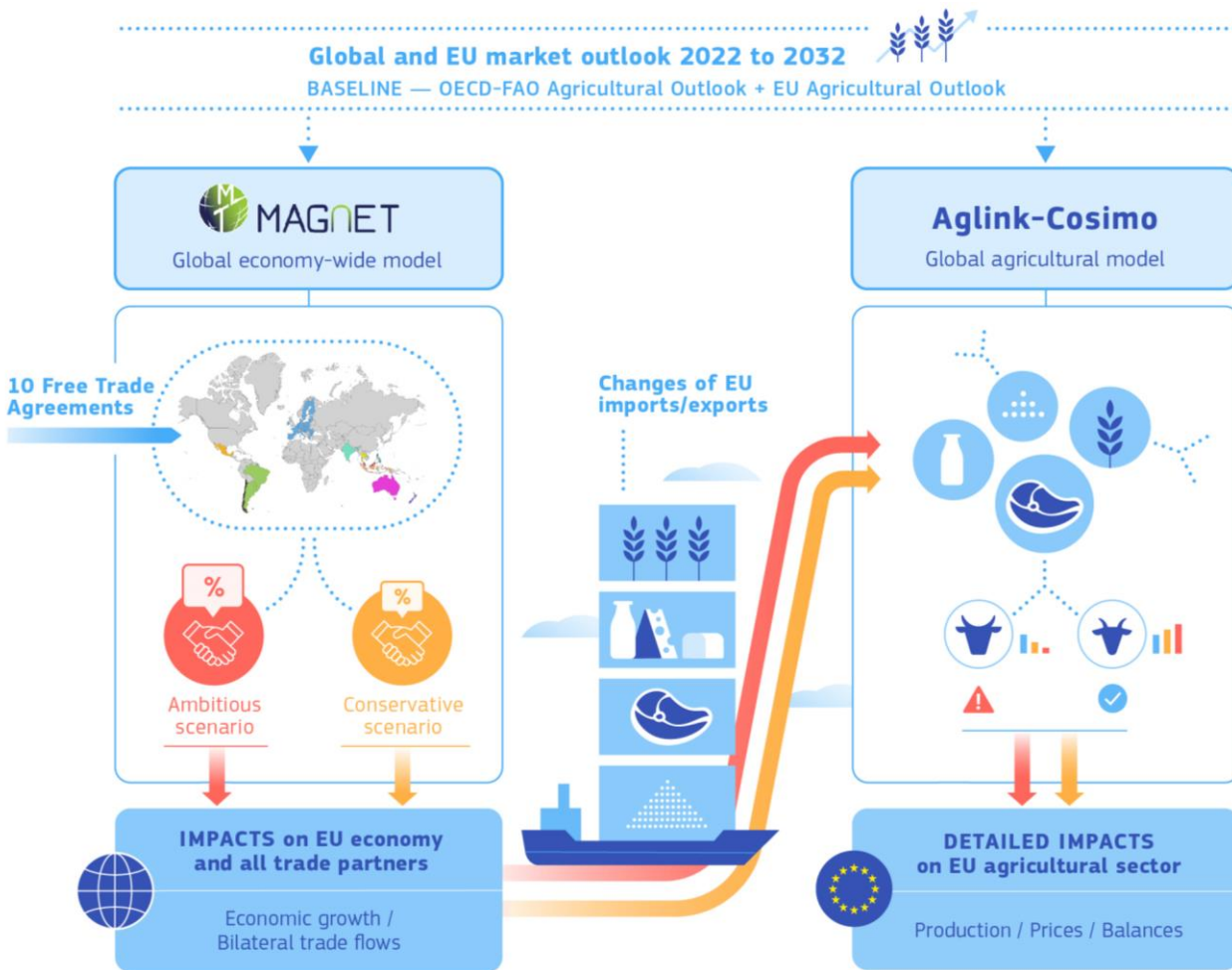
- FTAs recently finalized or already in place: Chile, Mexico, Mercosur, **New Zealand**
- FTAs under negotiation or forthcoming (with high certainty): *Australia, **India**, Indonesia, Malaysia, Philippines, Thailand*
- Note: Canada, Japan and Vietnam are included in the baseline.

Compare agricultural market prospects for year 2032 with and without these FTAs.

Update of the 2021 study (similar assumptions and methodology, including TRQs): (<https://publications.jrc.ec.europa.eu/repository/handle/JRC103602>),

**What is new?** Sensitivity analysis on the impact of UK trade agenda (Australia, New Zealand, Comprehensive and Progressive Agreement for Trans-Pacific Partnership or CPTPP).

# The study uses an sophisticated methodology to model the potential impacts on EU agri-food markets



- MAGNET: global, GTAP-based CGE model (full disaggregation of agri-food sectors).
- Aglink-Cosimo: detailed representation of the EU agri-food sectors

# Methodology

## Global Medium-Term Baseline

- Macroeconomic projections: GDP, population, land productivity until 2032.
- Detailed agricultural baseline: production, consumption, land allocation, trade flows, trade policies (from Mid-term Outlook 2022 plus expert knowledge).

## Counterfactual scenarios

- Tariff lines: 5207 HS6 codes aggregated into 45 model commodities (15 agri, 10 food, 20 others)
- Expert knowledge plus in-house developed algorithm to select sensitive products
- Inclusion of detailed tariff-rate quotas for specific key products and flows.

# The study assumes two trade policy scenarios – conservative and ambitious

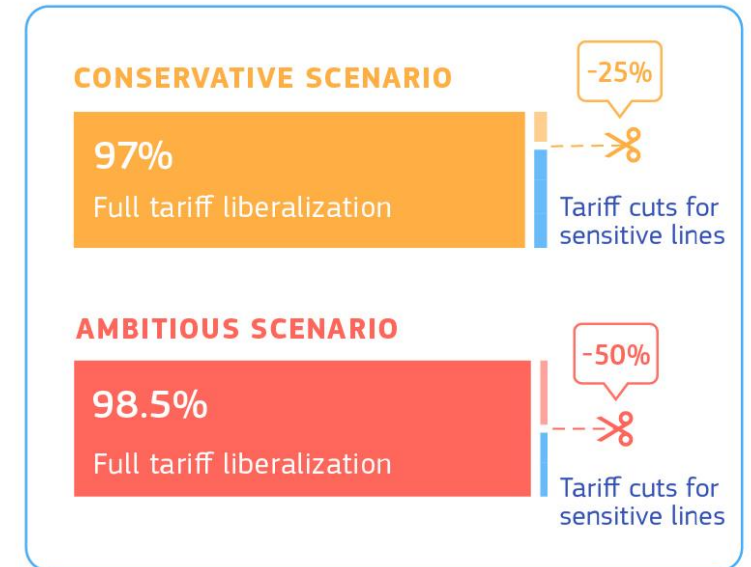
## 1. Conservative:

- Concluded agreements: as per negotiated outcome (tariff cuts + TRQs)
- Other agreements: **97%** of tariff lines fully liberalised; other (sensitive) lines get a **25% tariff cut**

## 2. Ambitious:

- Concluded agreements: same as for conservative
- Other agreements: **98.5%** of tariff lines fully liberalised; other (sensitive) lines get a **50% tariff cut**

### Trade policy scenarios



→ Note: concluded FTAs are modelled as per negotiated outcome; not concluded agreements are modelled with theoretical tariff cuts.

# Scenario implementation

## MAGNET output → Aglink-Cosimo input

- Alignment of baseline trade values (MAGNET) with trade volumes (Aglink-Cosimo)
- Translation of output trade values (MAGNET) into input trade volumes (Aglink-Cosimo)

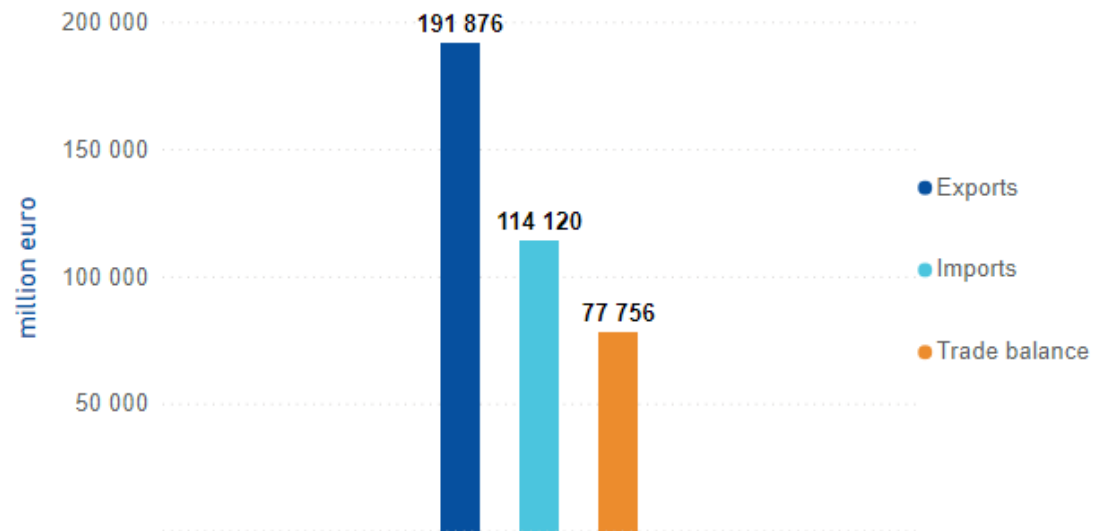
## Exogenous shocks on EU exports and imports

- Artificial trade imbalances that displace markets to disequilibria (*input*)
- Endogenous price reaction restores market equilibria by adjusting supply and demand elements (*output*)

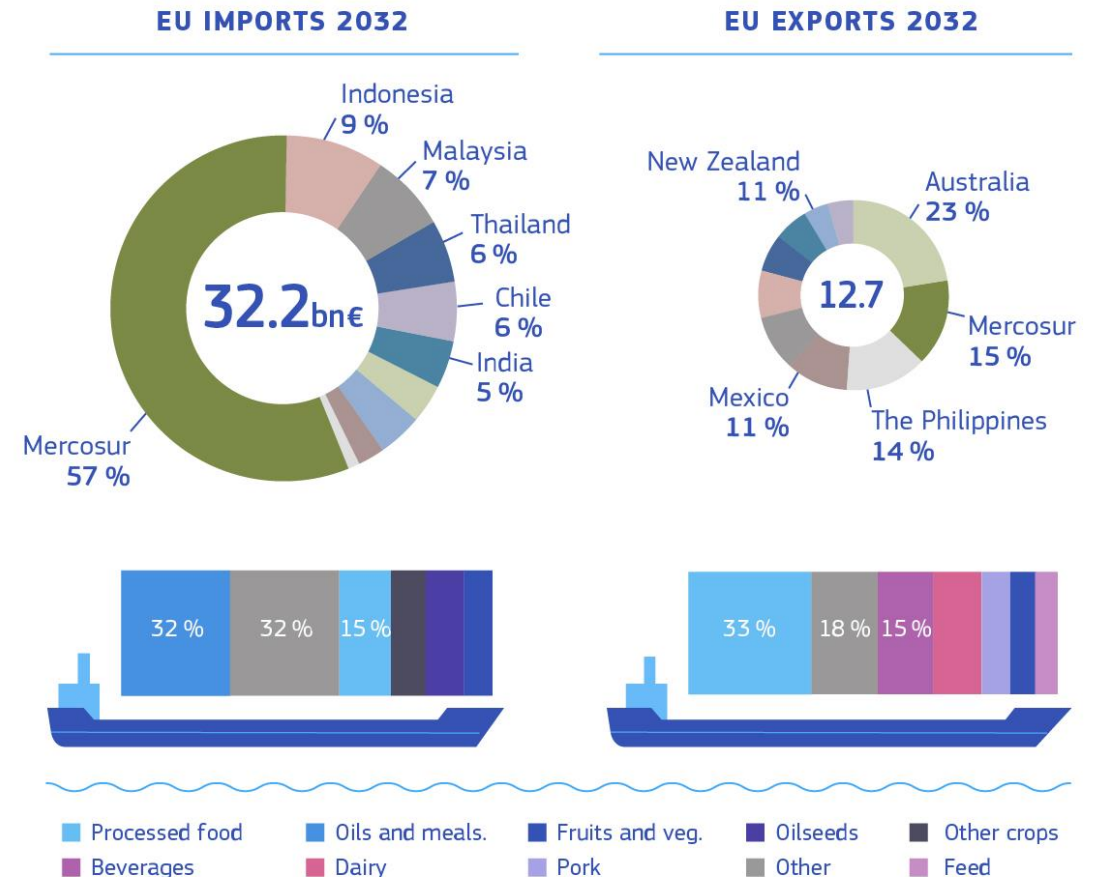
## Gradual implementation of FTAs assumed

- A *static* MAGNET shock of 10% in 2032 is implemented *dynamically* in Aglink-Cosimo throughout 2023-2032 (1% in 2023, 2% in 2024, ..., 10% in 2032)
- This allows for temporal market adjustments and stable medium-term equilibria

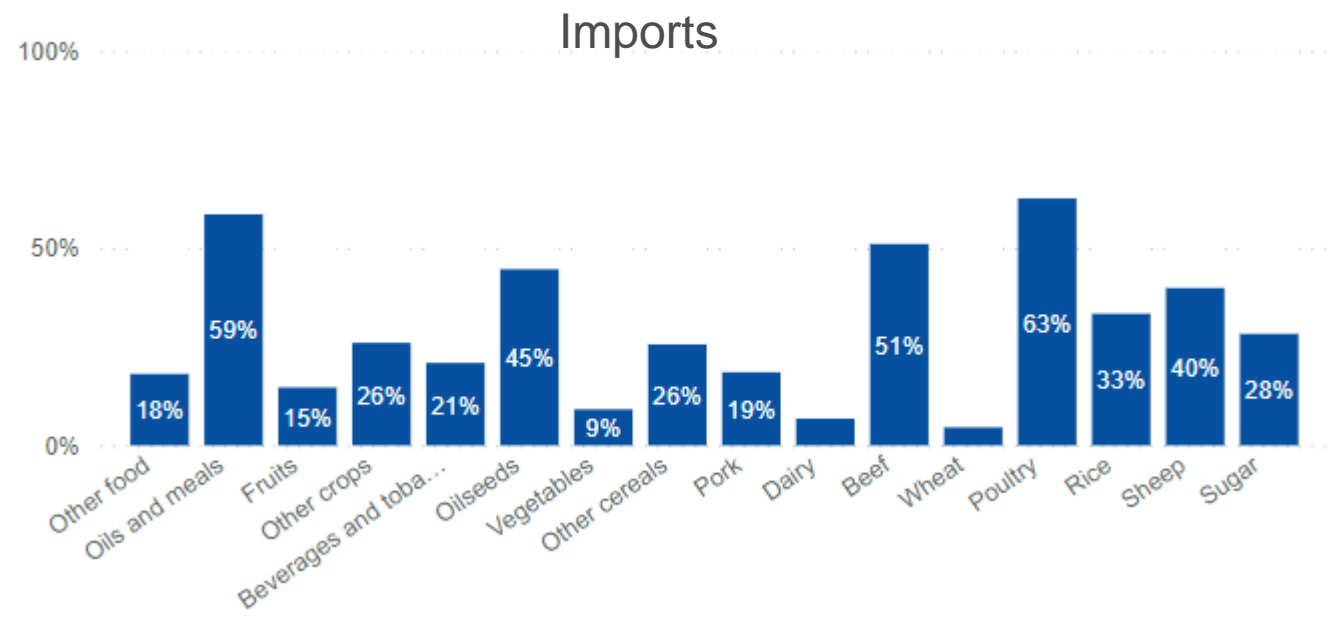
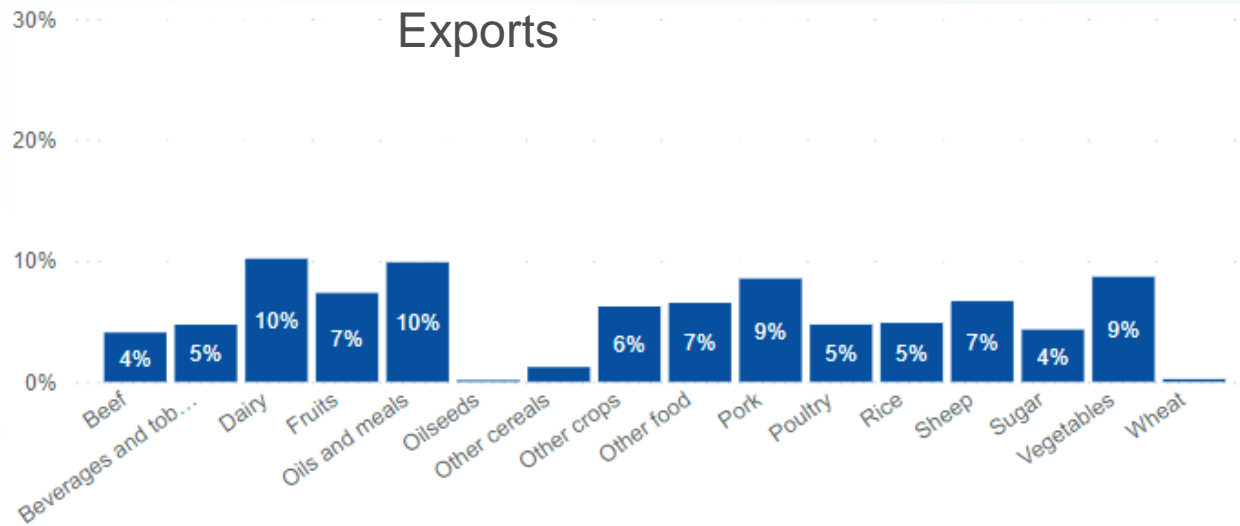
# Baseline trade projections, 2032



## Agri-food trade 2032 with the 10 FTA partners (baseline)



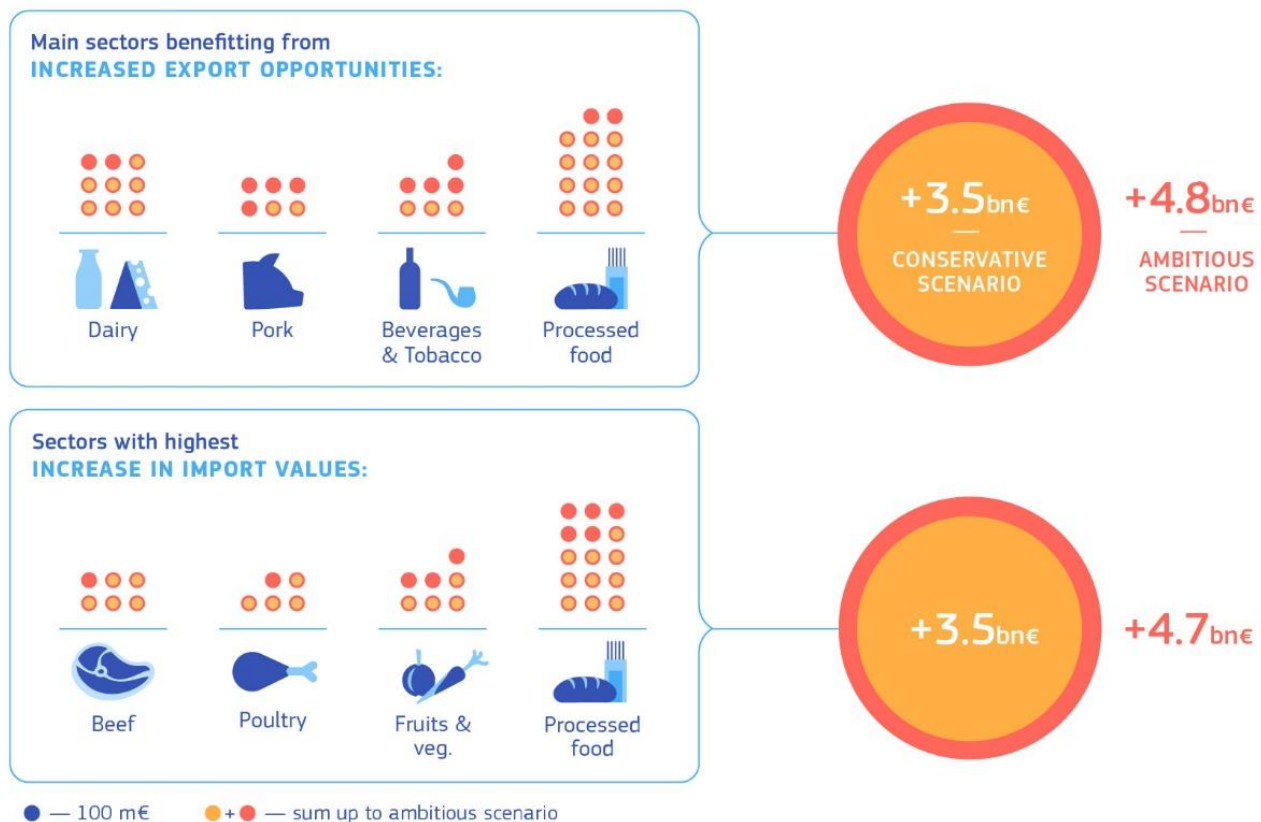
# Baseline – Market share 10 FTAs by commodities, 2032





# Results

Cumulative impact of free trade agreements on EU trade in 2032 (additional value)

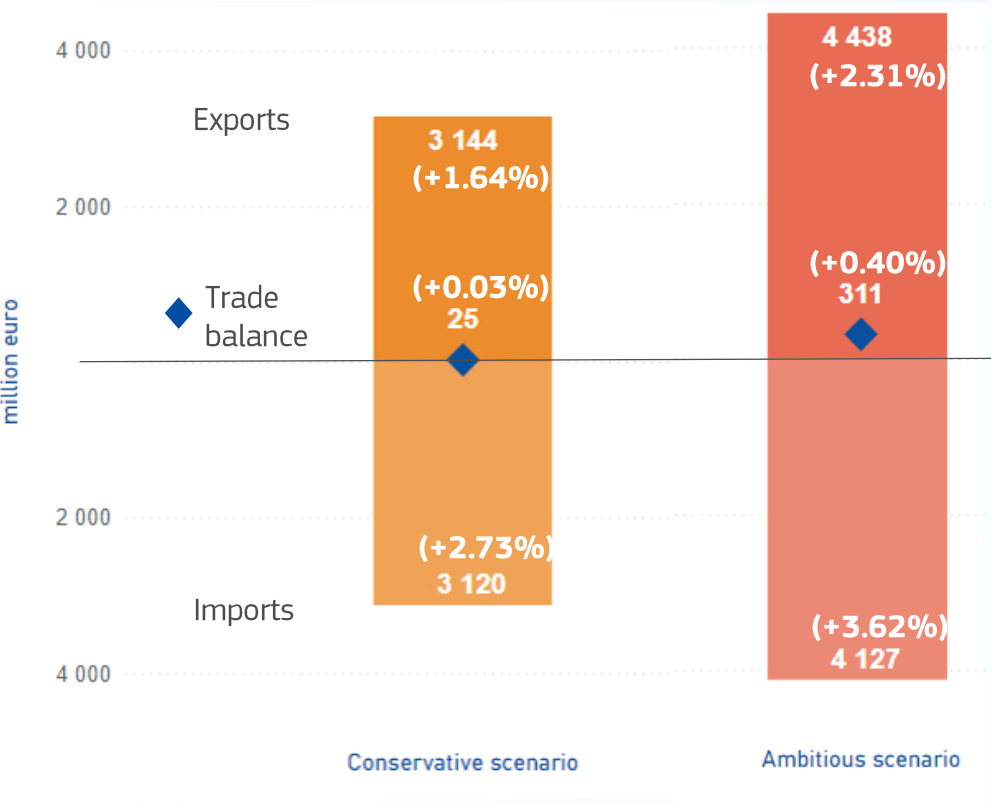


The impacts (with FTAs) for 2032 are positive but vary in magnitude depending on the scenario.

# Overall trade impacts, 2032

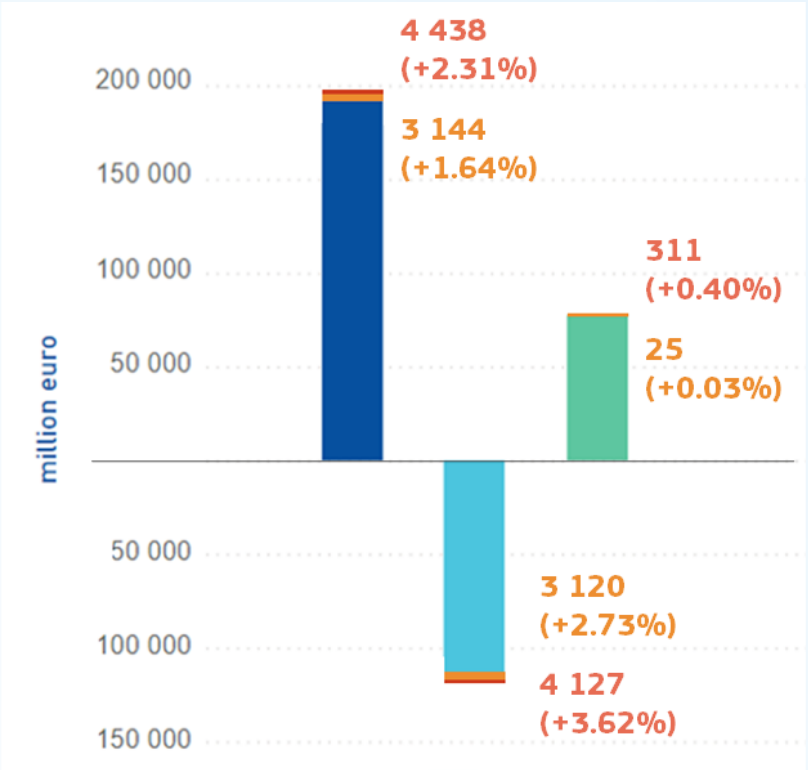
## Change in EU agri-food trade value

Trade scenarios compared to the baseline, 2032

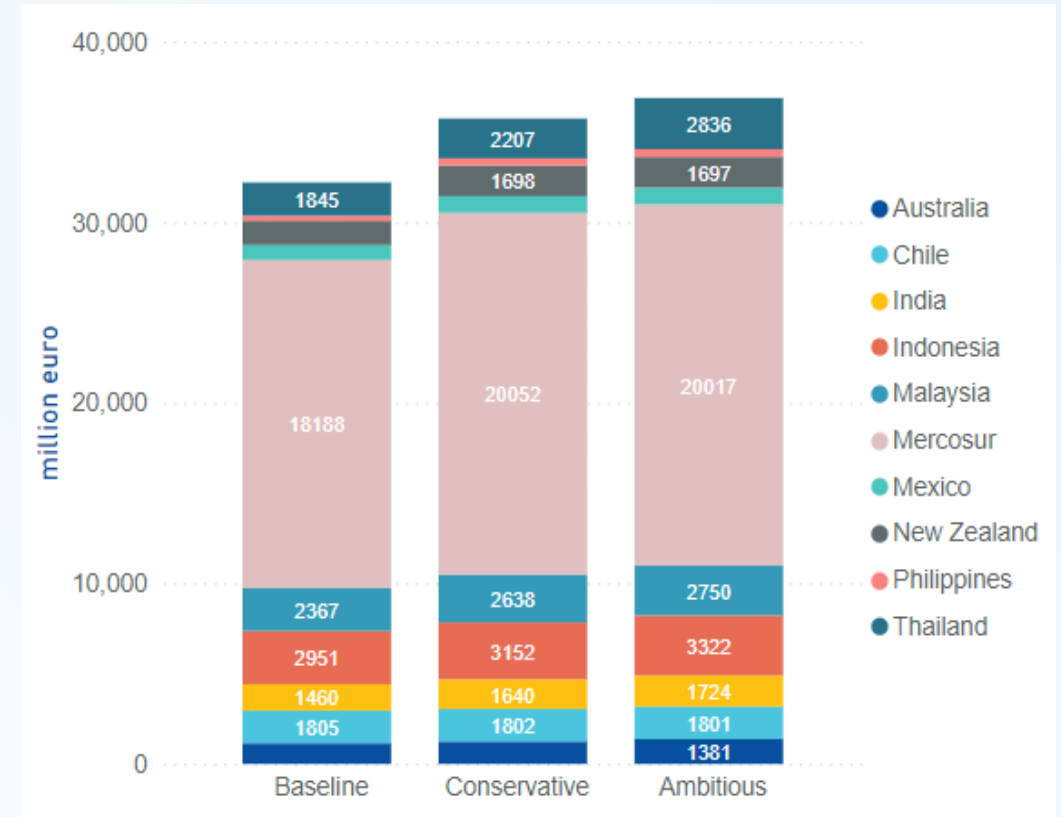


## EU agri-food trade value

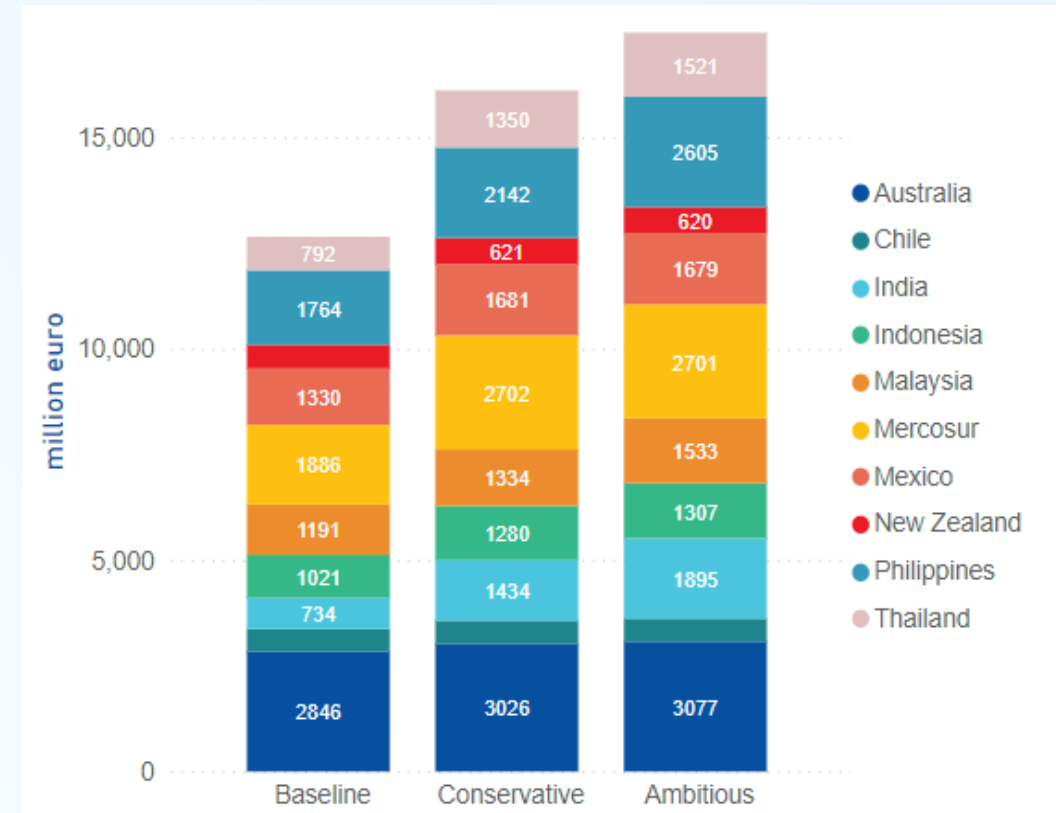
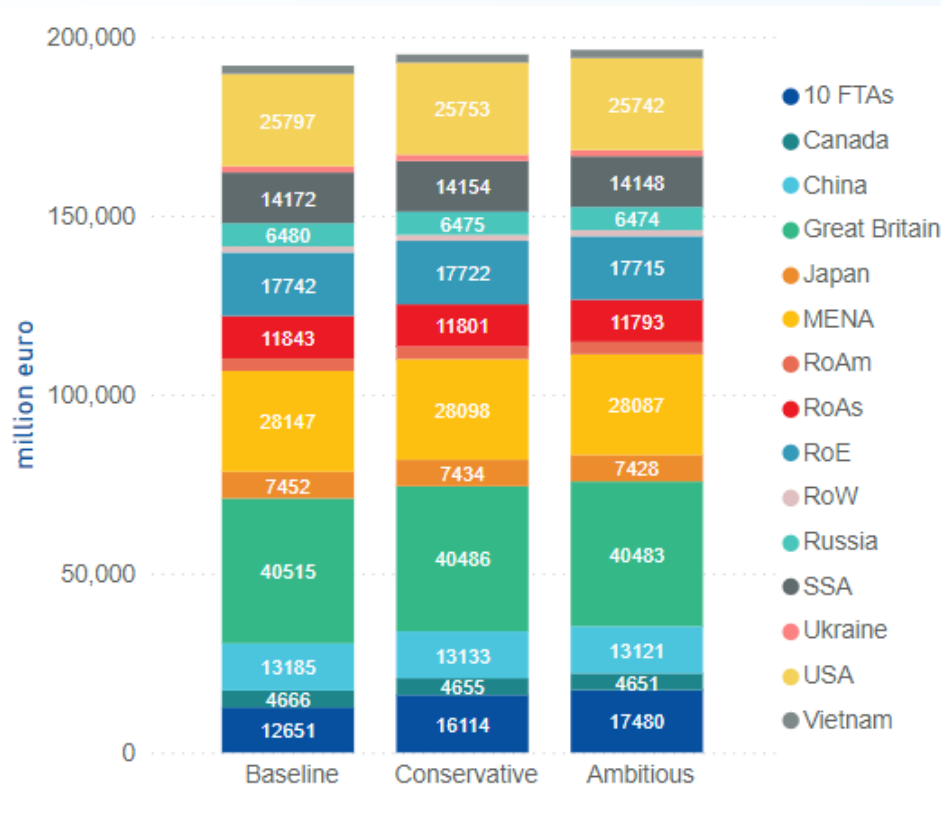
Additional trade flows in the scenarios on top of the baseline, 2032



# EU agri-food imports by trading partner, 2032



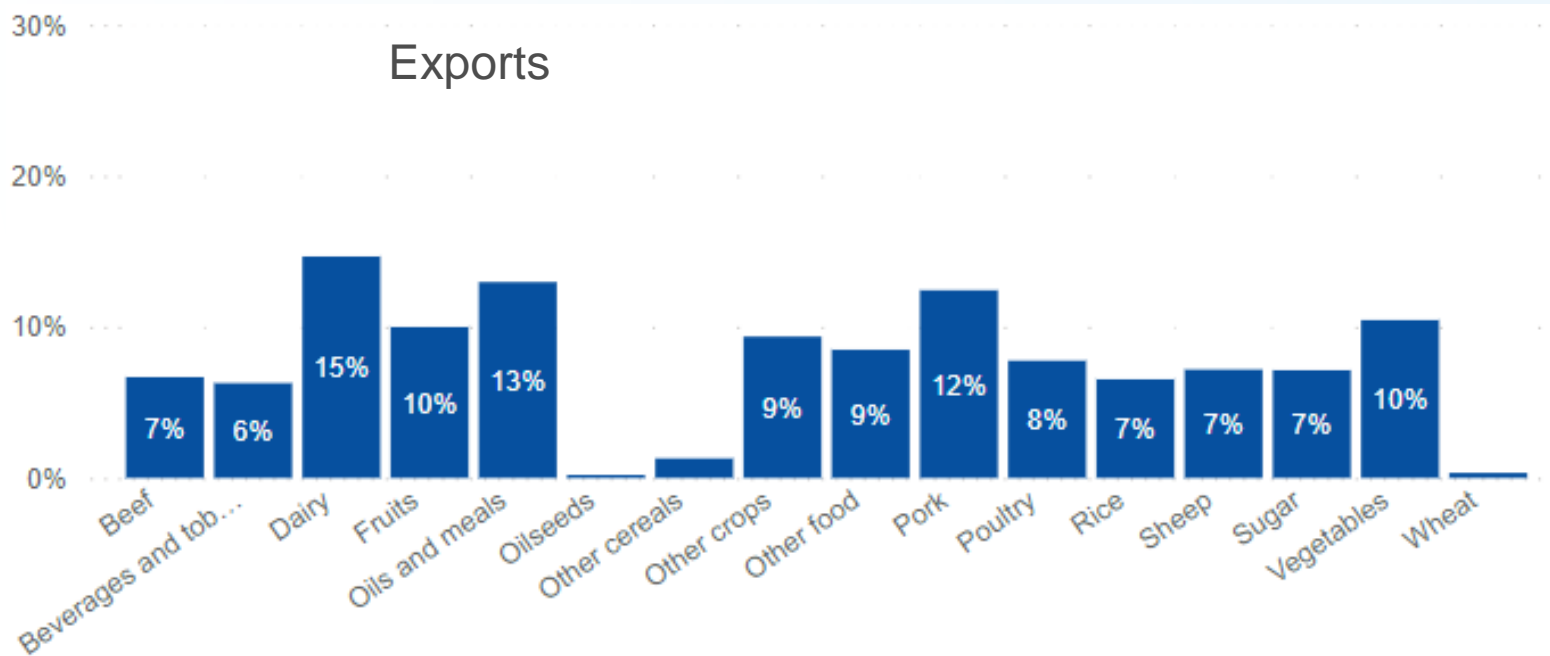
# EU agri-food exports by trading partner, 2032



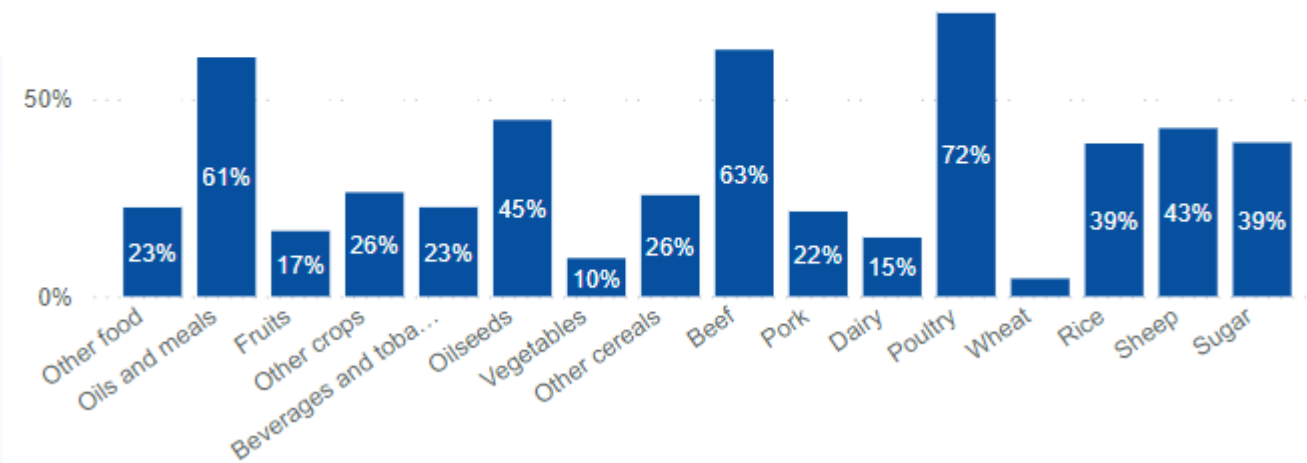
# Market share 10 FTAs by commodities, 2032

## Ambitious scenario

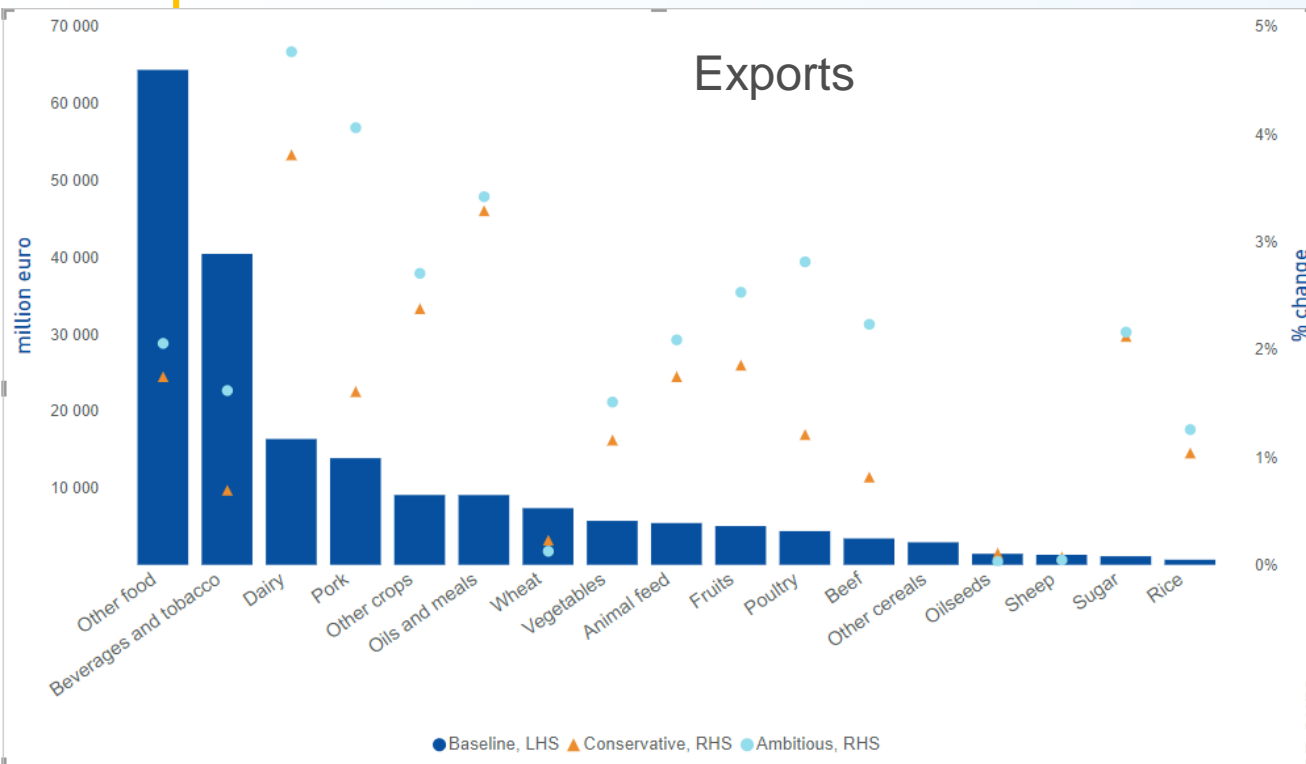
Exports



Imports

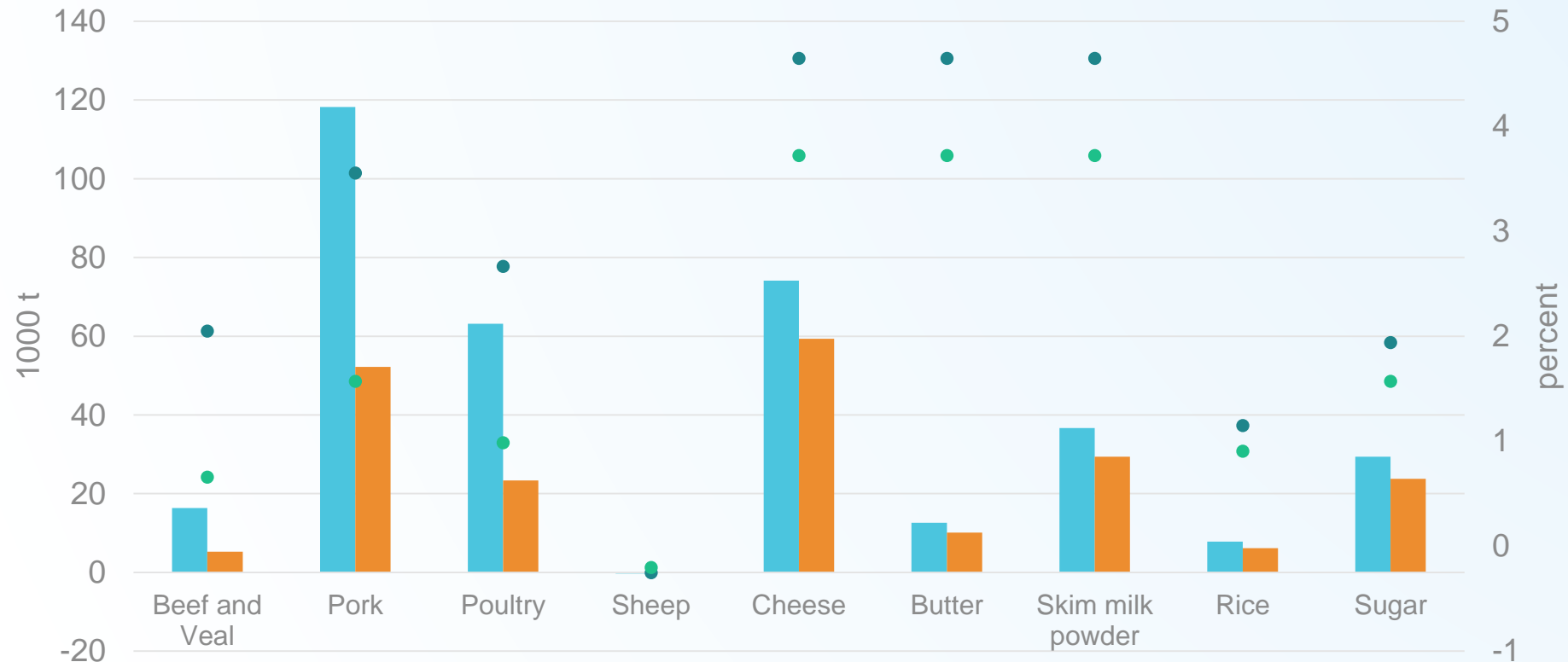


# Development of EU exports and imports, 2032



# EU exports increase in both scenarios

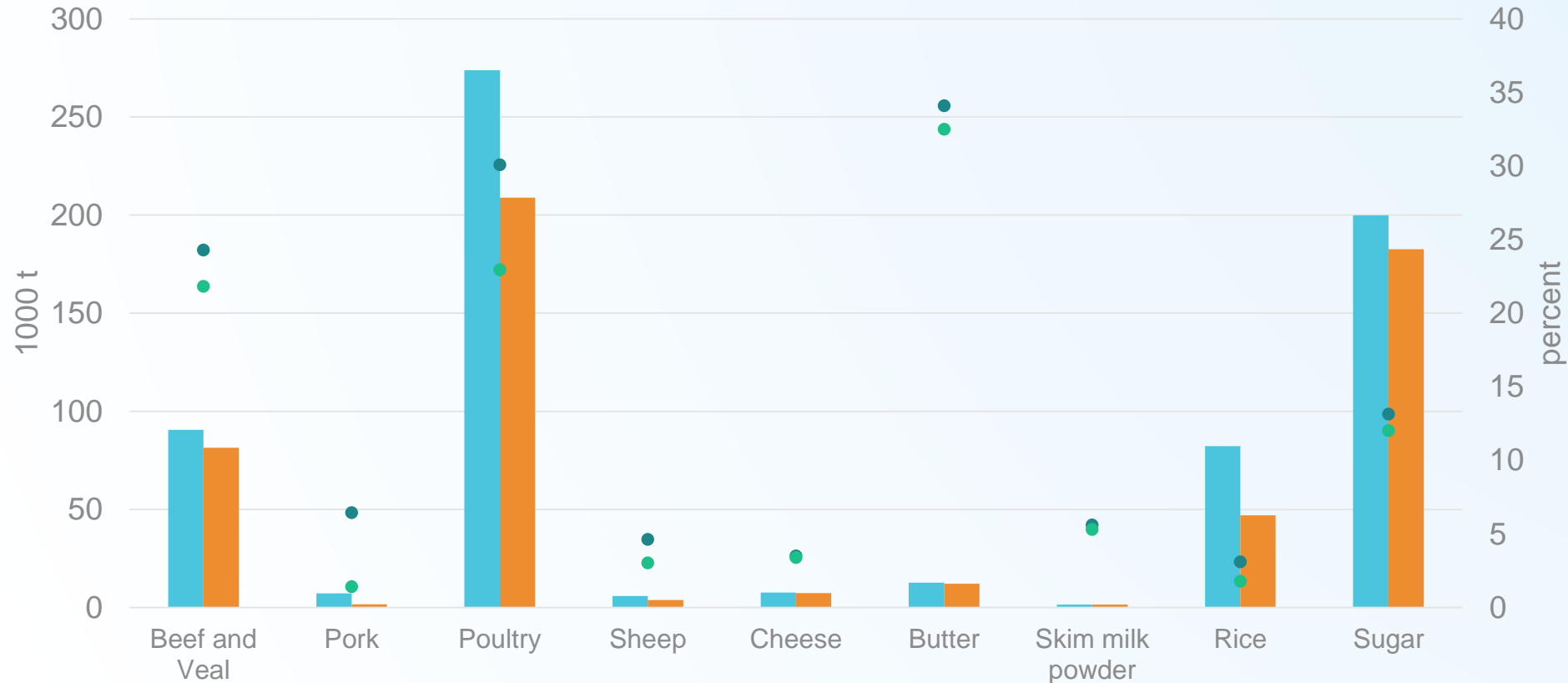
Change in EU exports of agri-food products  
Trade scenarios compared to the baseline in 2032



- Ambitious scenario VOLUME change, LEFT axis
- Conservative scenario VOLUME change, LEFT axis
- Ambitious scenario % change, RIGHT axis
- Conservative scenario % change, RIGHT axis

# Same as export, EU imports are also expected to increase in 2032

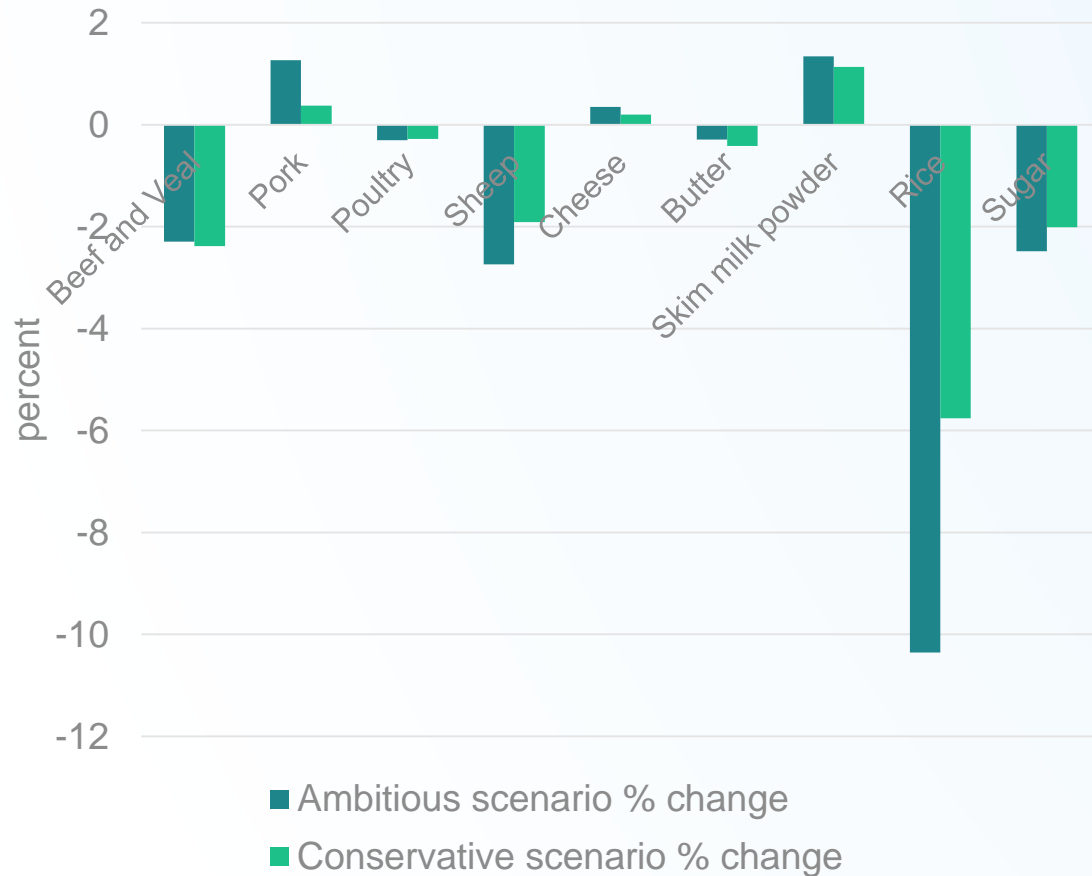
Change in EU imports of agri-food products  
Trade scenarios compared to the baseline in 2032



- Ambitious scenario VOLUME change, LEFT axis
- Conservative scenario VOLUME change, LEFT axis
- Ambitious scenario % change, RIGHT axis
- Conservative scenario % change, RIGHT axis

# EU producer prices and production

Change in EU prices of agri-food products  
Trade scenarios compared to the baseline in 2032



Change in EU production of agri-food products  
Trade scenarios compared to the baseline in 2032

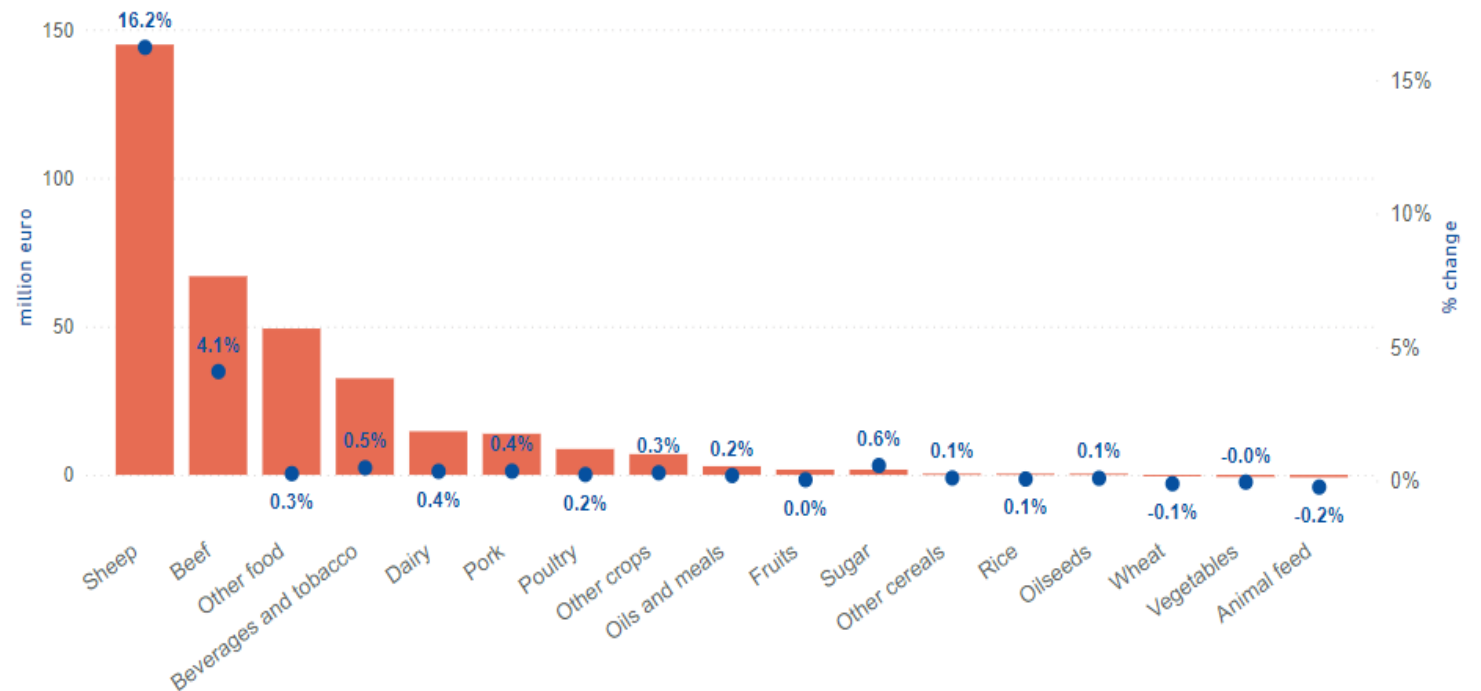


# Sensitivity analysis: The UK recently adopted new FTAs. Could impact EU agri-food markets?

- UK FTAs (mostly full liberalisation) with Australia, New Zealand, and CPTPP (Canada, Chile, Mexico, Vietnam and Malaysia).
- Three additional scenarios:
  1. Baseline + UK FTAs
  2. Ambitious + UK FTAs
  3. Conservative + UK FTAs

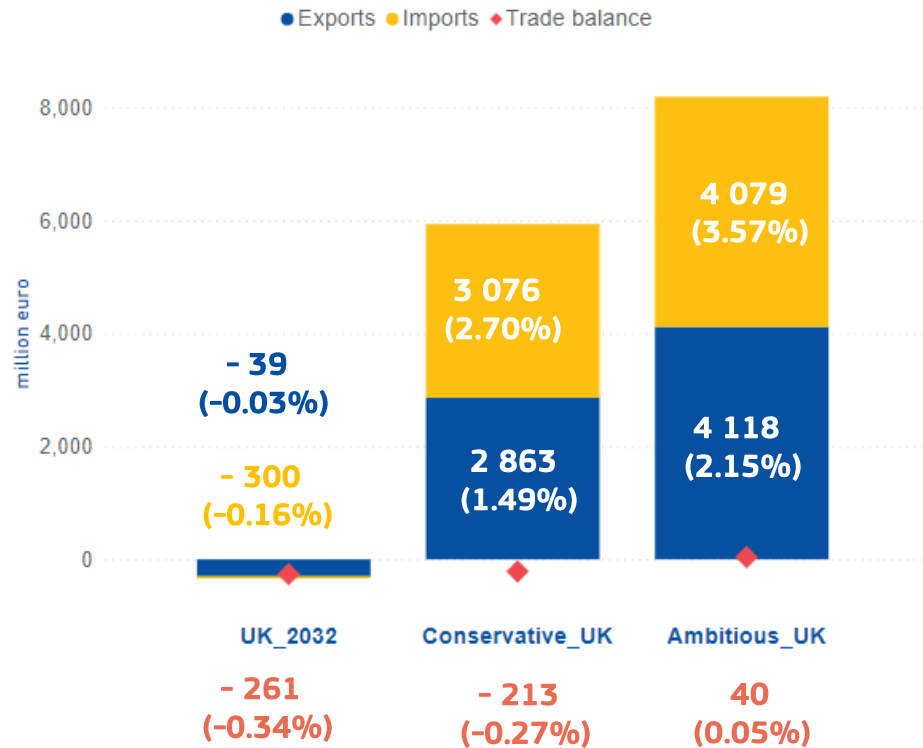
## UK imports by commodity in 2032

Change in UK's import compared to the baseline, 2032

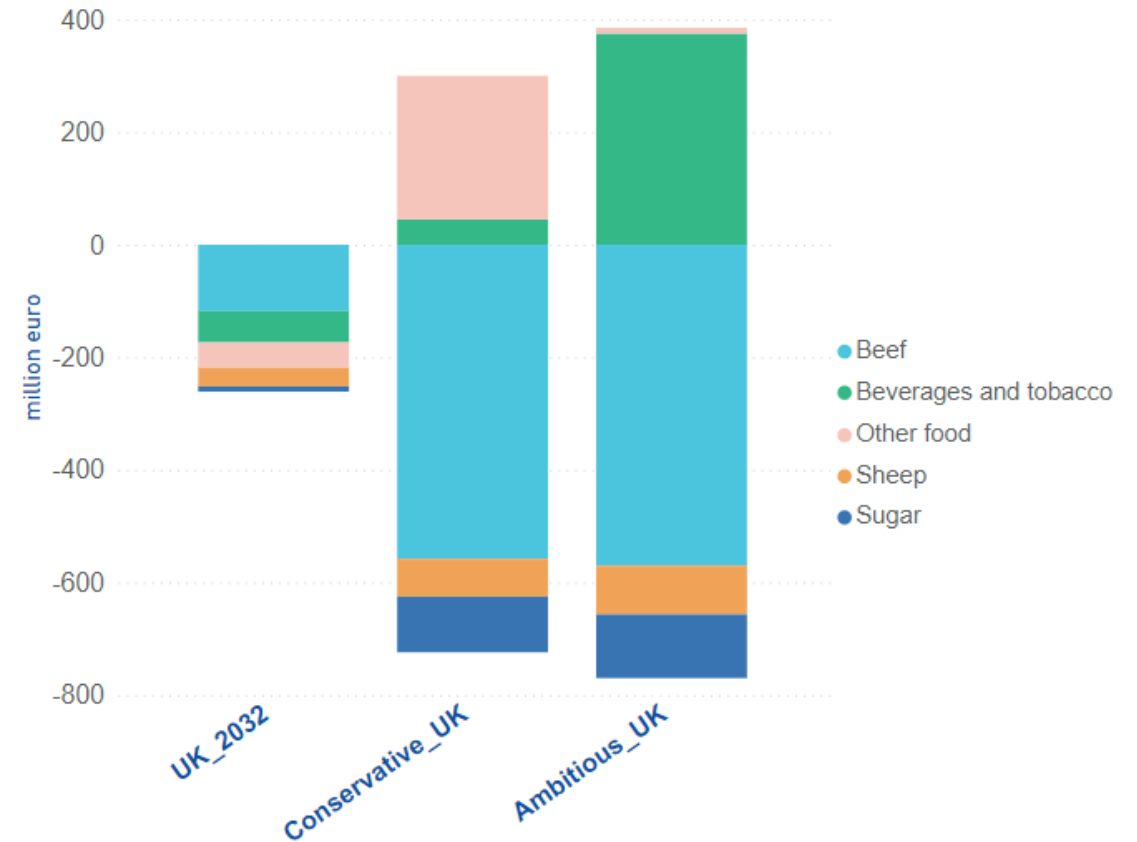


# The overall impact of UK trade policies on the EU depends on the EU trade agenda

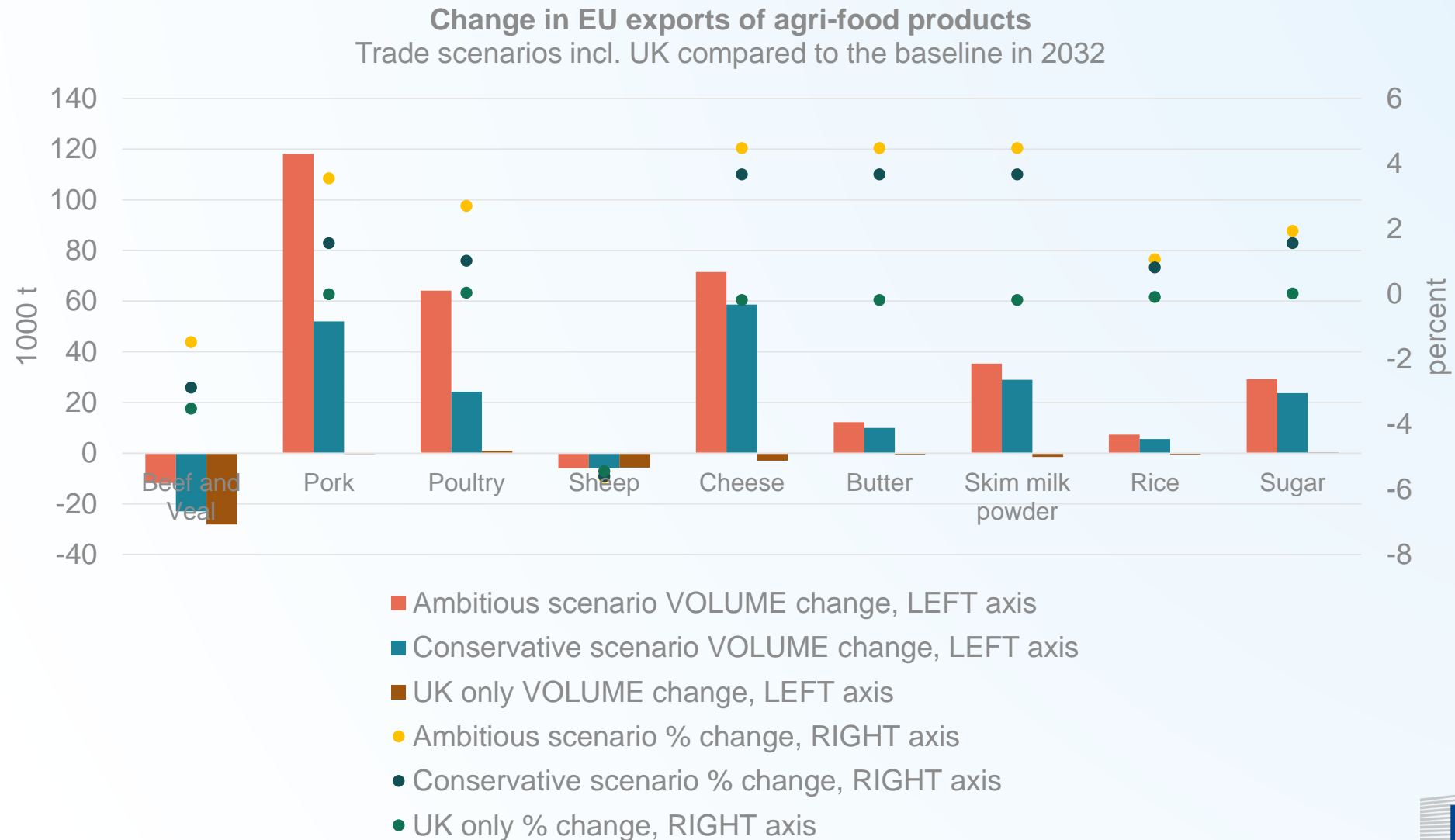
Change in the EU's agri-food trade per scenario compared to the baseline, 2032



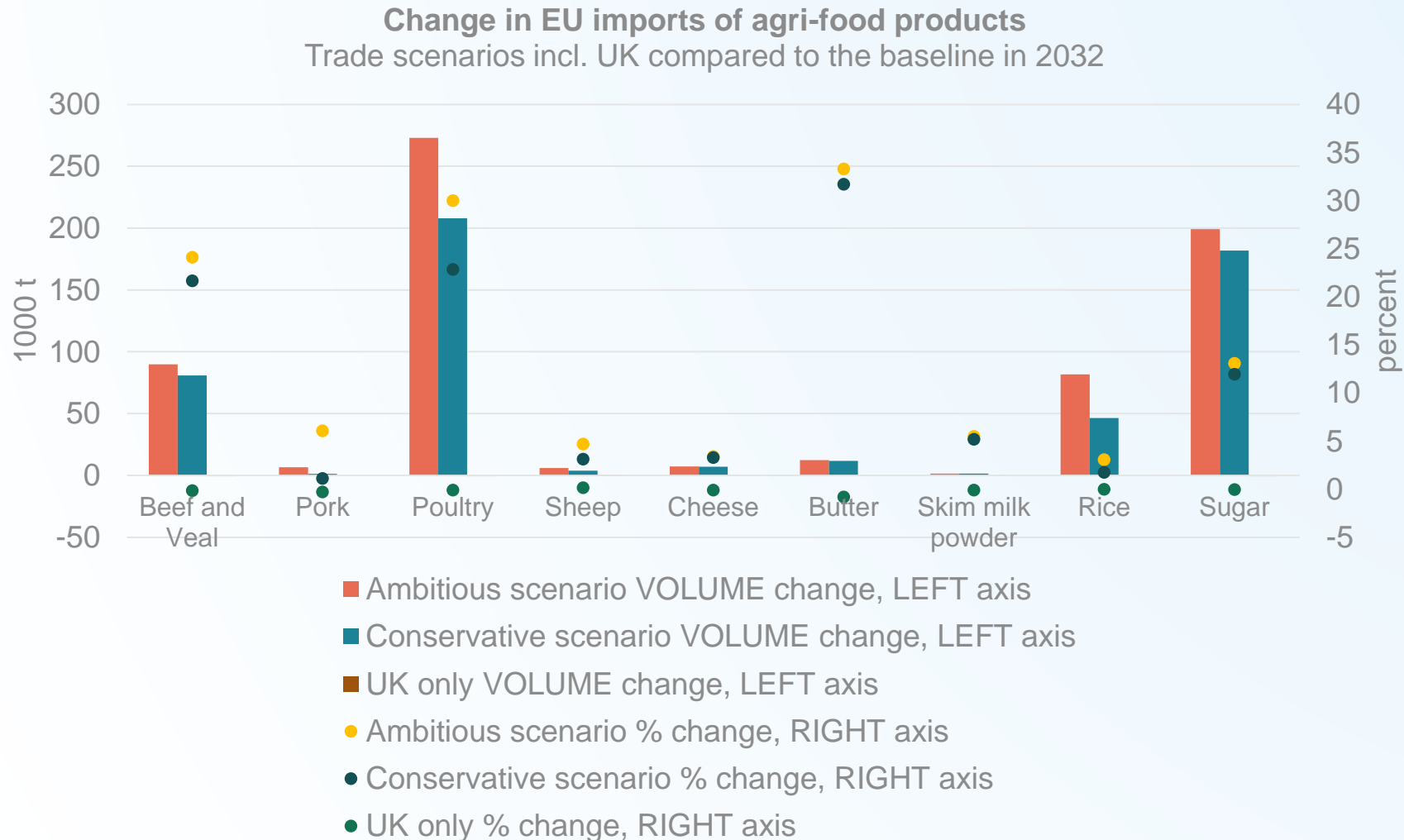
Change in the EU's agri-food trade balance per scenario and per selected commodity compared to the baseline, 2032



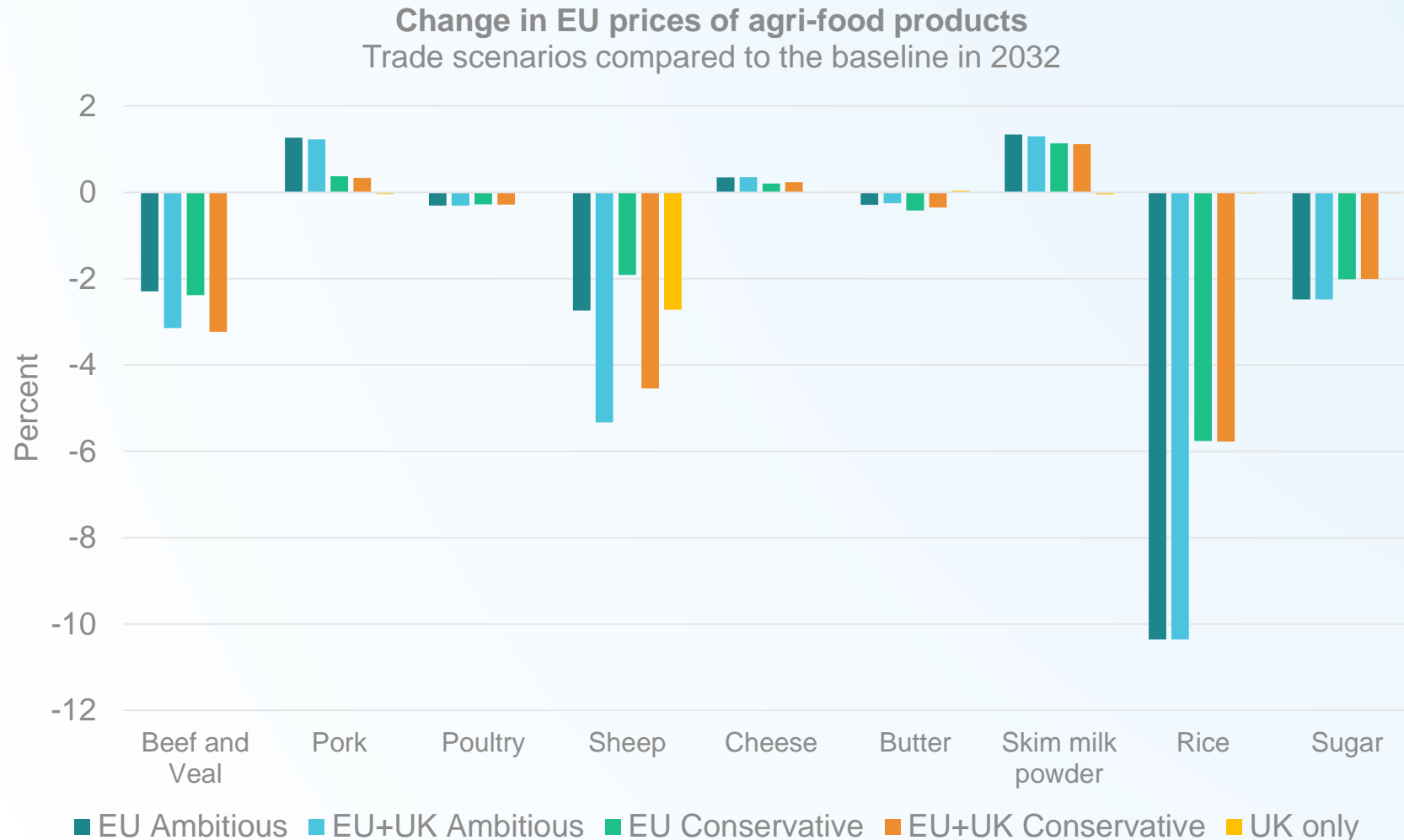
# For some commodities, the UK trade agenda reduces EU market shares



# Sensitivity analysis II: EU imports with UK FTAs



# Sensitivity analysis III: Comparison of EU price impacts across all scenarios



# Further results on DataM



[https://datam.jrc.ec.europa.eu/datam/mashup/FTA\\_2024](https://datam.jrc.ec.europa.eu/datam/mashup/FTA_2024)



# Conclusions

# Conclusions

As in the previous study, results confirms that the EU agrifood sector can benefit from trade liberalization.

Results justify the approach taken by the Commission for the agricultural chapters in trade negotiations.

TRQs are an appropriate tool to balance market access for sensitive products while limiting negative impacts on the sector concerned.

Key offensive FTAs (Japan and Canada) now in baseline so results look less positive than in 2021.

UK trade agenda (very limited) negative impacts on EU exports.

# Main caveats ...

- Future EU-Ukraine relationship not reflected.
- Lack of NTMs
- Green Deal / Farm to Fork / Biodiversity Strategy not implemented.
- EU aggregated results, not considering national or regional disaggregation.
- Detailed impact for only the main agricultural sectors.

# Future research and BATModel

- Additional research on non-tariff trade barriers (e.g., NTMs, sanitary and phytosanitary measures) and impact of protecting Geographical Indications.
- Sustainability aspects of FTA (land use and change, water, health, jobs, ...) at EU and subnational level.
- More detailed analysis of social impacts of FTA (welfare, non-ag sectors).