

Impacts of EU - Trade Agreements: Which liberalization path is already decided and what can we expect in the future?

Janine Pelikan^{*}, Florian Freund und Tatjana Döbeling

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* Janine Pelikan, Thünen-Institute of Market Analysis, Bundesallee 63, 38116 Braunschweig, E-Mail: janine.pelikan@thuenen.de

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Introduction

The number of trade agreements has risen strongly over the last years. Today we have nearly 300 regional trade agreements (RTAs) notified at the WTO. Additionally, there are large plurilateral agreements under negotiation. To get a deeper understanding of the impact of RTAs, it is necessary to analyse trade on a high level of detail. Liberalisation in line with RTAs covers a huge cross section of goods and is typically not realized within a single moment but is phased-in over a rather long implementation period. Countries are often engaged in a web of different trade agreements with varying and overlapping implementation periods. Additionally, in the agricultural sector Tariff Rate Quotas (TRQs) are part of some trade agreements. During the implementation period these quotas are expanded, thus creating another layer of complexity. With this paper we shed some light into the jungle of trade agreements and show to what extent existing trade agreements influence the outcome of new agreements. The regional focus of our analysis is on the EU. We address the question to what extent existing trade agreements influence the outcome of new agreements and examine the importance of considering existing trade agreements in baselines.

Boulanger et al. (2016) conducted a first study for the EU that analysis the joint effect of different trade negotiations simultaneously for the agricultural sector. While this study mainly focuses on future trade agreements our study focuses on existing trade agreements that will be implemented in the coming years. To consider global trade dynamics in our baseline we built a database for 17 trade agreements of the EU. All these agreements have implementation periods beyond the base year 2011 of the underlying GTAP9 database. Protection data is updated to the year 2027 with reciprocal and annual tariff information at the HS 6 digit tariff line level. We take into account a wide range of products covering all the tariff reductions on agricultural and industrial products mentioned in the contracts. This data is aggregated with the TASTE software and included into MAGNET (Modular Applied General Equilibrium Tool), a global computable general equilibrium model which is based on the GTAP model and database.

We run a baseline scenario and present the cumulative impact of 15 already decided trade agreements of the EU that will be implemented within the next years. Complementing this analysis two recently concluded agreements namely the Comprehensive Economic and Trade Agreement (CETA) between the EU und Canada and the Free Trade agreement with Japan are analysed in more detail. In the CETA agreement the consideration of TRQs is of special importance – particularly for the expected future export flows of dairy products from the EU to Canada.

In order to take a closer look at this aspect, we supplement the paper with a methodological part on the TRQs. The literature provides basically three approaches to consider TRQs. One approach applied by Elbeheri and Pearson (2000) and Lips (2002) considers TRQs at the aggregated product level of the GTAP model. This method has the advantage that quota rents can be considered in the model. The problem with this method is that TRQs are

defined at the tariff line level while the aggregated tariff of the model sector often consists of tariff lines with different TRQs and also without TRQs. Thus, individual TRQs need to be aggregated to a sector-wide TRQ and in and out of quota tariff rates needs to be defined.

A second approach combines detailed partial equilibrium models with CGE models to take different tariff structures within sectors into account (Grant et al, 2009): The third approach is based on the marginal tariff in the database. This approach is applied in the MAcMap database to build the GTAP protection structure (Guimbard et al, 2012). Here, information on the TRQ fill rates is used, that is, the relationship between the observed imports and the in quota quantity. Quota rents in the model are not considered here. Building on the second and the third approach we develop and compare different aggregation methods to find an aggregated sectoral tariff rate for our CGE-model that represents the protection level after the implementation of new tariff rate quotas.

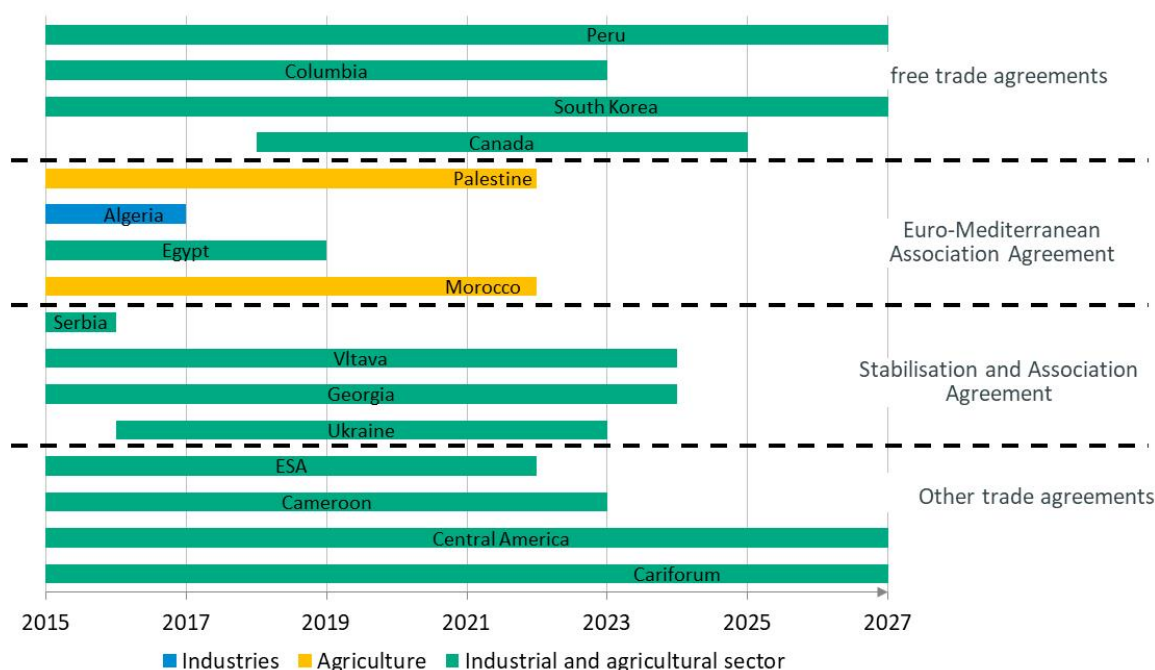
In summary: The aim of this paper is twofold. On the one hand we get in a little deeper in the methodology of implementing TRQs in baselines. On the other hand we address the question: To what extent do existing trade agreements influence the outcome of new agreements? Here, the focus is on the EU and its most recent trade agreements, namely CETA and the free trade agreement with Japan.

Data

Trade Policy Framework

Currently, some 300 trade agreements have been notified to the WTO worldwide (WTO, 2017). New agreements are concluded each year. Both the number and complexity of such agreements have risen sharply in recent years. Our analysis covers the trade policy framework under which German and European agricultural products are traded. Bilateral import tariffs for the year 2011 will be taken into account for 236 countries. This covers most regional and preferential trade agreements. Based on this data base, the trade agreements for the EU and its trading partners will be updated until 2027. Figure 2.6 shows the agreements that are successively implemented in this baseline. Import duties for agricultural and industrial products are considered.

Figure 1: EU trade agreements taken into account in our baseline 2017 - 2027



Comparison of trade agreements

Discussion

Literature

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