



European
Commission



Publication: 2024

MONITORING AGRI TRADE POLICY

Thematic analysis:

Evolution of EU agri-food trade flows following the implementation of trade agreements

Agriculture
and Rural
Development

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EDITORIAL

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Data source: ITC MacMap and TradeDataMonitor.

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Please cite this publication as: EC (2024),
Monitoring agri trade policy. Thematic analysis:
Evolution of EU agri-food trade flows following the
implementation of trade agreements. European
Commission, DG Agriculture and Rural
Development, Brussels.

NOTE TO THE READER

This study aims at **monitoring the evolution of EU agri-food trade flows with free trade agreement (FTA) partners** after an agreement is implemented, with a detailed look based on the type of market access granted. It can inform on the evolutions of trade flows (or lack thereof) that can be potentially associated to the implementation of FTAs. However, this study **is not an impact assessment of FTAs**. It should be used with caution to draw conclusion on the impact of these FTAs on trade flows, as it **does not allow to prove any causal relation between trade flows and the type of market access granted** under these FTAs.

This study uses a more **descriptive approach** to monitor the evolution of trade flows following FTA's implementation. It links **data on the market access** granted by each agreement with the actual **evolution of trade flows**, at a detailed product level. This allows to look at the evolution of bilateral agri-food trade between FTA partners, depending on the type of products and the type of market granted under each FTA.

HIGHLIGHTS

MAIN MESSAGES

- On the two FTAs studied, the study shows a clear increase of bilateral agri-food trade for products that are granted a preferential access, either through duty free or preferential tariff access or through tariff rate quotas.
- European and Canadian exports grew in comparable proportion following the implementation of the CETA.
- The progression of EU exports to Japan appears moderate since the entry into force of the EPA. However, some tariff protections are yet to be lifted as the implementation period is still ongoing, which could signal a larger potential.

IN DETAILS

- EU export shares to **Canada** have increased across most product classes for products that were granted preferential access in the CETA and resulted in an estimated growth of EUR 400 million in EU exports.
- Results also indicate a significant increase of Canada's market share in EU imports for products that were granted preferential access to the EU under the CETA, resulting in a growth of EUR 251 million in Canadian exports. However, the growth in export value is smaller as most of Canadian exports to the EU consist of arable crops, which were already liberalised before the CETA.
- EU exports to **Japan** have grown by an estimated EUR 267 million for products which gained preferential access with the EPA. The analysis shows an increase of the EU market share for wine, beverages and food preparations, animal products (except pigmeat) and arable crops and plant-based products.
- Japan's exports to the EU of products granted a preferential treatment by the EPA have increased by an estimated EUR 95 million, continuing a trend that started before the agreement. Japanese exports to the EU however remain a much lower level than EU exports to Japan.

INTRODUCTION

AIM OF THIS STUDY

Over the years, the EU has developed a network of 42 preferential trade agreements, which covers 74 countries and more than 45% of the EU's external trade. These agreements support the development of EU agricultural sector by opening new export markets, contributing to job creation and value-added. On the other hand, free-trade agreements may also expose the Parties' sensitive sectors to increased import competition, which can increase their vulnerability. In such cases, Parties to the agreements opt for an exclusion or limited liberalisation and access through tariff rate quotas.

The EU analyses the potential impacts of FTAs through impact assessments and sustainability impact assessments ahead of their negotiation, informing on their opportunities and potential risks for the EU economy, as well as other environmental and social impacts. More specifically on agriculture, the EU has published three studies analysing the cumulated economic impacts of upcoming free trade agreements on EU agriculture. These ex-ante analyses only provide information on the expected impacts of FTAs.

It is also important to monitor the implementation of FTAs following their entry into force and monitor possible unintended effects. For this purpose, the European Commission publishes every year a report on the implementation and enforcement of the EU trade policy and undertake ex-post evaluations of FTAs a few years after their entry into force. However, these studies provide limited details on the specific impacts on agri-food trade flows or use sophisticated methods to disentangle the impacts of FTAs that can't be replicated on a regular basis.

This study therefore aims at providing a methodology to easily monitor the evolution of agri-food trade flows with FTA partners, at a detailed level. It combines data on EU trade flows and market access, to identify trends across products depending on the preferential market access granted. Two trade agreements signed by the EU in the past decade are analysed in this study: the Comprehensive Economic and Trade Agreement (CETA) with Canada (provisionally applied since 2017) and the Economic Partnership Agreement (EPA) with Japan (2019). Trade flows from 2012 to 2023 are analysed to monitor changes in trade flows following the entry into force of FTAs.

For each agreement studied, this report presents the composition of agri-food bilateral trade by type of preferential access granted by both the EU and its partners. It describes the general evolution of agri-food trade following the entry into force of each FTA. Finally, it provides a detailed look at the evolution of EU exports and imports following the entry into force of the FTAs analysed, across classes of agri-food products and types of preferential access granted.

METHODOLOGICAL APPROACH AND CHALLENGES

The assessment of the impacts of FTAs' implementation on the evolution of trade flows raises methodological challenges. Indeed, beyond changes in tariffs and border protections, trade flows can be affected by an array of other factors such as shocks in production and consumption in importing and exporting countries, changes in the relative competitiveness of different trade partners, as well as changes in logistic routes, supply chains organisation or geopolitical events. This makes it especially difficult to disentangle the impact of FTAs from other market and external factors that may explain the evolution of trade flows.

Modelling approaches can provide an ex-ante assessment of the potential impacts of FTAs or can simulate counterfactual scenarios to isolate the potential effects of FTAs on trade flows. Increasingly sophisticated econometrical approaches have been developed to assess ex-post impacts of FTAs on trade flows and to disentangle them from other factors. However, these methods are complex to implement, requiring a large amount of data, and provide results at an aggregated level.

This study therefore uses a more descriptive approach to monitor the evolution of trade flows following FTA's implementation. It links data on the preferential access granted by each agreement, with the actual evolution of trade flows, at a detailed product level. This allows to look at the evolution of bilateral agri-food trade between FTA partners, depending on the type of products and the type of market access granted under each FTA.

As a first step, this study classifies every product at the 6-digit level, depending on the type of market access granted by trade partners. Table 1 presents the categorization of preference types depending on the market access granted by importers under each trade agreements. This classification is based on data from the International Trade Center Market Access Map database¹ on applied tariffs ad-valorem equivalents (AVEs) of FTA partners in 2021 and information on tariff rate quotas (TRQs) from each agreement.

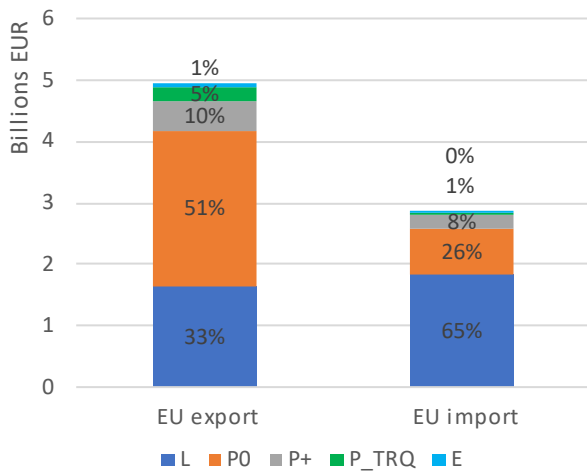
Table 1 Categorization of product lines based on the type of preferential market access applied

Preference type		Criteria
L: Liberalised under the general regime (MFN)		MFN tariff AVE=0
P: Preferential access under the FTA	PO: Liberalised under the FTA	MFN tariff AVE>0 and Preferential tariff AVE=0
	P+: Preferential access but with a positive tariff	MFN AVE>Preferential AVE>0
	P_TRQ: Preferential access under a TRQ	Products with a tariff rate quota and no preferential tariff (MFN AVE=Pref. AVE>0)
E: No preferential access, lines excluded from the FTA		No preferential tariff and no TRQ (Pref AVE=MFN AVE>0)

This study then monitors the evolution of trade flows between FTA partners, using data on trade flows compiled via TradeDataMonitor. The analysis of trade flows looks at the evolution of market shares of each studied country in their partner's total import. These market shares are less sensitive than absolute trade values to other market factors, such as inflation and evolution of the total imports from the destination country. This allows to better identify potential changes in trade flows that can be linked to the implementation of the FTA. More information on the database used and the methodology of this study is available in Annex 1.

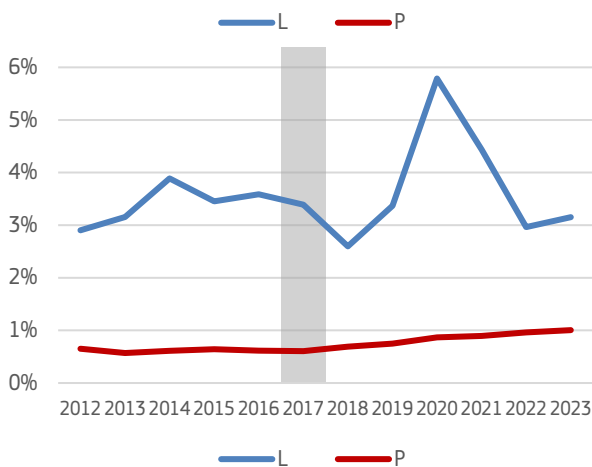
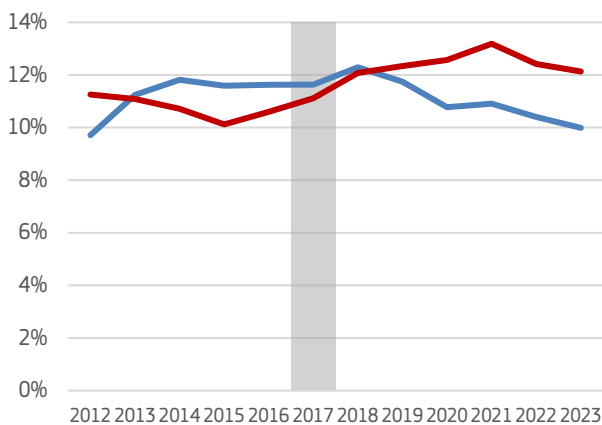
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¹ Market Access Map, International Trade Centre, www.macmap.org

EU-Canada trade in 2023 by preference type (in value and in %)



EU-CANADA CETA

Market share of the EU in Canada's imports, by preference type



The EU-Canada Comprehensive Economic and Trade Agreement (CETA) entered into force provisionally in September 2017. Its implementation is phased in over up to 8 years for the most sensitive products.

In 2023, the **EU had a positive agri-food trade balance with Canada**, with a surplus of EUR 2.1 billion. 33% of EU exports to Canada were already liberalised under the general regime (category L), while 51% have been liberalised by the CETA (PO). Most of the remainder enjoyed preferential tariffs (10% in P+) or was granted TRQs (5%). Only 1% was excluded from tariff reduction under the FTA (E). In 2023, most of EU imports from Canada were for products already liberalised under the general regime (65%), while most of the remainder was for products liberalised under the CETA (26%). EU imported a small share of products for which some protection remained after the FTA (9%), either in the form of a preferential tariff (8%), under TRQs (1%), or at MFN tariff (less than 1%).

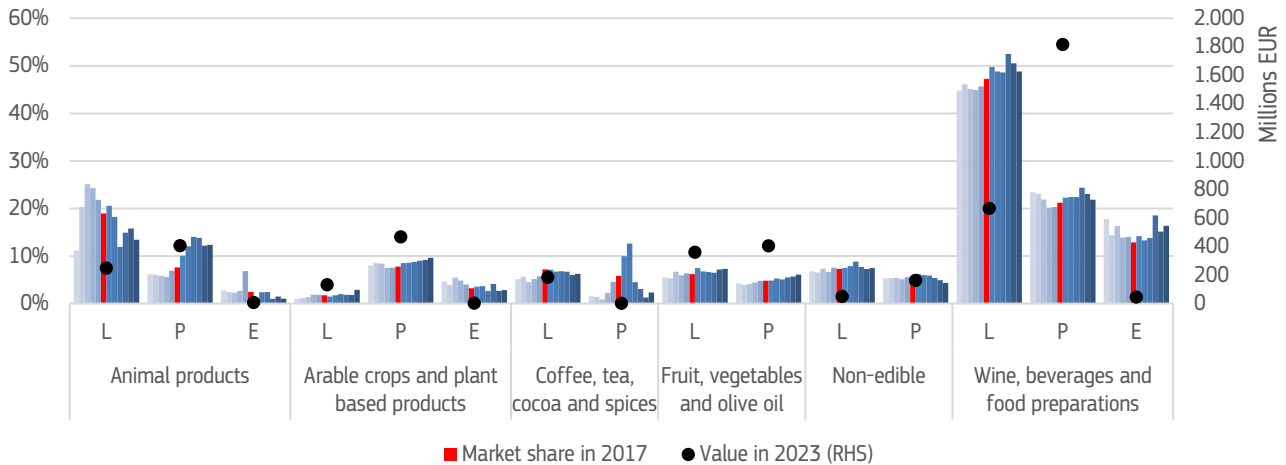
Since 2018, the market share of EU exports in Canadian imports for products already liberalised under the general regime (L) has shown a declining trend, from 12% to 10%. On the other hand, the EU market share has increased for products that were granted preferential tariffs by the CETA (P), from an average of 10.8% between 2012 and 2016 prior to CETA, to an average of 12.3% between 2017 and 2023. This is a 14% growth in market share for products with a preferential market access. It can be valued as an **increase of EUR 400 million of EU exports following the CETA²**, based on their value in 2023 (EUR 3.3 billion in category P).

Canada's market share for products that were granted preferential access (P) has grown from an average of 0.62% in the five years before CETA, to an average market share of 0.83% between 2017 and 2023. This 33% increase in market share can be valued as a **growth of EUR 251 million of Canadian exports** with preferred access to the EU following the CETA, based on their value in 2023 (EUR 1 billion in P). For products already liberalised under the general regime (L), the market share of Canada showed higher levels in 2020-2021, due to increased exports of cereals and oilseeds, but has since returned to its previous level.

² Estimated increase in export value = Value of exports in 2023 * (1 - Avg. Market share before FTA / Avg. Market share after FTA)

EU EXPORTS TO CANADA BY PRODUCT CLASS AND PREFERENCE TYPE

Evolution of EU market share in Canada's imports per product class and preference type (2012-2023)



Wine, beverages and food preparations was the product class with the largest EU export value to Canada in 2023 (EUR 2.5 billion). The EU market share in Canadian imports has been increasing for these products following the implementation of the CETA, both for product already liberalised (L) and the ones that were granted preferential access under the agreement (P). EU market shares increased for almost all products in this class, including wine and wine products, confectionery and chocolate, mixed food preparations and beer and other beverages. One exception is for exports of spirits and liqueurs, for which the EU has lost some market shares for products that were granted a duty-free access by the CETA, from 41% in 2016 to 31% in 2023. This could be explained by non-tariff barriers remaining for these products in Canada.

With regards to **animal products** exports, the market share of the EU in Canada's imports almost doubled for products that were granted preferential access by the CETA (P). In particular, the EU market share for dairy products that were granted a TRQ access by the CETA increased from 40% to above 50%, with an export value of EUR 274 million in 2023. EU market shares for pigmeat, beef, poultry and sheep and goat have also shown a strong progression. On the other hand, market shares for products that were already liberalised under Canada's general regime (L), or that were excluded from preferential treatment (E) have declined.

EU export market shares also increased for **arable crops and plant-based products** that were granted preferential access (P), from an average of 8% in the five years before CETA, to 8.8% between 2017 and 2023. On the other hand, exports of products that were already liberalised by Canada (L) or that had been excluded under the CETA (E) have not followed any consistent trend since the implementation of the CETA.

EU exports of **fruit, vegetables and olive oil** show a similar evolution, with an increase in market share for products with preferential access (P), as well as for those already liberalised.

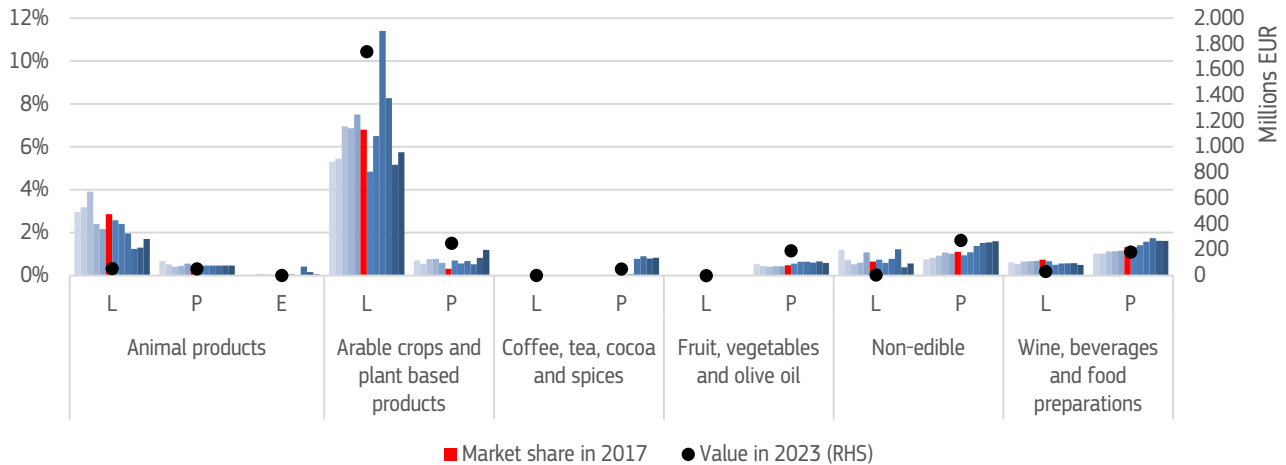
Exports of **coffee, tea, cocoa and spices** with a duty-free access to Canada under the general regime (L) show an increase in EU market share after the CETA. The evolution of EU market share is more chaotic for products with a preferential access (P), but the value of EU exports is small for these products.

For **non-edible products**, EU exports market share in Canada slightly grew for products whose access was duty free under the general regime (L). For products which had preferential access under the CETA, a small decline in market share appears overall. However, this is explained by reduced tobacco products exports, while it has increased for other products (pet food and forage crops, horticulture products).

These results indicate across most product classes, a **likely positive impact of the CETA on EU exports for products that were granted a preferential access**. Some products that were already exported duty free to Canada (L) may also have benefited from this strengthened trade relation, with an increase in EU market share for wine, beverages and food preparations, as well fruits and vegetables.

EU IMPORTS FROM CANADA BY PRODUCT CLASS AND PREFERENCE TYPE

Evolution of Canada market share in EU's imports per product class and preference type (2012-2023)



Canada's exports to the EU consist mainly of **arable crops and plant based products** which already have a duty free access under the general regime (value of EUR 1.7 billion in 2023 in preference type L, mostly in oilseeds and protein crops and cereals). Canada market share in EU imports of these products increased to 11% in 2020 but has since returned to its level prior to the CETA, around 5%. For arable crops and plant products that were granted a preferential access (P), the value of Canada's export to the EU is smaller and Canada's market share remained stable after 2016 compared to the previous years, with an increase in 2023.

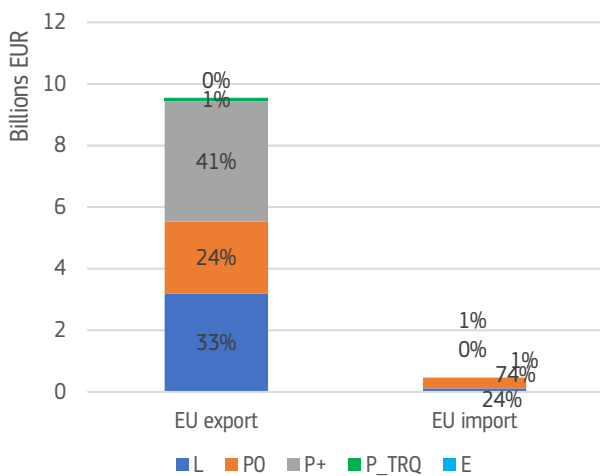
The value of EU imports of **animal products** from Canada is relatively small (EUR 107 million in 2023, mostly in bovine semen, hides and skins and other animal products). Canada's market share has been decreasing for animal products with an MFN duty free access. It remained stable for products with a preferential access to the EU (P). It can be noted that Canada's export of beef products that were granted a TRQ slightly grew, with a market share of 0.16% in EU imports in 2016 to 0.85% in 2023, after a peak at 1.1% in 2021. However, they are small in value (EUR 19.6 million in 2023), with a TRQ filling rate below 6% between 2020 and 2022. In the meantime, EU exports of beef and veal were worth EUR 69 million in 2023, including EUR 47 million which gained duty free access under CETA. Canadian exports of animal products that were not granted any preferential access to the EU market (only some poultry and eggs products are concerned) strongly decreased after 2016, although they showed an increase in 2021.

Other product classes showed an increase in the market share of Canada in EU imports for products that were granted preferential access by the CETA (P). This is the case for **wine, beverages and food preparations**, with in particular Canada's exports of confectionary and chocolate. For **non-edible products**, an increase of Canada's market share for products with a preferential access is also visible, with a noticeable increase of ethanol exports from 2020, up to EUR 69 million and 6% market share in 2023. The market share of Canada also increased for products with a preferential access in the **fruit, vegetables and olive oil class** and in the **coffee, tea, cocoa and spices** class, with a strong increase in cocoa imports from 2020. These product classes do not show a clear evolution of Canada exports to the EU for products already liberalised under the general regime (L), however, trade values are small in those classes under this preference type.

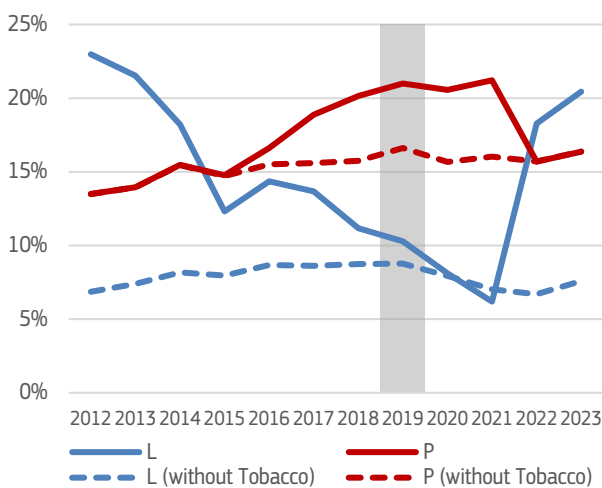
These results indicate a **significant increase of Canada's market share in EU imports for products that were granted a preferential access to the EU** under the CETA (P). However, export values are relatively small for these products, as most of Canadian exports to the EU consist of arable crops and plants products which already entered the EU duty free under the general regime.

EU-JAPAN EPA

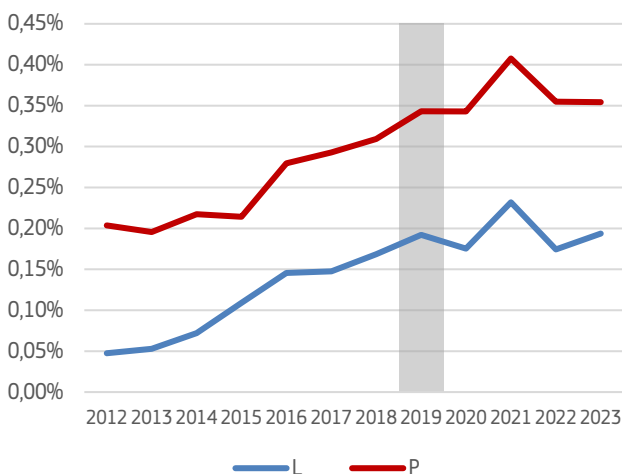
EU-Japan trade in 2023 by preference type (in value and in %)



Market share of the EU in Japan's imports, by preference type



Market share of Japan in EU's imports, by preference type



The EU-Japan Economic Partnership Agreement (EPA) entered into force in February 2019. Its implementation is phased in over up to 20 years for some of the most sensitive products.

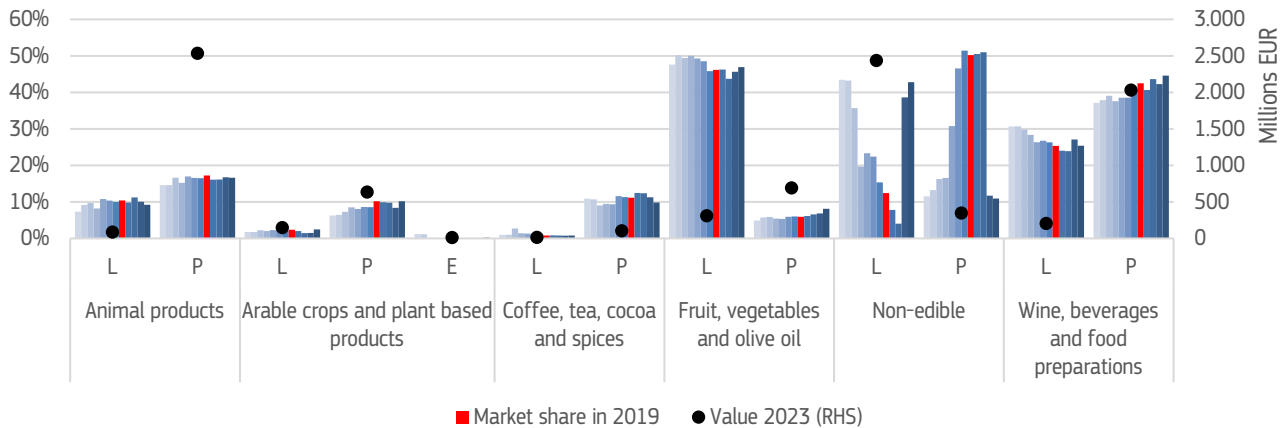
The EU is a large net exporter of agri-food products to Japan with a surplus of EUR 9.1 billion in 2023. EU exports reached EUR 9.5 billion, of which 33% were already liberalised under the general regime (category L) and 24% have been liberalised following the implementation of the EPA (category PO). A major part of EU exports (41%) enters Japan with a preferential tariff (P+). A limited part of the trade is subject to TRQs (1% - category P_TRQ) or still at MFN tariff (less than 1% - category E). In 2023, most of EU imports from Japan were products already liberalised under the general regime (24%) or products liberalised under the EPA (74%). Only 2% of EU imports had some form of protection remaining in 2023.

The market shares of EU exports in Japan by preference type is strongly driven by the classification of tobacco products exports data (EUR 2.3 billion in 2023), which showed high volatility between 2012 and 2023. Omitting tobacco products, the market share of EU exports that were granted a preferential access by the EPA (P) show a slight increase from an average of 15.4% between 2014 and 2018, to 16.1% in the years after the entry into force of the EPA. **This 4% growth in market share of EU agri food exports can be valued at EUR 267 million**, based on their value in 2023 (EUR 6.3 billion in P). In the meantime, the market share for non-tobacco products already liberalised (L) has declined from an average of 8.4% in the 5 years before the EPA, to 7.6% after.

The market share of Japanese agrifood exports to the EU had an increasing trend since 2012 both for products already liberalised and those that gained a preferential access with the EPA. Japan market share for products liberalised under the general regime (L) increased from 0.05% in 2012 to 0.19 in 2023. A similar trend was observed for products that were granted preferential access to the EU by the EPA (P). Their average market share in the five years before the EPA was 0.26% and increased to 0.36% in the five years after the EPA. This 37% growth can be valued as an **increase of EUR 95 million of imports from Japan** that gained a preferential access with the EPA, based on their value in 2023 (EUR 349 million in P).

EU EXPORTS TO JAPAN BY PRODUCT CLASS AND PREFERENCE TYPE

Evolution of EU market share in Japan's imports per product class and preference type (2012-2023)



Animal products was the product class with the second largest EU export value to Japan in 2023 (EUR 2.6 billion), with most of it benefitting from a preferential tariff under the EPA. EU market share in Japan's imports of these products has remained stable, at 16% for products with a preferential tariff. The EU market share for pigmeat exports (worth EUR 1.3 billion in 2023) has slightly declined after 2019. On the other hand, the market share for dairy product with a preferential tariff (EUR 633 million in 2023) has increased following the entry into force of the EPA, as well as those of other animal products, poultry and eggs and beef and veal.

For **wine, beverages and food preparations** that were granted a preferential access (P), EU export market shares also increased from an average market share of 39% in the 5-years before the EPA to 43% after, with an export value of EUR 2 billion, mainly in wine and wine-based products, for which a zero-tariff access was granted by the EPA. For those products that were already liberalised by Japan (L), the EU market share shows a downward trend over the period but represents a smaller value (EUR 203 million in 2023).

Regarding **fruit, vegetables and olive oil** products, the total value of EU exports in 2023 reached EUR 1 billion. More than half of those exports are in preparations of fruits, nuts and vegetable which gained a preferential access to Japan under the EPA (EUR 578 million in P in 2023). Their market share increased from a 5-year average of 11.7% before the EPA to 14.4% after. The market share of products traded under the general regime (L) amounted to 47% of Japan's imports in 2023 but slightly declined in recent years.

EU's market share has also increased for **arable crops** with a preferential tariff to Japan, from an average of 8.2% in the five years before the EPA, to 9.7% after, and a value of EUR 633 million, mainly in cereal preparations. The market share for products already liberalised (L, mainly in cereals), has slightly declined.

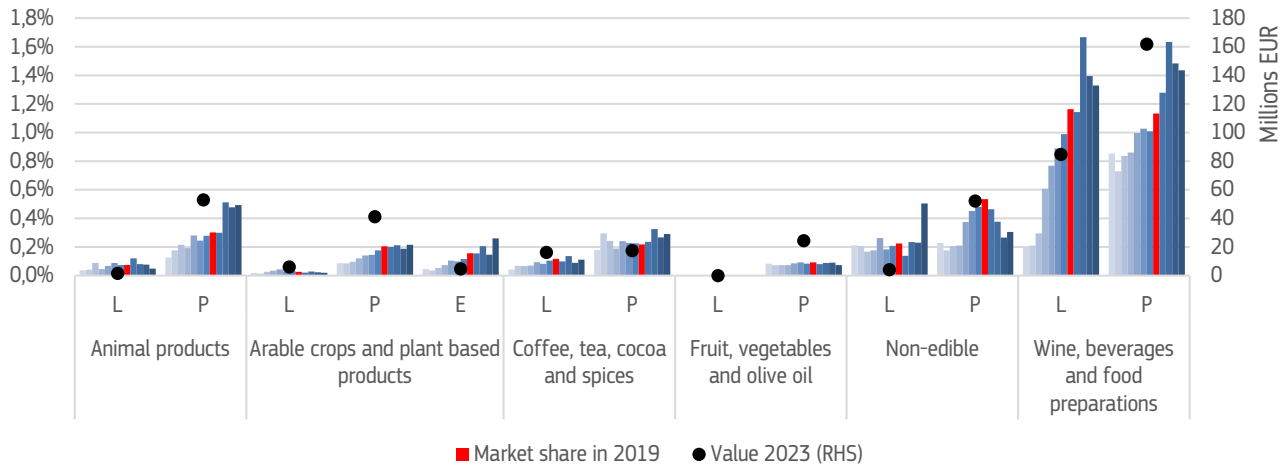
Exports of **non-edible products** represent the top EU export to Japan in value (EUR 2.8 billion in 2023) and showed a strong evolution across preference types. This reflects changes in the classification reported for EU exports of tobacco products, which showed large changes across tariff lines on the period studied.

Exports of **coffee, tea, cocoa and spices** to Japan remain small (EUR 116 million in 2023). They show a small increase of EU market share for those who were granted a preferential tariff under the EPA

This analysis **shows a small progression of EU market share in Japan's imports for products that gained a preferential access** under the EPA. The moderate size of this increase might be explained by the longer phase-in period of the EPA on Japanese imports, as well as the concurrent implementation of other large trade agreements by Japan, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and the agreement with the US, which may have increased Japanese imports from other countries in parallel. Still, **some products that were granted a preferential access to Japan (P) show an increase of the EU market share**, such as wine, beverages and food preparations, arable crops and plant-based products (esp. baked products) and animal products (except pigmeat).

EU IMPORTS FROM JAPAN BY PRODUCT CLASS AND PREFERENCE TYPE

Evolution of Japan market share in EU's imports per product class and preference type (2012-2023)



More than half of Japan's exports to the EU consists of **wine, beverages and food preparations** (EUR 246 million in 2023), of which two third have been granted a preferential access with the EPA, mostly in mixed food preparations. For these products, Japan's market share in EU imports increased over the whole period starting before the EPA, from 0.9% in 2012 to 1.4% in 2023. Similarly, Japan's market share for products already liberalised under the general regime increased over the period, from 0.2% in 2012 to 1.3% in 2023, reaching a value of EUR 85 million in 2023, almost all in spirits and liqueurs.

The value of EU imports of **non-edible products** from Japan is the second highest and reached EUR 56 million in 2023. For products with a preferential treatment under the EPA, Japan market share peaked at 0.53% in 2019, but decreased since, reaching 0.30% in 2023. These imports consist mainly of non-edible fats and oils. Japan's market share for products with an MFN duty-free access was stable around 0.2% until a peak at 0.5% in 2023, but their value remains small (EUR 4 million in 2023).

For **arable crops and plant-based products**, Japanese market share for products with a preferential access increased steadily over the period, including before the EPA, from 0.09% in 2012 to 0.22% in 2023, mainly due to increased imports of cereal preparations and milling products exports (EUR 31 million in 2023). The increase of the market share of Japan in EU imports of products for which MFN duties still apply (E) is a result of higher exports of rice into the EU (from EUR 289.000 in 2012 up to EUR 4.6 million in 2023).

Other product classes show an increase of the market share of Japan in EU imports for products that were granted preferential access by the EPA (P). This is particularly the case for **animal products** (mainly in beef and veal and wool grease).

These results indicate that the Japanese market share in EU agri-food imports, though limited compared to total EU imports, has increased over the whole period, starting before the entry into force of the EPA and without clear change of pace following its implementation. This could reflect closer ties between the EU and Japan already before the signing of the EPA.

CONCLUSION

This study proposed a methodology to monitor the evolution of agri-food trade flows between the EU and its partners following the implementation of free-trade agreements, with a differentiated look across products depending on the type of preferential access they are granted in FTAs.

On the two FTAs studied with Canada and Japan, it shows a **clear increase of bilateral trade for products that are granted a preferential access**, either through duty free or preferential tariff access or through tariff rate quotas. Such an evolution is generally not as visible for products that were already traded duty-free or that have been excluded from preferential access. These results seem to indicate an impact of FTAs on the trade of products that are granted preferential access. In some cases, increased trade in products that are already liberalised or that on the contrary were excluded from preferential access is also visible following FTA implementation. This could be explained by the development of closer trading ties following the signing of FTAs or by other trade facilitating measures linked to FTAs' implementation, such as reduced non-tariff measures and increased cooperation. On the other hand, in some cases, even the products that have been granted a preferential access do not show increased trade. This could be explained by other market reasons or by other non-tariffs measures that haven't been removed by the FTA.

The **EU-Canada** Comprehensive Economic and Trade Agreement (CETA) has been provisionally applied since 2017. The EU has a positive agri-food trade balance with Canada with a EUR 2.1 billion surplus. One third of EU exports to Canada were already liberalised under the general regime while the CETA liberalised another half and provided an access at a preferential tariff or under a TRQ for 16%. Most of Canadian's exports to the EU were already duty free (mostly arable crops), while the CETA provided a preferential access to another 26%. Both the market share of the EU in Canada's imports and of Canada in the EU's imports grew for products with a preferential access under the agreement. This resulted in an estimated **increase of EUR 400 million in EU exports** of products with a preferential access under CETA (in particular animal products and wine, beverages and food preparations) and **EUR 250 million in Canadian exports** (notably for ethanol and confectionary and chocolate).

The EU is a large net exporter of agri-food products to **Japan**, with which it has signed an Economic Partnership Agreement that entered into force in 2019. 33% of EU exports to Japan were already duty-free under the general regime, while the EPA liberalised another 24%. The remaining 42% of EU exports gained access at a preferential tariff after the entry into force of the EPA. The analysis in this report shows moderate progress as regards the market share of EU agri-food export to Japan from 2012 until 2023. Nonetheless, the analysis shows an increase of the EU market share for wine, beverages and food preparations, arable crops and plant-based products, and animal products, except pigmeat. The small growth of EU market share of products that gained a preferential access (excluding tobacco products) can be valued as an **additional EUR 267 million in EU exports**. This moderate progress in market share could be explained by the longer phase-in period of the agreement for Japanese imports, as well as the simultaneous implementation of other large trade agreements by Japan, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the agreement with the US, which may have increased Japanese imports from other countries in parallel. Japan's agri food exports to the EU, have shown a larger relative increase in market share but remain much smaller in value. Their progression can be valued as an **increase of EUR 62 million**. Japanese exports, albeit limited, were already showing an increasing trend before the implementation of the agreement. This may be the reflection of market trends or of a closer economic relation due to the negotiation and implementation of the agreement.

This study provides a tool to monitor the evolution of trade at a detailed level with FTA partners, through a descriptive approach linking data on trade flows and market access. The results from this study and from such approach should be interpreted with caution, as it does not allow to make any causal inference between trade flows and the implementation of FTAs without a more in-depth and robust analysis. It should not be seen as an

ex-post evaluation and cannot be used to conclude on the success or not of an agreement. However, it allows to identify potential impacts of FTAs, with significant development in trade flows, or lack thereof. This provides a **tool to monitor the good implementation of FTAs**, to monitor expected benefits and potential market disruptions associated. It provides a first set of indicators to support a fact-based discussion on the impacts of FTAs' implementation. It can help highlight potential points of attention that can then be further studied through a more sophisticated and focused analysis, with additional econometrics analysis, modelling and expert discussions.

ANNEX 1. DATA AND METHODOLOGY

CLASSIFICATION OF PRODUCTS

This study classifies products at the HS 6-digit level, on each pair of importer-exporters for the FTAs studied, depending on the level of tariff protection applied by the importing countries and the type of preferential market access granted under each agreement. To do so, data from the International Trade Center Market Access Map database³ is used. It provides ad-valorem equivalent (AVE) of tariffs both for Most Favoured Nation (MFN) applied tariffs and bilateral preferential tariffs between countries under each trade agreement, at the HS6 product line level. This study uses the latest available data which provides AVEs for the year 2021. This information on AVEs for MFN tariffs and preferential tariffs in 2021 is complemented by additional information on the existence of tariff rate quotas (TRQ) from each agreement examined.

This information is then used to classify agri-food product lines at the HS6 level for each pair of importer-exporter, based on the type of preferential access granted, as of 2021. The criteria presented in Table 1 are used to classify product lines in three main preference types according the information on AVEs and TRQs: (1 – Type L) products that importers have liberalised under their general regime, (2 – Type P) products that have a preferential market access under the FTA; and (3 – Type E) products that have been excluded from a preferential access under the FTA.

For products that have a preferential access (P), lines are also classified in sub-types to describe the type of preferential access granted: PO if imports have been liberalised by the FTA (preferential tariff equal to zero); P+ if a preferential tariff exists but it remains positive, and P_TRQ, if there is no preferential tariff but a TRQ is accessible under the agreement concerned.

Table 2 Classification of product lines based on the type of preferential market access applied

Preference type		Criteria
L: Liberalised under the general regime (MFN)		MFN tariff AVE=zero
P: Preferential access under the FTA	PO: Liberalised under the FTA	MFN AVE>0 and preferential tariff AVE (pref. AVE)=0
	P+: Preferential access but with a remaining tariff	pref.AVE<MFN AVE and pref. AVE>0
	P_TRQ: Preferential access under a TRQ	Lines for which a tariff rate quota exist and there is no preferential tariff (MFN AVE=Pref. AVE>0)
E: No preferential access, lines excluded from the FTA		No preferential tariff and .no TRQ: Pref AVE=MFN AVE>0

It should be noted that this classification provides a picture of the type of preferential market access granted to different products for each pair of exporter-importer based on the situation in 2021. Given that MFN tariffs can be changed every year and that preferential tariffs can evolve during the implementation period, the classification of one tariff lines could change if the information used to classify product lines was based on a different year. However, this reference year is posterior to the entry into force of the two FTAs studied. Therefore, it is used as an approximation to provide a broad overview on the level of preferential market access granted by the FTA at the end of the period studied. However, given that the phase-in period is still ongoing in 2021, some tariff lines may still have a tariff in 2021 and are classified in “P+” when they would be fully liberalised and classified in “PO” if a later year was used to make this classification.

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³ Market Access Map, International Trade Centre, www.macmap.org

This classification is kept the same for each product-importer-partner triad across the whole study. Keeping this classification stable enables to follow the evolution of trade for each product depending on the market access granted by the FTA. This enables to see if the trade flows on the product lines that are liberalised by the FTA have a different evolution, before and after the implementation of the FTAs.

In addition, it should be noted that because the products that are considered sensitive are not the same across countries, the classification is specific to each importer-exporter pair. A tariff line can be liberalised by the EU under an FTA (PO) for imports from one trade partner, but this partner may not grant the same access reciprocally and could have excluded this product from preferential access (E). Similarly, the EU may maintain protection on different sensitive products across different FTA partners. Therefore, the preference type of one product may be different for EU imports across different partners.

ANALYSIS OF TRADE FLOWS

Once products lines at the HS6 level have been classified by preference type, this study uses data on trade flows compiled by TradeDataMonitor to study the evolution of trade flows between the EU and its FTA partners studied across products and preferences. Yearly trade flow data are extracted at the HS6 level, in euros for the years 2012 to 2023. They are based on imports data reported by EuroStat, Statistics Canada and the Ministry of Finance and the Customs of Japan. Trade flows data and preference type classification are all converted to the 2012 revision of the HS6 classification to ensure continuity on the period studied. They are then matched for each triplet of exporter-importer-HS code.

This study focuses on the analysis of the evolution of countries' market shares in their FTA partner's imports, computed as the share of one country's imports from a given FTA partner in that country's total imports. Using the import market shares allows to study the evolution of trade flows between FTA countries, while controlling for several factors that might influence the absolute value of trade flows beyond FTAs implementation. Using market shares allows to control for the impact of inflation and for a general increase of imports from one of the studied countries, for example to compensate for a bad harvest. However, it doesn't allow to control for other factors that may influenced the value of trade flows, such as an increase of total exports from one country or for other market or political considerations that might influence trade flows.

The analysis is carried on market shares with products aggregated at the level of preference types, in order to monitor different trends based on the type of preferential access granted by FTAs. However, further product disaggregation, at the product class level, category level, or down to the HS6 level are also used to allow a more detailed analysis and to monitor for potentially different trends across products.

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