JEFTA: The Economic Partnership Agreement between the EU and Japan

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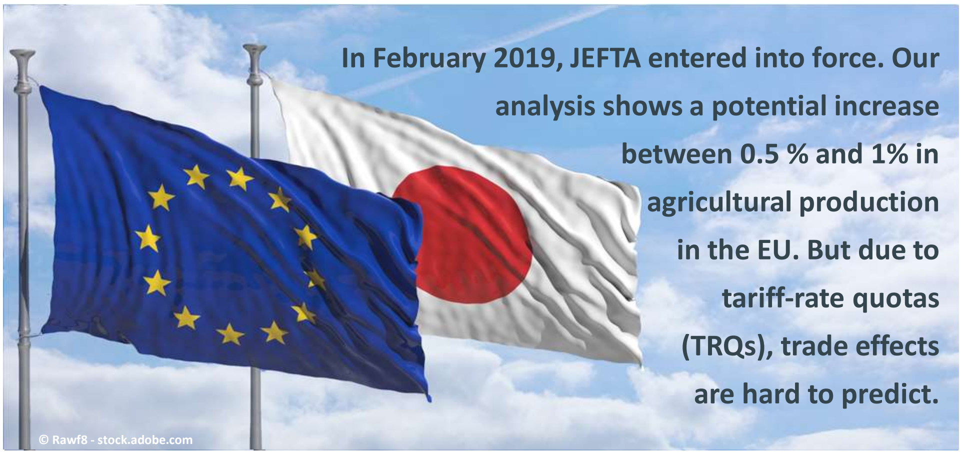

After China, Japan is the EU's second biggest trading partner in Asia. Mainly machinery, vehicles, optical and medical devices are traded.

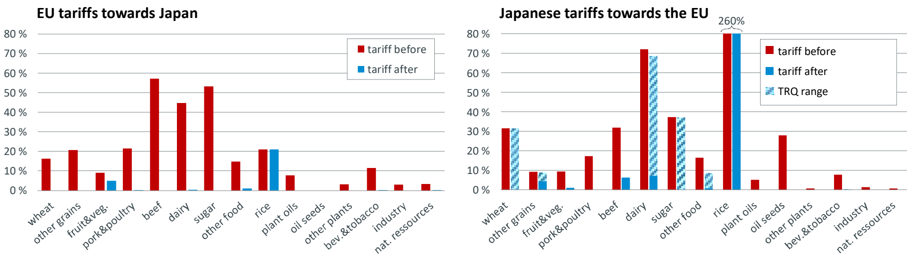

Fig. 1 and Fig. 2: Tariffs before and after the JEFTA agreement

Source: Own calculation; ad valorem equivalents, trade-weighted average, aggregated from the HS6 level.

On the European side, 99,2 % of the tariff lines are duty-free with JEFTA. On the Japanese side, it is 97,2 %. But Japan imposes tariff-rate quotas on several agricultural commodities.

Estimated trade balance and production changes

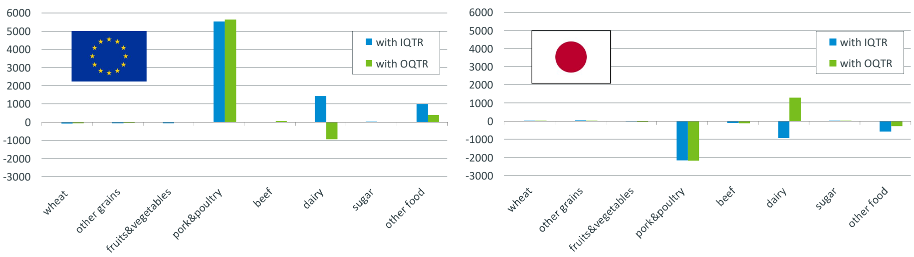

Fig. 4 and Fig. 5: Changes in trade balance in Mio. € after implementation of JEFTA

Source: Own calculation.

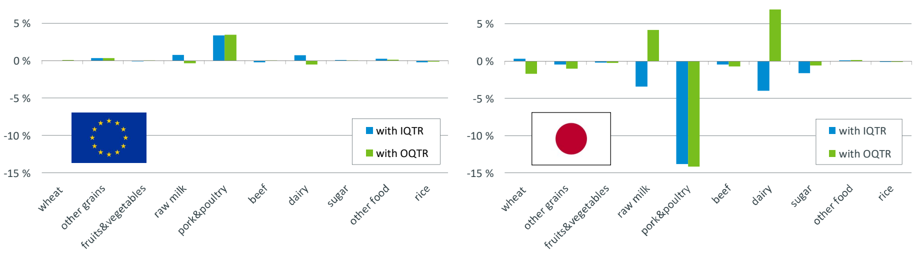

Fig. 6 and Fig. 7: Changes in production after implementation of JEFTA

Source: Own calculation.

The effect of TRQs

Tariff-rate quotas give access to markets by imposing a low tariff up to a certain quota quantity. Beyond that, a much higher tariff applies. In the case of JEFTA, Japan lays down very particular requirements towards the commodities eligible for quotas; e.g., peas have to be shelled and sugared.

Fig. 3: Trade volumes from the EU to Japan and tariff rate quota volume

Source: Own calculation; average of 2013-2015, CEPII BACI database, HS6 classification. The dark blue dot describes the German share.

Neither from the quota volumes (Fig. 3) nor from the requirements it becomes clear whether the quota access is sufficient or if additional trade outside the quotas will take place. Therefore, two scenarios are run: One with the in-quota tariff rate (IQTR) and one with the out-of-quota tariff rate (OQTR).

Takeaway

Pork exports increase at EU level

The European pork sector clearly benefits from the higher access to the Japanese market in both, exports (Fig. 4) and production (Fig. 6). This will affect countries such as Denmark and Spain the most.

Dairy quotas are crucial for Germany

For Germany, the dairy sector is potentially affected the most, but this strongly depends on the usage and sufficiency of the given quota volumes.

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