

EU tariffs on US sweet potatoes increase 25%

Source: <https://www.potatopro.com/news/2020/eu-tariffs-us-sweet-potatoes-increase-25>

Date of Article: 23rd November 2020

Date Written: 20th February 2021

Word count: 650

Section: International Economics

**Definition:**

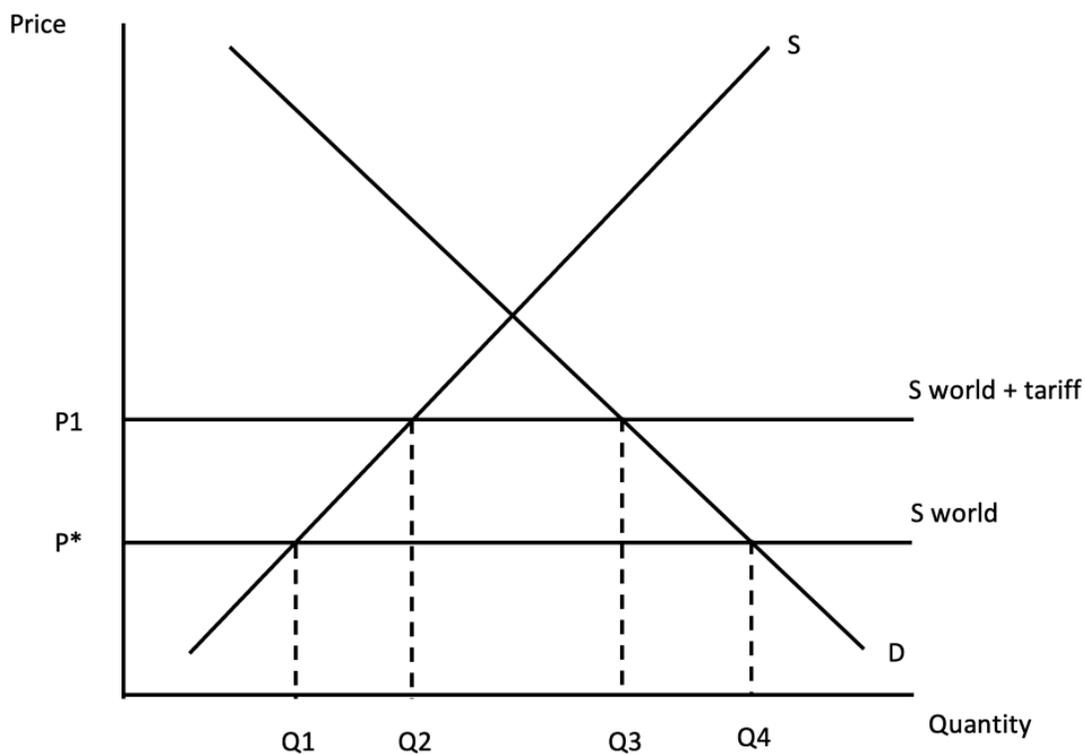
- **Europe Union** : The European Union has 27 member countries that allow free trade between each other and there are no control borders between each other.

- **World Trade Organization**: This is an international organization that keeps all of its members' trade laws up to date. Its main aim is to encourage free trade (lowering trade barriers) and keep the trade flow smoothly.

- **Tariffs**: a tax on imports from oversea which is used to control the imports and raise government revenue.

It is presented in the article that the European Union will impose tariffs on import good that comes from the United States which is sweet potatoes. A punishment for America from the World Trade Organization because of their illegal subsidy for Boeing. Furthermore, the American put tariffs on European products last year, according to an article published in the BBC, so that the EU put tariffs on America in return, but they continue to hope that the new government will settle the fight. In this article, we will figure out how the tariff impact on the sweet potatoes market.

**EU Potato Market**



As we see in the diagram above,  $P^*$  represents the price at which the world market price or the American producers is charging. Americans are able to produce a large amount of potatoes in a short amount of time with a smaller number of workers by utilizing developed technology. Additionally, transporting goods from America to Europe is cheaper than shipping items from Asia to Europe, despite China's position as one of the world's top importers of potatoes, the Europeans imports the most potatoes from the United States because of its high quality with a cheaper price. The EU also grow sweet potatoes, but its huge demand make them have to import it from oversea. At price  $P^*$  quantity demanded is  $Q_4$  and quantity supplied by European domestic producers is at  $Q_1$ . This leaves us with a quantity of imports  $Q_4 - Q_1$ . A tariff of size  $P_1 - P^*$  is introduced. As a result, demand starts contracting  $Q_4 \rightarrow Q_3$  and domestic supply extends  $Q_1 \rightarrow Q_2$ . At price  $P_1$  (which is  $P^* + \text{tariff}$ ) consumers demand  $Q_3$  and Europeans producers supply  $Q_2$ . So the imports decrease by a quantity of  $(Q_2 - Q_1) + (Q_4 - Q_3)$  from  $Q_4 - Q_1$  which is now are only  $Q_3 - Q_2$ .

In the short term, first of all, consumers have to pay more money because of the tax ( $P^*$  to  $P_1$ ), moreover, Thanksgiving and Christmas is coming so that if domestic producers cannot collect enough potatoes to supply the domestic supermarkets and customers, they would get potatoes from America anyway, so the one who lost money is European. Nevertheless, in the long term, American producers would lose a huge amount of customers because Europe Union is one of the most areas that consume potatoes significantly. To domestic producers, they would get both advantages and disadvantages during holidays. The tariff put on America makes European have advantage of the price so the quantity of potatoes provided for domestic would be increased, however, as I said above, during holidays, they have to import from America. For European governments, the government revenue would be increased so the governments are beneficial.

To America, the producers, in short term, the tariff would not hurt them a lot because holidays is coming and European would have to import potatoes from them anyway because they do not have enough for the demands around Europe.

Therefore, I believed that the producers might not export to Europe during holidays. On the other hand, long-term tariffs would hurt American producers because European play a vital role in consuming sweet potatoes from America. For customers they would not be hurt in both long-term and short-term because if the producers could not export, the price would drop. To the American government, I think that they should try to find a way to end the fight to support the American farmers.