



The impact of protectionism on the global fertilizer industry

A discussion of possible scenarios

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World is changing – Rising of populism

No comment...



Well, one comment only...

How politics can influence trade and chemicals



In recent times there has been a political wave calling for protectionism to support domestic industries.

“Protectionism in China is growing” -
German ambassador to mainland - CNBC

“Watching and waiting for Donald
Trump’s protectionism” - FT

“EU and Japan hit back at
protectionism with trade deal” - Politico

“Japan, China, South Korea pledge to resist protectionism,
taking stand against Trump rhetoric” - Reuters

Brexit: Withdrawing from the single
market without a trade deal would be
“the biggest single act of protectionism
in the history of the United Kingdom” -
George Osborne

**Australia-Indonesia free trade deal
will encounter protectionism –
The Sydney Morning Herald**

World is changing - Free trade advocates!



“Pursuing protectionism is just locking oneself at a dark room. While wind and rain may be kept outside so are light and air. None will emerge as a winner in a trade war!” Xi Jinping

Agenda

- **Protectionism – Political / economic background**
- **Ammonia and urea trade**
- **Implications of tariffs on producers' competitiveness**
- **Summary & conclusions**

Protectionism – Political / economic background

What actually is protectionism?

In economics, protectionism is a deliberate intend to restrict trade between states by imposing a range of different government policies.



How is protectionism implemented?

A variety of policies can be used to achieve protectionist goals:

- **Protection of technologies**
- **Prevent against foreign investors**
- **Tariffs**
- **Import quotas**
- **Administrative barriers**
- **Anti-dumping legislation**
- **Direct subsidies**
- **Export subsidies**
- **Exchange rate control**
- **Political campaigns advocating domestic consumption**
- **Preferential governmental spending**

Protectionism vs free trade – which is the rule which is the exception?

What are the general economic implications from protectionism?

There is a big debate amongst economists about the advantages / disadvantages from protectionist measures.

- Does it create / keep local jobs?
- Does it increase local investments or slow down efficiency?
- Does it increase the cost for consumers?
- Etc.

The reality is that protectionism is a wide spread economic measure and the fertilizer industry is also affected by it.

Fertilizer trade protectionism is not new..

“Ukraine imposes anti-dumping duty on Russian nitrogen fertilizer” – ICIS News 05/2017

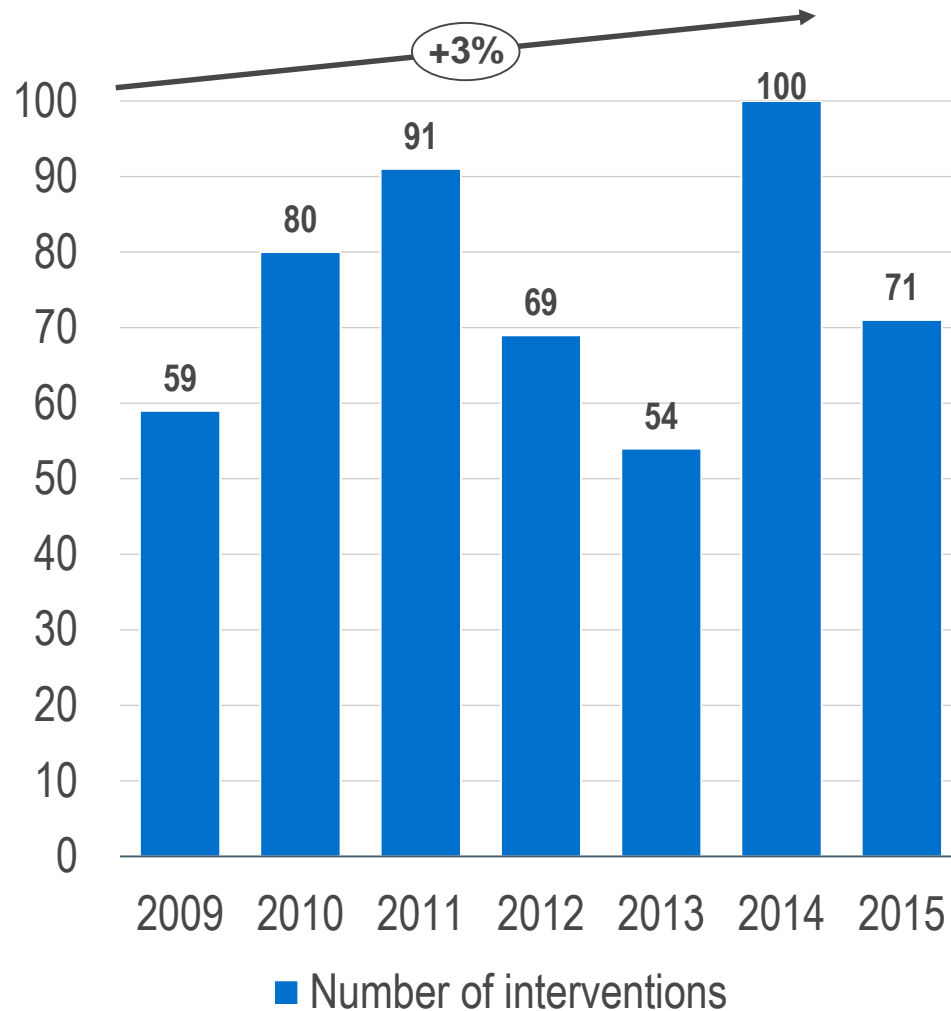
“EuroChem welcomes removal of antidumping duties on Russian urea and AN” (in the US) – World Fertilizer 01/2017

“China's urea tax reforms may spark global 'price war'” – Agrimoney.com (Societe Generale)

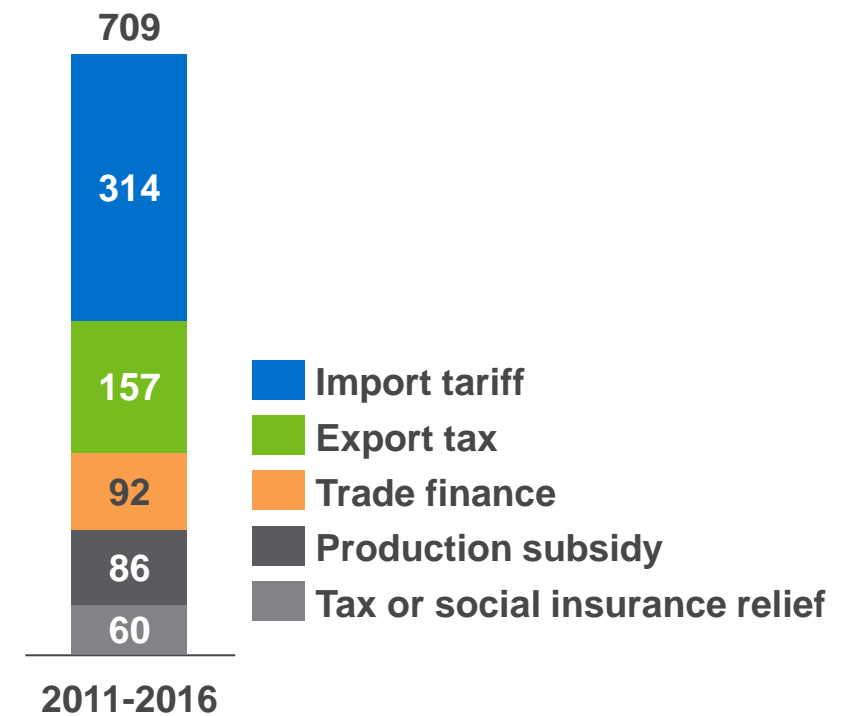
“Mexico Imposes Anti-Dumping Duties On Ammonium Sulfate” (US and China) – Tax News 10/2015

“Creed welcomes EU anti-dumping review on Russian fertilisers” – AgriLand 08/2017

Fertilizers protectionism interventions have been on the rise!



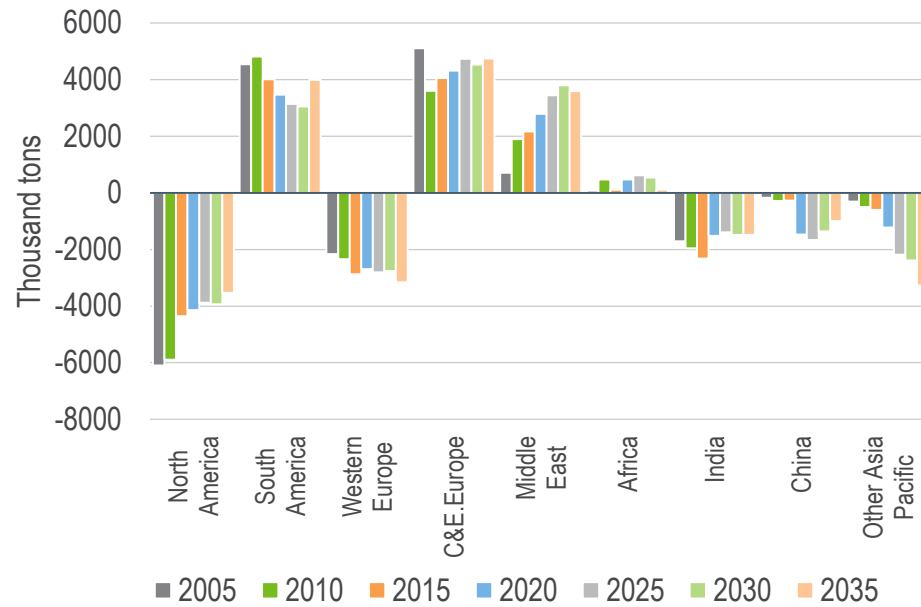
Source: Global Trade Alert



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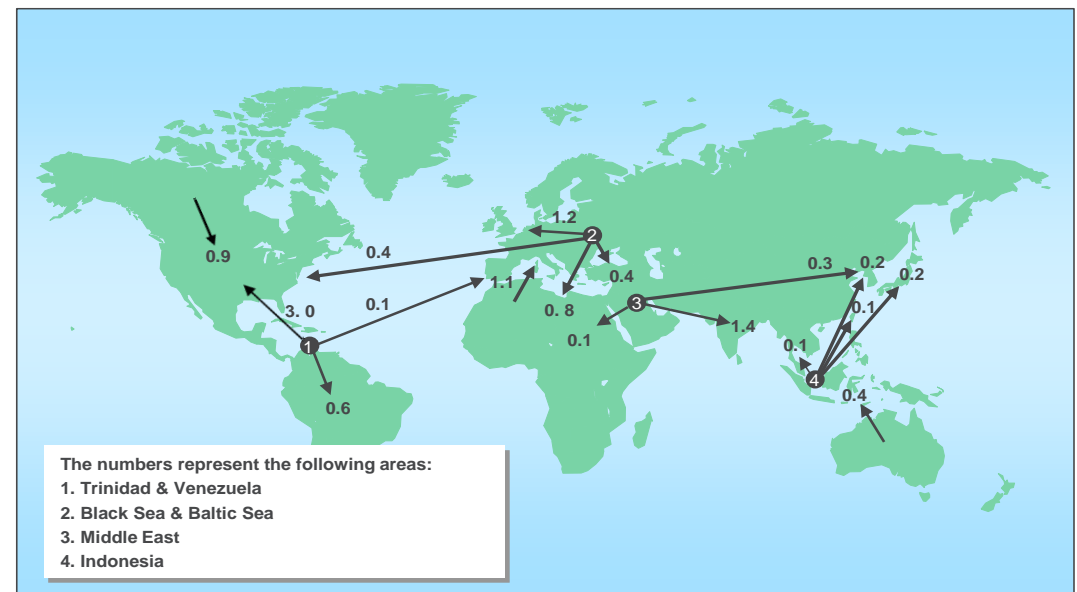
Ammonia and urea trade

Four main centres for ammonia trade



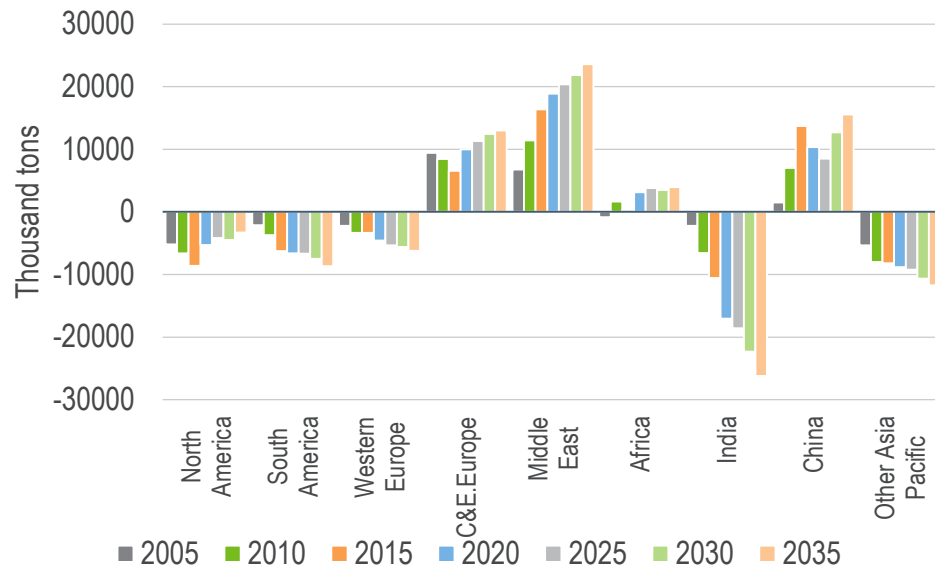
Source: Nexant

Ammonia Trade (2015, mt of NH₃)



Source: Nexant

Urea trade patterns are different from ammonia



Source: Nexant

Urea Trade (2015, mt of urea)



Source: Nexant

The ammonia and urea industries are truly global – can this be threatened?

Different current and potential future protectionist measures have an implication on global trade:

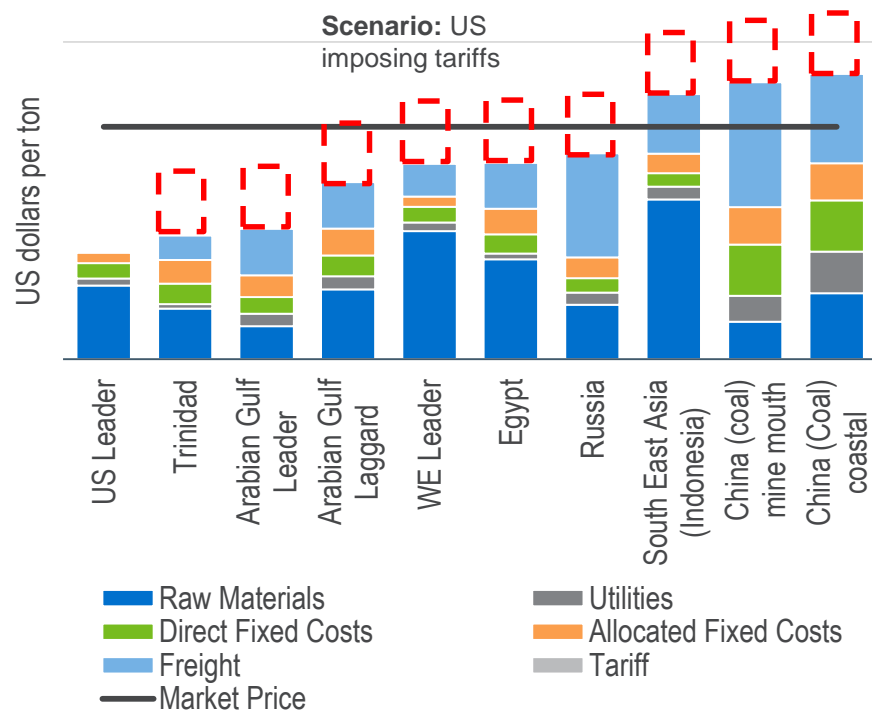
- Changes in import tariffs in large importing countries
- The lowering of export tariffs in China
- Potential changes in feedstock costs in the Middle East
- Potential changes in fertilizer subsidy schemes in India
- Potential imposition of anti-dumping duties on certain producers or countries
- Etc.

One of the most important protectionist measures affecting the Middle East as a fertilizer exporter is a potential increase in import tariffs in large import markets. How would this affect competitiveness?

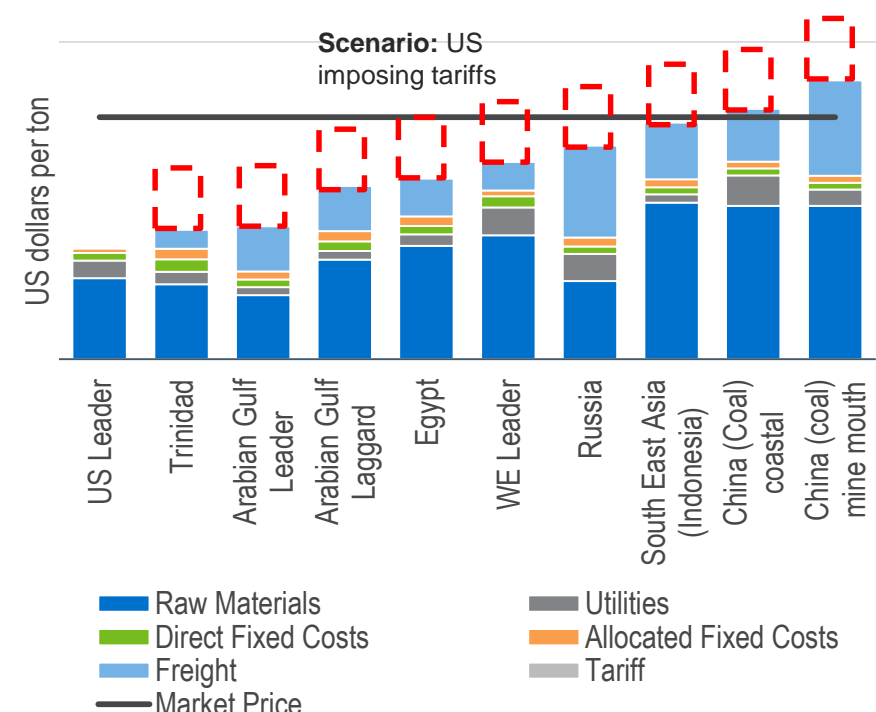
Implications of tariffs on producers' competitiveness

No tariffs on ammonia apply in US imports currently

Ammonia Delivered Cost to USGC (2016, USGC)



Urea Delivered Cost to USGC (2016, USGC)

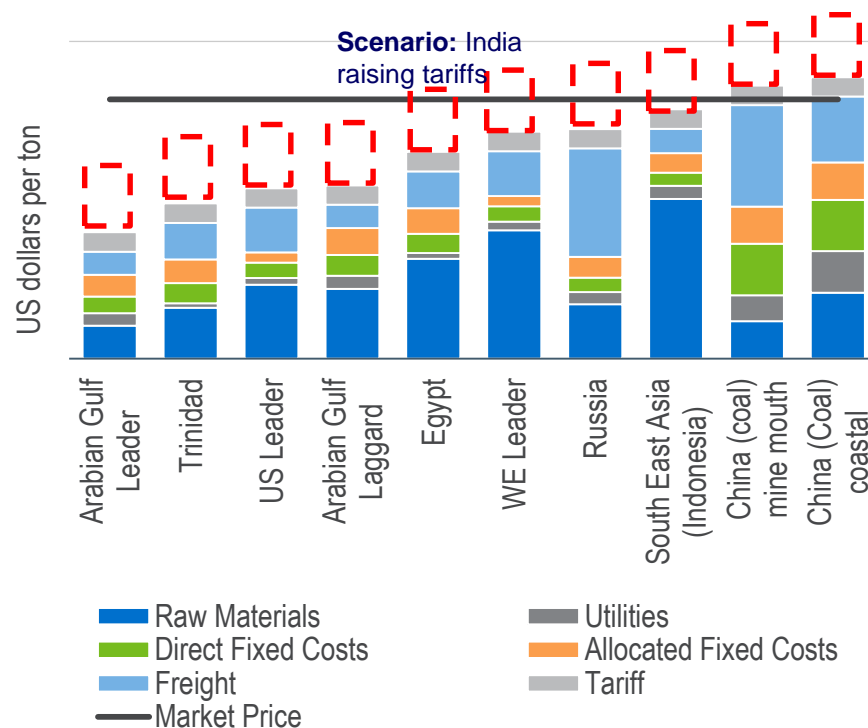


Source: Nexant

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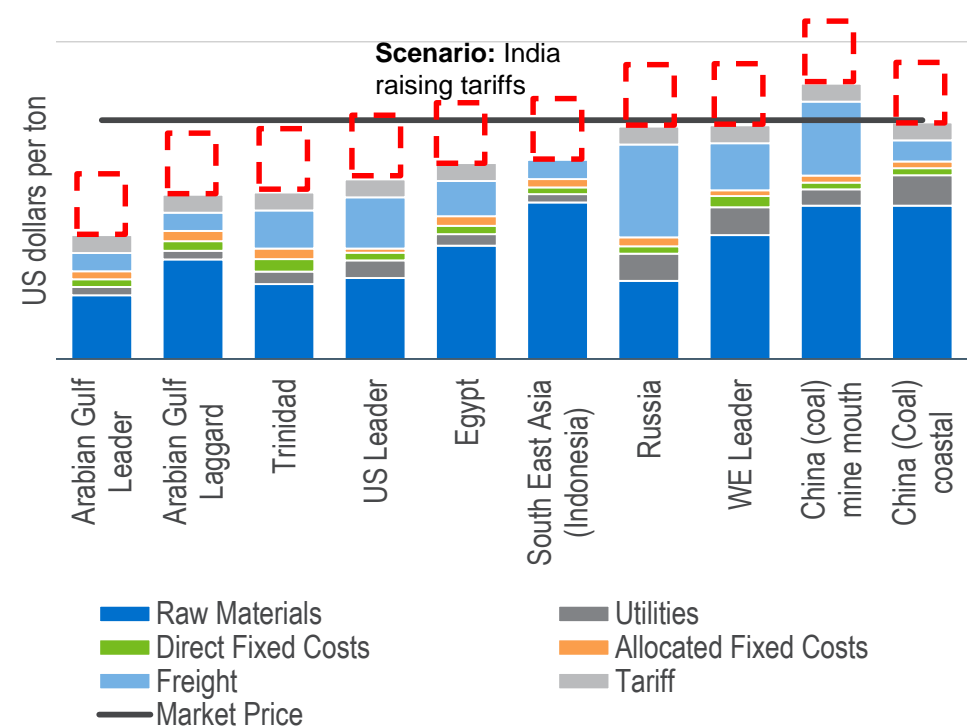
India has a rather complex system for urea import duties

Ammonia Delivered Cost to India (2016, Cochin)



Source: Nexant

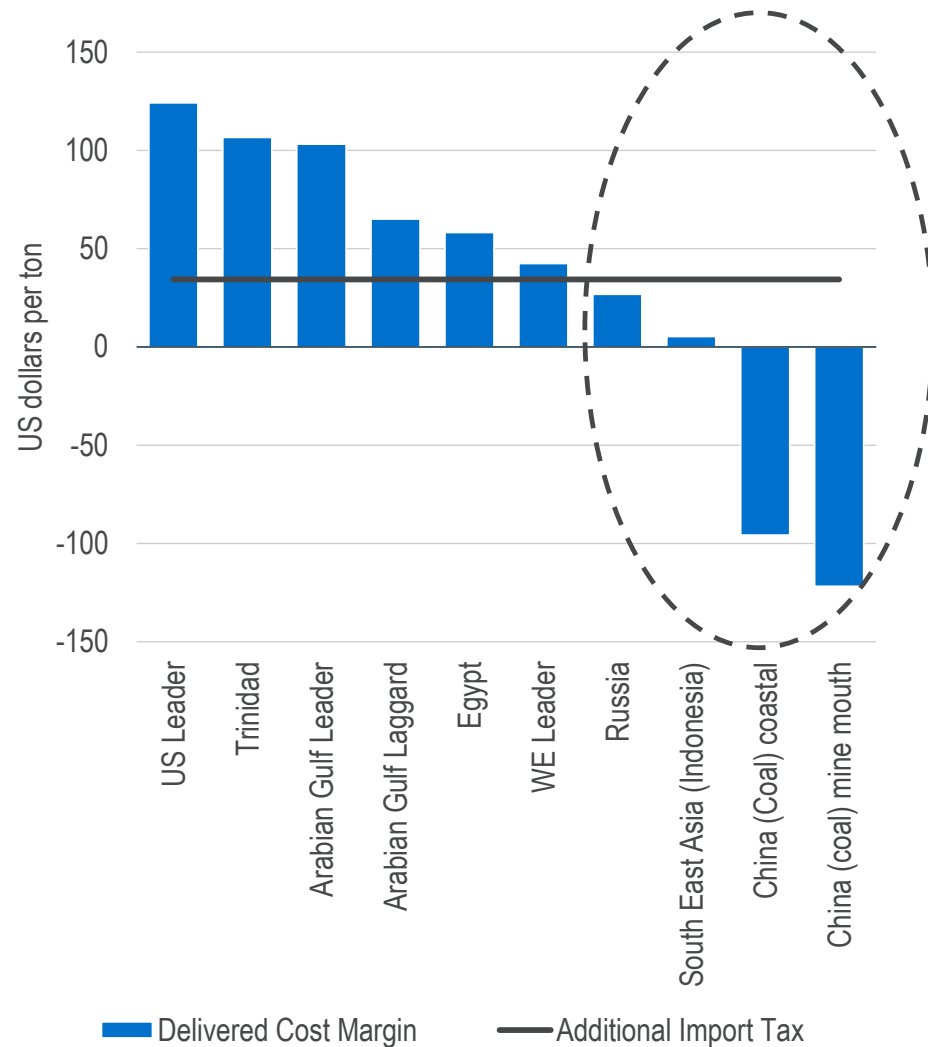
Urea Delivered Cost to India (2016, Cochin)



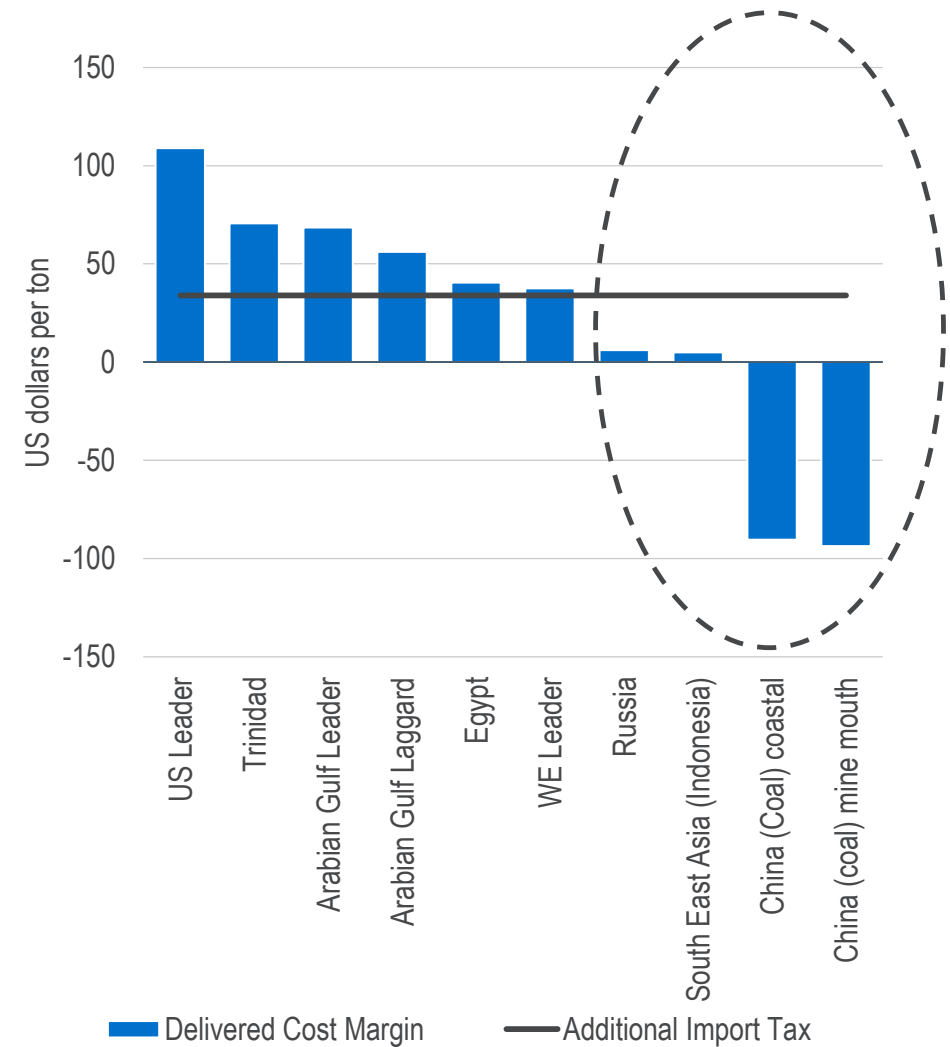
Source: Nexant

How would an additional 15 percent import tax on urea affect the competitiveness of individual producers?

Urea Delivered Cost to USGC (2016, USGC)



Urea Delivered Cost to India (2016, USGC)



Impact of Chinese tax scenarios and implications to global trade

Chinese import/export tax scenarios	Level of protectionism
High Import Tax/ High Export Tax	
High Import Tax/ Low Export Tax	
Low Import Tax/ High Export Tax	
Low Import Tax/ Low Export Tax	

Impact of Brexit on trade



Summary & conclusions

Protectionist measures are a reality.

- Protectionist measures are a reality and can be politically motivated.
- There is no unity among economists if protectionist measures are overall beneficial or harmful.
- Import duties often protect domestic production but can lead to increases in prices for consumers.
- Fertilizer trade is global and subject to some protectionist measures.
- Producers at the high end of the cost curve are most affected by import duties.
- Low cost producers are mainly affected if specific ADD are implemented.

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