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Independent study outlines benefits of EU-US trade agreement

An in-depth study by the Centre for Economic Policy Research, London, on the potential effects of the EU-US Transatlantic Trade and Investment Partnership has been released today. It takes a detailed look at current transatlantic trade and investment flows and existing barriers to these, and then uses economic modelling to estimate the potential impact of different policy scenarios. The study highlights the huge gains to be made from liberalising EU-US trade, not just for the two trading blocs, but also for the global economy. The study was commissioned by the European Commission's Directorate General for Trade. This memo summarises the study's key findings.

Overall economic gains

- An ambitious and comprehensive trans-Atlantic trade and investment partnership could bring **significant economic gains as a whole for the EU (€119 billion a year)** and the US (€95 billion a year) once the agreement is fully implemented. This translates on average to an **extra €545 in disposable income each year for a family of four in the EU**.
- The benefits for the EU and the US would not be at the expense of the rest of the world. On the contrary, liberalising trade between the EU and the US would have a positive impact on worldwide trade and income, **increasing GDP in the rest of the world by almost €100 billion**. To the extent that the EU and the US can work together towards better trade rules and less regulatory divergence in the future, some of the reductions achieved in the cost of doing trade will also benefit other partners. The economic importance of the EU and the US will mean that their partners will also have an incentive to move towards the new transatlantic standards. This has the potential to spread gains across the global economy, which is increasingly interdependent especially given the ever greater complexity of global value chains.
- Income gains are a result of increased trade. **EU exports to the US would go up by 28%**, equivalent to an **additional €187 billion worth of exports of EU goods and services**. EU and US trade with the rest of the world would also increase by over €33 billion. Overall, the extra bilateral trade between the two blocs, together with their increased trade with other partners, would represent a **rise in total EU exports of 6% and of 8% in US exports**. This would mean an additional €220 billion and €240 billion worth of sales of goods and services for EU and US based producers, respectively.

Sectoral benefits

- EU exports would increase in almost all sectors, but the boost in sales to the rest of the world would be particularly significant in metal products (+12%), processed foods (+9%), chemicals (+9%), other manufactured goods (+6 %), and other transport equipment (+6%).
- But, by far the biggest relative increase in trade would take place in the motor vehicles sector. In this sector, EU exports to the rest of the world are expected to go up by nearly 42% and imports to expand by 43%. The growth in bilateral trade is even more impressive: EU exports of motor vehicles to the US are expected to increase by 149%. This partly reflects the importance of two-way trade in parts and components and the further integration of the two industries across the Atlantic. This increase in trade in motor vehicles is also accompanied by an expansion in the sector's output (+1.5%) in the EU.
- The increase in exports and output that would be found (in different degrees) in almost all sectors reflects the big liberalisation effort that the agreement would imply. Unsurprisingly, the car sector, being characterised by an initial combination of high tariffs and high non-tariff barriers, such as different safety standards, is one that would benefit the most.

Reducing non-tariff barriers

- Reducing non-tariff barriers, so-called "behind-the-border" barriers, will have to be the key part of trans-Atlantic trade liberalisation. As much as 80% of the total potential gains come from cutting costs imposed by bureaucracy and regulations, as well as from liberalising trade in services and public procurement.

Labour market

- The increased level of economic activity and productivity gains created by the agreement will benefit the EU and US labour markets, both in terms of overall wages and new job opportunities for high- and low-skilled workers.

Sustainable development

- The agreement would have negligible effects on CO2 emissions and on the sustainable use of natural resources.

The current EU-US trade relationship in a nutshell

- Total bilateral trade in goods between the EU and US in 2011 amounted to €455 billion, with a positive balance for the EU of just over €72 billion. The US was the EU's third largest supplier, selling it €192 billion of goods (representing around 11% of total EU imports) and the EU's main export market, buying €264 billion of EU goods (representing around 17% of total EU exports).
- The average monthly value of the EU's trade in goods with the US is around €38 million, only slightly less than its total annual trade in goods with Taiwan (€40 billion in 2011), the EU's 20th largest trade partner.
- Top sectors for trade in goods for the EU were machinery and transport equipment (some €71 billion of imports and €104 billion of exports), followed by chemicals (roughly €41 billion of imports and €62 billion of exports).

- In 2011 trade in commercial services was worth €282.3 billion (according to the latest available figures from Eurostat) with a positive balance for the EU of €5.5 billion. The US was the EU's top partner for trade in commercial services, with its imports reaching €138.4 billion (around 29% of total EU imports) and its exports €143.9 billion (around 24% of total EU exports).
- In total, the commercial exchanges of goods and services across the Atlantic average almost €2 billion per day.
- In 2008 around 5 million jobs across the EU were supported by exports of goods and services to the US market.
- These trade flows are complemented and supported by a very dynamic investment climate and activity. In 2011, US companies invested around €150 billion in the EU and EU firms some €123 billion in the US. In the same year, the US stock of investments in the EU reached over €1.3 trillion and the total of EU stock of investments in US over €1.4 trillion.

For further information

'Reducing Transatlantic Barriers to Trade and Investment: An Economic Assessment',
Centre for Economic Policy Research, London

<http://trade.ec.europa.eu/doclib/html/150737.htm> (full study)

<http://trade.ec.europa.eu/doclib/html/150738.htm> (annex)

EU-US Trade relations

<http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/united-states/>