Transatlantic Trade and Investment Partnership (TTIP)

The pseudo-scientific methodology to assess the TTIP and the risks of shrinking intra-EU trade linked to exchange rates and transport costs

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I – The pseudo-scientific methodology to assess the TTIP

The methodology used by the Centre for Economic Policy Research (CEPR) in London[1] to assess the effects of the Transatlantic Trade and Investment Partnership (TTIP) combines a system based on the standard computable general equilibrium model of world trade (CGE), the GTAP, with unreliable assessment methods of the cost of non-tariff barriers (NTBs). The aim is to assess the changes that would occur in 2027 on the economies of the EU, the US and the major regions of the world in the foreseeable situation without the TTIP and the one with the TTIP in 11 sectors of goods and 9 sectors of services. The CEPR distinguishes the effects due to the separate liberalization of tariffs on products or that of services or of public procurement and the effects due to their simultaneous liberalization, distinguishing a less ambitious scenario – where 98% of tariffs would be eliminated and the tariff equivalent of non-tariff barriers (NTBs) would be reduced by 10% – and a more ambitious scenario where tariffs would be fully eliminated and the tariff equivalent of NTBs would be reduced by 25%. As for the NTBs related to public procurement they would be reduced respectively by 25% and 50% in the less ambitious and more ambitious scenarios. The evaluation also covers a partial reduction of NTBs of foreign direct investment (FDI).

In fact the impact of TTIP would come less from the direct effects of liberalization than from the direct and indirect spillovers on third countries. In this respect the CEPR distinguishes eight countries or groups of countries outside the EU and the US plus the rest of the world. The effects of direct spillovers are related to "*the extent to which the bilateral streamlining of regulations and standards… benefit other exporters to the EU and US*", this positive market access of third countries to the EU and US markets being modelled at 20% (guesswork) of the bilateral fall in trade cost linked to the EU and US NTBs. The indirect spillovers are linked to the partial adoption by third countries of some of the common standards agreed between the EU and the US, which will result in increased trade also between third countries, and the CEPR makes a rough guess that these effects would represent half of the effects of direct spillovers. In other words, if the cost of trade between the EU and the US declines by 5% there will be a 1% reduction in the cost of exports from third countries to the EU and the US and a reduction of 0.5% in the cost of EU and US exports to third countries, as well as of exports between third countries.

The calculation of tariff equivalents of NTBs is particularly fanciful, based on three steps: 1) a survey of EU and US business leaders on their views about the relative importance of NTBs; 2) a ranking by these leaders, from 0 to 100, of the most important NTBs for market access, called "restrictiveness indicators"; and 3) a crosscheck of these indicators against the Product

[1] CEPR, *Reducing Transatlantic Barriers to Trade and Investment. An Economic Assessment*. Final Project Report March 2013, http://trade.ec.europa.eu/doclib/html/150737.htm

Market Regulation (PMR) indicators devised by OECD, which "*are a comprehensive and internationally-comparable set of indicators that measure the degree to which policies promote or inhibit competition in areas of the product market where competition is viable. They measure the economy-wide regulatory and market environments in 30 OECD countries in 2008*"[2] knowing that "*The indicators cover formal regulations in the following areas: state control of business enterprises; legal and administrative barriers to entrepreneurship; barriers to international trade and investment*". But, since the hierarchy of BNT gives only a relative ranking, "gravity" econometric models are used to transform them in cost percentages that are considered as *ad valorem* tariff equivalents, according to estimates made in the ECORYS study by CEPR in 2009[3].

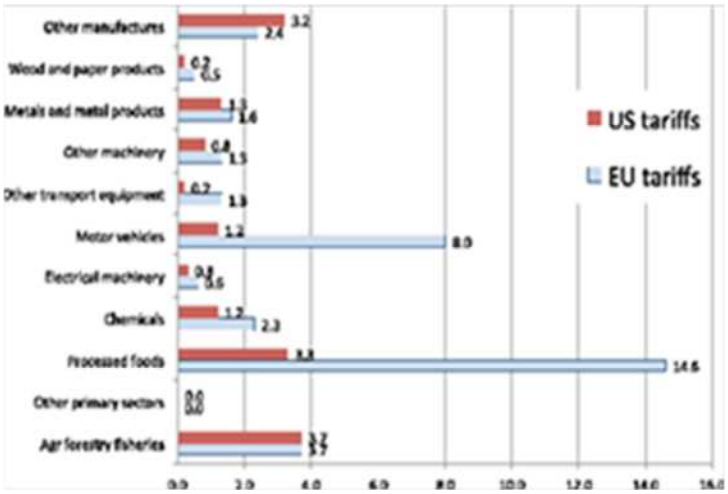
Besides, the CGE is based on very crude data: there is only one type of a representative household for each region of the world, there is pure and perfect competition and production functions are based on the "most efficient" combination of factors (capital, labor, land) with economies of scale, and we can clearly see what this may correspond to for EU farms and agribusiness industries!

All this to say that the reduction of tariffs and NTBs between the EU and the US would lead to a marked intensification of world trade, providing "welfare" benefits to consumers worldwide. We will not repeat here the results of the CEPR study, which were extensively circulated[4]. The most surprising is that the study comes to show that this widely global trade liberalization would lead to a simultaneous increase in employment and environment benefits (measured by CO2 emissions), both in the EU, the US and worldwide!

Another paradox: while the tariffs on EU cars are 6.6 times higher than in the US, the CEPR found that, in the "ambitious" scenario (with total dismantling of tariffs), the EU exports to the US would increase by €87.4 billion against only €65.9 billion for imports from the US, and, although half of the total trade diversion to the detriment of intra-EU trade would come from the automotive sector (€36.5 billion against a total of €72 billion), EU exports to third countries would increase by €94.9 billion against only by €45.7 billion for imports from third countries. This would result in an increase in employment of 1.28% for EU unskilled workers and 1.27% for skilled auto-sector employees, with higher wages for both. What a great demonstration of the positive impact of trade liberalization on employment!

On the other hand the CEPR report is particularly obscure on the impact of TTIP on "processed food". The European Commission and the CEPR's websites do not provide appendices with data on these products. We do not even know what foods were chosen. The only information available is that the gap between the EU and US average tariffs is the highest for these products, as we can see in the graph below, even if average tariffs do not make sense because these averages include very high tariffs lines (TLs), often exceeding 100%, many others being at zero and the rest in between. Besides we do not know how the CEPR has converted the "specific" tariffs (x euros per unit: tonne, cattle head…) to *ad valorem* equivalents, knowing that the percentage of non-*ad valorem* agricultural TLs is of 45.8% in the EU and 42.5% in the US.

[2] http://www.oecd.org/eco/reform/indicatorsofproductmarketregulationpmr.htm
[3] http://trade.ec.europa.eu/doclib/docs/2009/december/tradoc_145613.pdf
[4] Particularly the "Questions-answers" of the European Commission of 12 March 2013: http://ec.europa.eu/trade/policy/in-focus/ttip/questions-and-answers/, and the press release: http://europa.eu/rapid/press-release_MEMO-13-211_en.htm



Apparently, in the scenario of partial tariff liberalization (98% of TLs), the 2% non-liberalized TLs are allocated to processed food, as annex 3 of the CEPR report shows 3 types of agricultural products covering between 2 to 3% of TLs: for the US they are tobacco, dairy products and residues of food industries and feedstuffs and, for the EU, meats and offals, dairy products and residues of food industries and feedstuffs.

Table 1 – Annexe 3 of the CEPR report on the average rate of duties on the 2-3% tariffs lines with the highest duties

HS-2 codes	Product	% of tariff lines	Cumulated % of tariff lines	Average tariff rate
In the US				
23	Food industry residues and feedstuffs	0.172	0.554	23.2%
24	Tobacco	0.383	0.383	43.2%
4	Dairy products	2.160	2.714	17.9%
In the EU				
23	Food industry residues and feedstuffs	0.531	0.531	71%
2	Meats and offals	1.033	1.563	46.6%
4	Dairy products	1.353	2.916	46.3%

Source: CEPR report, http://trade.ec.europa.eu/doclib/html/150737.htm

But here a lot of reservations should be made.

First, as the EU agricultural imports from the US in 2012 amounted to 8.2% of its total merchandise imports from the US (€16.8 billion over €205 billion, table 4), 75% of them would be tariff free. And, as the US agricultural imports from the EU represented 10.3% of its total imports from the EU ($30 billion over $292 billion), 80% of them would be tariff-free.

But a greater puzzling issue relates to the huge contradictions in the levels of actual tariffs on imports, particularly in the US where hese levels differ hugely according to official sources. These contradictions are shown in the annex 2.

The CEPR study also indicates that "*Non-tariff barriers are the highest for food and beverage products, with imports from the US facing a 56.8 per cent tariff equivalent, while EU exports to the US of these products face a 73.3 per cent extra cost*". It is certain that the EU regulations for food safety and the environment are particularly strong on these products.

But the dominant proposal is to eliminate 100% of tariffs, hence also on all agricultural and food products, which is totally unrealistic and sufficient to disqualify the CEPR report as well as the European Commission, the European Parliament and the EU Council of Ministers, of whom Nicole Bricq, the French Minister for Foreign Trade, who praise the report. One can underscores the contradiction for the European Commission to have succeeded in imposing to

the other WTO Members, in the Draft agricultural modalities of the Doha Round of 6 December 2008, that the developed countries would be able to keep 4% of their agricultural TLs as "sensitive products" subjected to a very small tariff reduction or totally exempted (paragraph 71), although the EU had fought for a long time to keep at least 8% "sensitive" TLs[5]! Moreover, the Draft agricultural modalities allows developed countries to keep some TLs exceeding 100% (paragraph 76)! Therefore the fact that the EU Authorities – Commission, Parliament and Council – agree to negotiate the TTIP on the basis of the CEPR report will greatly weaken the EU Commission's positions in the on-going WTO negotiation of the Doha Round, as well as in its many other bilateral free-trade negotiations.

Another major shortcoming, which tells a lot about the supposed benefits of TTIP for the rest of the world, is that the crucial issue of subsidies is not even mentioned, especially agricultural ones, knowing that they are the worst form of protectionism because only rich countries – particularly the EU and the US – have the financial means to subsidize significantly their farmers. Indeed they were able to compensate with direct payments the reduction in the guaranteed prices ("intervention prices" in the EU) because they had taken care to define them as "non-trade distorting" when they invented the concepts of "blue box" and "green box" in devising in a face-to-face the Agreement on Agriculture (AoA) imposed on the rest of the world. Now these direct payments have the dual effect of substituting the explicit export subsidies – that the AoA obliged to reduce largely – and to make do with lower tariffs since lower agricultural prices, brought closer to the world prices level, reduces the need for high tariffs. As the TTIP would force the rest of the world, especially the poorest developing countries, to open more their markets, without reducing the level of subsidies in the developed and some emerging countries, the underdevelopment of the poorest developing countries would increase.

At this point I would like to copy an excerpt from my book "*Agriculture, the Achilles' heel of globalization*" published in 2011, where I quoted extensively Jean-Marc Boussard, specialist of models applied to agricultural policy analysis, who debunks their assumptions and conclusions. He observes that "*throughout the world, computable general equilibrium models (CGE models) used a hammer to drive the nail of liberalism*"[6]. One of these CGE models, GTAP, "*will exert a great influence on all the people who will use it in the belief that reality is consistent with this model, especially many negotiators at the following WTO negotiations. In running this model... they will learn very quickly that everything closer to liberalization is "good", all that moves away from it is "bad*"". However, "*standard CGE models... presented as oracles in charge of telling the right economic policies... have two major shortcomings: the first, to unduly favor liberalization... then to neglect the essential aspects of economic dynamics*". Because the basic assumptions of these models – measurability and comparability of utility between individuals and without interference between the utilities of each one, and prices as the unique signal of information – "*are not verified because it is quite impossible to aggregate individual preferences*" and it is especially not credible to believe that the countries beneficiaries of liberalization would indemnify the losing countries, as would be the case of Africa in several models. Another major shortcoming of CGE models is their static character and the ability of entrepreneurs to make "rational expectations", especially on prices. Yet "*to think they can accurately predict the equilibrium price in twenty years is a pure dream. Verily never any empirical study has shown that operators in a market were able to predict what would be the equilibrium price the next year*". However, "*if markets function*

[5] J. Berthelot, *Revised draft modalities for agriculture, Solidarité's comments*, http://www.solidarite.asso.fr/Papers-2009.

[6] Jean-Marc Boussard, *Agriculture, équilibre général et OMC. Une vision critique des modèles utilisés dans les négociations*, Economie Rurale, n°257, mai-juin 2000, pp. 3-16.

poorly, on the basis of erroneous expectations, it may be that, far from expanding the space of possibilities, trade would to the contrary restrict it. Besides, risk considerations may further enhance this idea". Boussard concludes by asking "*if the excessive liberalism of the Uruguay Round's negotiators will not be paid by an outbreak of global violence*." Never mind, for the OECD "*precise figures resulting from a general equilibrium model can be questioned, however, the main conclusion is clear: agricultural markets remain highly protected and their liberalization would generate a strong improvement of global welfare, of which the emerging and transition countries will as a whole benefit*"[7].

II – The risk of a major shrinkage of EU intra-trade linked to a foreseeable strong euro against the dollar and to the lower US cost of transport and energy

The risks linked to the collapse of EU tariffs on imports from the US[8], particularly for agriculture, will be amplified by the anticipated persistence of an appreciation of the euro over the dollar. Conversely, this would limit the EU exports to the US despite the decline in their tariffs, which would be limited since they are already significantly lower than the EU ones. Indeed, the European Commission is expecting constant exchange rates of 1.35 dollar to 1 euro from 2013 to 2022[9]. But the USDA goes further for the same period: "*The U.S. dollar is projected to continue to depreciate through the projection period. The dollar depreciation is part of a global rebalancing of trade and financial markets in the aftermath of the global financial crisis and recession*"[10].

The EU Member States would have even more incentive to import in dollars rather than in euros, hence US products rather than those of the common market, the more so as the transatlantic freight is lower than the transport costs between most EU27 Member States. Thus the cereals freight from the Mexico Gulf to Rotterdam has averaged 19.6 $/tonne-km in the first four months of 2013[11], a level of transport cost similar to that of Northern France to Spain, two times lower than that of Hungary to Belgium and even more from Hungary to Spain. And, as the price of fuel is twice lower in the US than in the EU – 0.76 €/litre against 1.45 €/l on average the 29 June 2013 for diesel and 2.17 €/l against 0. 74 €/l for unleaded petrol[12] –, the cost of inland transport is much lower in the US than in the EU. In addition, as the US could become a net exporter of oil and natural gas[13], their costs of agricultural production (including fertilizers), processing and marketing would fall relative to those of the EU. All these effects will play naturally also for the competitiveness of EU non-agricultural products. Yet none of these parameters were taken into account in the CEPR report.

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[7] OECD, *Agricultural policies in emerging and transition economies*, 2000.

[8] J. Berthelot, *The sheer madness of integrating agriculture into a transatlantic Free Trade Agreement*, Solidarité, 10 June 2013, http://www.solidarite.asso.fr/IMG/pdf/The_sheer_madness_to_integrate_agriculture_into_a_transatlantic_FTA.pdf

[9] European Commission, *Prospects for agricultural markets and income in the EU 2012-2022*, December 2012, http://ec.europa.eu/agriculture/markets-and-prices/medium-term-outlook/index_en.htm

[10] http://www.usda.gov/oce/commodity/projections/USDAAgriculturalProjections2022.pdf

[11] http://www.bakingbusiness.com/articles/news_home/Purchasing/2013/05/Reduced_grain_shipments_reflec.aspx?ID={0B7B8478-8A79-4363-B136-8585826A0FA5}&cck=1

[12] http://www.fuel-prices-europe.info/

[13] http://oilprice.com/Finance/investing-and-trading-reports/Near-Term-Prospects-for-Energy-Related-Investments.html; http://brusselsblog.agra-net.com/2013/could-fracking-reduce-european-nitrogen-fertiliser-prices/

This study nevertheless explicitly mentions the effect of traffic diversion to the detriment of intra-EU trade: "*Another potential impact of the Transatlantic FTA is that the lower barriers to trade with the US will cause a shift in relative costs leading to diverting some trade away from intra-EU partners towards new trade partners... This change will amount to 72.1 billion euros under full liberalization, of which 26.0 and 23.6 billion euros are caused by spill-overs and NTBs in goods respectively*", the elimination of tariffs accounting for only €17.6 billion. Half the reduction of intra-EU trade would come from the automotive sector, but the CEPR assumes that it would affect very little the trade in processed agricultural products. However the huge limitations of its methodology allows to share some doubt about it.

However, as the agricultural intra-EU27 trade is almost 3 times higher than the extra-EU27 trade – from 2.74 times in 2012 for exports and 2.94 for both imports (Table 2) – these internal exchanges could be reduced much more than in the trade diversion estimates made by the CEPR, which has ignored the impact of the gaps in transport costs and the appreciation of the euro.

But, as it will affect all goods and services – even though tariffs on EU industrial products are very low in general, but the decline in non-tariff barriers will have a similar effect, as well as for services – the domestic market will shrink: in 2012 the total intra-EU trade (imports + exports) of all goods was 1.6 times higher than the extra-EU trade: €5,585 billion against €3,477 billion, of which €2,828 billion against €1,686 billion for exports and €2,756 billion against €1,791 billion for imports. In fact the contraction of intra-EU trade would be much amplified by the fact that, as expected by the EU and US, the TTIP would end up reducing all tariffs and trade regulations worldwide.

However all tariffs would not be abolished in a first step despite what the CEPR study is advocating because the EU as the US will maintain a minimum level of protection of their "sensitive" products, particularly agricultural products. But there is a big risk that, to defend at all costs its "cultural exception", the agricultural products would be the bargaining chip that the EU may well have to sacrifice in exchange for a better access to the US industrial products and services markets. Naturally an appreciation of the euro against the dollar will have the additional effect of reducing US imports from the EU.

This perspective will be severe for France (Table 3 in annex 1), the first agricultural power in the EU27, since its intra-EU27 agricultural exports were almost twice (1.92 times) those extra-EU27 in 2012 (€38.8 billion against €20.2 billion) and its agricultural imports four times higher (€34.2 billion against €8.6 billion), implying an even greater loss for the other Member States if France choose to import its agricultural products in dollars, i.e. particularly from the US. As for its total trade of goods, those made intra-EU27 were 1.73 times higher than those extra-EU27 in 2012 (€613 billion, of which €261 billion for exports and €352 billion for imports), against €354 billion extra-EU27, of which €182 billion in exports and €172 billion in imports. Here also the partners of France in the EU27 would suffer more since its intra-EU27 were twice as much as its extra-EU27 imports against 1.4 times only for its exports.

Turning now to the weight of the EU27 and France trade with the US compared to their total trade, for agricultural products (with the AoA list of products) and all goods, table 4 shows that France's agricultural exports to the US represented in 2012 13.9% of its total agricultural exports, which is largely due to exports of wines and spirits, which represented 27.3% of France's exports of beverages extra-EU27 of which 25.2% for wine and 32.4% for spirits. On the other hand France's agricultural imports from the US accounted for only 5.5% of its

agricultural imports extra-EU27. For all merchandise trade the US accounted for 15% of France's extra-EU27 exports as well as imports. As for the EU27 it received in 2012 13.3% of total US exports (€205 billion over €1,546 billion) and sent to the US 12.5% of its imports (€292 billion over €2,334 billion).

The fact that the EU27 has an important trade surplus with the US for agricultural products (€12,953 billion) as well as for all goods (€86.7 billion) in 2012 has turned the EU politicians' head to plead for the TTIP. The same is true for French politicians and economists, France having also in 2012 a trade surplus on the US of €2.342 billion in agricultural products and €441 million in all trade.

Concerning more specifically agricultural trade, the French Ministry of trade underscores that France has offensive interests for the following products: dairy products, sugar products and confectionery, biscuits, chocolate, fruits and vegetables.

However the EU and France's shares in the US imports of these products in 2012 was very small, as we can see in table 2. Except for dairy products – 42.6% share for the EU, of which 8.4% for France – France' share does not exceed 2% in all these poducts. The fact that the EU, and particularly France, dominate overwhelmingly in the shares of US beverages' imports – 56.5% for the EU ($11.213 billion over 19.816 billion) of which 17.1% for France ($3.396 billion) – should not hide the very modest share of France in the short list of agricultural products on which it is supposed to have offensive interests in the US market.

Table 2 – Share of US imports of some agricultural products from the EU and France in 2012

$ million	Dairy	Sugar products	Cocoa products	Vegetables	Vegetables prepar.	Fruits	Cereals	Milling products	Cereal prepar.	Miscel. prepar.
US imports	2,095	4,366	4,103	7,417	6,772	10,186	3,126	1,296	5,165	4,001
EU	894 42.6%	216.5 5%	816 19.9%	172 2.3%	738.7 10.9%	206.9 2%	94.3 3%	336.1 25.9%	852.8 16.5%	659.3 16.5%
France	176.8 8.4%	11.6 0.27%	63.5 1.5%	13.3 0.18%	108.4 1.6%	6.1 0.006%	7.9 0.25%	21 1.6%	76.7 1.5%	79.4 2%

Source: https://usatrade.census.gov/data/Perspective52/Dim/dimension.aspx?ReportId=46

A French economist does not fear the paradox to say: "*Although bilateral, the TTIP would be a step towards a return to the recognition of the primacy of multilateral trade rules. This primacy has been weakened by the multitude of preferential agreements concluded to date (nearly 400), that discriminate against countries excluded from these agreements and contradict the principle of non-discrimination, one of the pillars of WTO rules… The EU-US agreement, by creating in 2015 the largest fre-trade area in the world, representing one third of international trade and half the world's GDP, would pave the way back to a strong multilateral trading system. Such a zone could indeed incite third countries to come closer to its precepts... Contrary to what some think, a huge transatlantic market does not mean the end of the WTO but it would revive the multilateral flame*"[14].

And this author quotes José Manuel Barroso, President of the European Commission, for whom the TTIP "*will set the standard not only for the transatlantic trade and investment, but also for the development of trade across the world*". Which the Commission specifies in its FAQs on the TTIP: "*On the contrary, the TTIP could end up encouraging others to revive the WTO negotiations. Furthermore, if the EU and US are able to harmonise many of their*

[14] Marie-Françoise Calmette (Economist, professor at Toulouse School of Economics), *UE-Etats-Unis : les enjeux d'un accord*, Le Monde du 5 juin 2013, http://www.lemonde.fr/idees/visuel/2013/06/05/l-accord-de-libre-echange-europe-etats-unis-en-debat_3424675_3232.html

regulations and standards, this could act as a basis for creating global rules with all the cost savings and economic benefits that would bring"[15].

Thus multilateralism is defined as worldwide free trade, and the first paragraph of the preamble to the Agreement Establishing the WTO goes out the window even though it had fixed to the WTO "*the objective of sustainable development, seeking both to protect and preserve the environment and to enhance the means for doing so in a manner consistent with their respective needs and concerns at different levels of economic development*". Far from being a stopgap against the excesses of bilateral agreements in which the developed countries outclass the developing countries, the WTO is now presented as the appropriate place to amplify global deregulation of trade in goods and services, including financial ones.

Annex 1 – Comparison of EU and France share of intra-EU27 and extra-EU27 trade in agricultural products and with the US in 2012

Table 3 – Intra-EU27 and extra-EU27 agricultural trade in 2012

€ million	EU27 to intra-EU27			EU27 to extra-EU27			intraEU27/extra-EU27	
HS codes	X	M	B	X	M	B	X	M
Agricultural products of classes 1 to 24 of the Harmonised System nomenclature								
01 live animals	7953	7728	225	205	264	-59	3,87	29,30
02 meat and edible meat offal	34562	32816	1746	8403	3663	4740	4,11	8,96
03 fish and crustaceans	13931	13503	428	3288	14552	-11264	4,24	0,93
04 dairy produce and eggs	30156	30275	-119	9195	1042	8153	3,28	29,06
05 products of animal origin	1964	2097	-133	833	1338	-505	2,36	1,57
06 live trees and other plants	9787	8469	1318	2003	1588	415	4,89	5,34
07 edible vegetables	16229	17124	-895	2796	3631	-835	5,80	4,72
08 edible fruit and nuts	19088	18793	295	3899	13865	-9966	4,90	1,36
09 coffee, tea, mate and spices	6345	5658	687	1723	10698	-8975	3,68	0,53
10 cereals	14291	13891	400	5682	4656	1026	2,52	2,98
11 products of the milling industry	3653	4044	-391	2367	153	2214	1,54	26,42
12 oilseeds	9768	9577	191	2401	9894	-7493	4,07	0,97
13 laq, gums, resins	1070	1065	5	954	887	67	1,12	1,20
14 vegetable plaiting materials	93	85	8	14	22	-8	6,87	0,39
15 animal or vegetable fats and oils	16065	15608	457	4755	9460	-4705	3,38	1,65
16 preparations of meats and fish	11010	10526	484	1550	5650	-4100	7,10	1,86
17 sugar and sugar confectionery	9178	9311	-133	2407	2819	-412	3,81	3,30
18 cocoa and cocoa preparations	12091	11491	600	4367	4921	-554	2,77	2,34
19 preparations of cereals, flour	18325	18290	35	7835	1199	6636	2,34	15,26
20 preparations of vegetables, fruit	16184	15898	286	4221	4894	-673	3,83	3,25
21 miscellaneous edible preparations	15199	15678	-479	6834	2547	4287	2,22	6,16
22 beverages, spirits and vinegar	28919	28774	145	24950	5341	19609	1,16	5,39
23 residues from food industry and feed	15287	14881	406	3943	10467	-6524	3,88	1,42
24 tobacco and manufactured substitutes	10805	11580	-775	5415	2649	2766	2,00	4,37
Sub-total: classes 1 to 24 of HS2	321954	317161	4793	111888	116393	-4505	2,88	2,72
Other agricultural outside classes 1 to 24, according to the WTO Agreement on Agriculture (AoA) Annex 1								
Total of other agricultural products	8026	7341	685	6168	6741	-573	1,30	1,09
Total agricultural products of the AoA plus fish and fish preparations								
Total	329980	324502	5478	118056	123134	-5078	2,80	2,64
Fish preparations (part of class 16)								
Fish preparations	3826	3652	174	637	3978	-3341	6,01	0,92
Fish + fish preparations								
Fish + fish preparations	17757	17155	602	3925	18530	-14605	4,52	0,93
Total agricultural products according to the AoA (no fish and preparations)								
	312223	307347	4876	114131	104604	9527	2,74	2,94
Trade in natural rubber and manufactured tobacco*								
4001 natural rubber	987	1207	-220	34	3026	-2992	29,03	0,40
Manufactured tobacco	10594	11549	-955	5292	2562	2730	2,00	4,51
Total agricultutal products of the AoA + natural rubber – manufactured tobacco								
	302616	297005	5611	108873	105068	3805	2,78	2,83

Source: Eurostat; X: exports; M: imports; B: balance. * Contrary to the EU and the WTO AoA, the US dos not consider manufactured tobacco as an agricultural product but include natural rubber.

[15] http://ec.europa.eu/trade/policy/in-focus/ttip/questions-and-answers/index_en.htm

Table 4 – Agricultural trade France-US, France-intraEU27, France-extraEU27 in 2012

Millions d'euros	France-US			France-intra-EU27			France-extra-EU27		
Codes SH	X	M	B	X	M	B	X	M	B
Agricultural products of classes 1 to 24 of the Harmonised System nomenclature									
01 live animals	8	19,8	-11,8	1608	211	1397	356	39	317
02 meat and edible meat offal	0,6	0,1	0,5	2571	4432	-1830	958	132	826
03 fish and crustaceans	9,2	161,9	-152,7	848	2431	-1583	294	1264	-970
04 dairy produce and eggs	143,1	4,2	138,9	4523	2943	1580	1568	97	1471
05 products of animal origin	3,1	8,3	-5,2	124	290	-165	99	117	-18
06 live trees and other plants	1,6	0,8	0,8	112	1074	-962	33	24	9
07 edible vegetables	8	19,0	-11	1603	1875	-273	315	623	-308
08 edible fruit and nuts	7,5	99,4	-91,9	1276	2593	-1318	358	1115	-757
09 coffee, tea, mate and spices	16,4	1	15,4	380	943	-562	76	1175	-1099
10 cereals	6,7	7,6	-0,9	4444	519	3926	2517	197	2320
11 products of the milling industry	6,9	2,8	4,1	654	389	265	475	16	459
12 oilseeds	22,8	55,5	-32,7	1398	567	831	317	679	-362
13 laq, gums, resins	84,9	17,7	67,2	189	125	64	229	129	100
14 vegetable plaiting materials	0,2	0,3	-0,1	7	16	-9	4	12	-8
15 animal or vegetable fats and oils	17,3	5,7	11,6	1342	1568	-226	175	658	-483
16 preparations of meats and fish	13,4	6,6	6,8	687	1078	-391	165	556	-391
17 sugar and sugar confectionery	10,9	2,9	8	1956	791	1165	404	108	296
18 cocoa and cocoa preparations	50,3	1,3	49	1368	1647	-279	377	657	-280
19 preparations of cereals, flour	52,1	6	-5,4	2382	2568	-186	951	189	762
20 preparations of vegetables, fruit	68,8	7,7	61,1	1151	2815	-1665	393	385	8
21 miscellaneous edible preparations	65,4	21,3	44,1	1472	1633	-160	969	278	691
22 beverages, spirits and vinegar	2078	129,1	1948,9	6567	2800	3767	7598	353	7245
23 residues from food industry and feed	44,8	4	40,8	1795	1477	318	606	1136	-530
24 tobacco and manufactured substitutes	4,2	9,5	-5,3	329	1865	-1536	657	109	548
Sub-total: classes 1 to 24 of HS2	2724	593	2131	38786	36650	2168	19894	10048	9846
Other agricultural outside classes 1 to 24, according to the WTO Agreement on Agriculture (AoA) Annex 1									
Other agricultural products, of which:	111	47,3	64	1051	593	458	668	363	305
" 3301 essential oils	48	9	39	88	80	8	124	151	-27
" 3501 caseins, caseinates	16,4		16	124	32	92	101	4	97
" 3503 gelatin	24,5	0,4	24	60	46	14	93	6	87
" 3505 dextrin	10,6	0,4	10	231	117	114	65	2	63
" 4103 other raw skins	0	23,5	-23,5	18	2	16	7	66	-59
The main posts of beverages trade									
Mineral waters	88	2	86	765	673	92	463	36	427
Wine	1034	32	1002	3700	506	3194	4111	123	3988
Spirits, of which:	926	84	842	824	850	-26	2857	138	2719
Undenatured ethyl-alcohol >80% abv	5	10	-5	667	75	592	40	35	5
Total agricultural products of the AoA plus fish and fish preparations									
Total	2835	640	2195	39837	37243	2626	20562	10411	10151
Fish preparations (part of class 16)									
Fish preparations	13,2	6,6	7	228	584	-356	43	511	-468
Fish + fish preparations									
Fish + fish preparations	22,4	168,5	146	1076	3015	-1939	337	1774	-1437
Total agricultural products according to the AoA (no fish and preparations)									
	2813	471	2342	38761	34228	-4533	20225	8637	11588
Trade in natural rubber and manufactured tobacco*									
4001 natural rubber	2,3		2,2	84	64	20	36	417	-381
Manufactured tobacco	1,4		1,4	279	1827	-1548	534	22	512
Total agricultutal products of the AoA + natural rubber – manufactured tobacco									
	2814	471	2341	38566	32465	6101	19727	9032	10695

Source: Eurostat; X: exports; M: imports; B: balance. * Contrary to the EU and the WTO AoA, the US dos not consider manufactured tobacco as an agricultural product but include natural rubber.

Table 5 – Share of the US agricultural trade with the EU27 in 2012*

En millions d'euros	US-EU27 trade			US to extra-US trade			US with EU27/extra-US		
	X	M	B	X	M	B	X	M	B
Agricultural products of classes 1 to 24 of the Harmonised System nomenclature									
01 live animals	131	226	-95	927	2059	-1132	14,1%	11%	8,4%
02 meat and edible meat offal	177	235	-58	12534	4500	8035	1,4%	5,2%	0,1%
03 fish and crustaceans	749	351	398	3906	10388	-6482	19,2%	3,4%	-0,6%
04 dairy produce and eggs	53	730	-677	3309	1693	1617	1,6%	43,1%	-0,42%
05 products of animal origin	69	41	28	697	720	-23	9,9%	5,7%	-122%
06 live trees and other plants	86	201	-115	311	145	-1139	27,7%	138,6%	101%
07 edible vegetables	195	162	33	3151	6187	-3036	6,2%	2,6%	-1,1%
08 edible fruit and nuts	1604	177	1427	10318	8856	1462	15,5%	2%	97,6%
09 coffee, tea, mate and spices	27	500	-473	1007	6505	-5497	2,7%	7,7%	8,6%
10 cereals	382	71	311	16063	2568	13495	2,4%	2,8%	2,3%
11 products of the milling industry	35	208	-173	742	1071	-329	4,7%	19,4%	52,6%
12 oilseeds	1281	179	1102	23051	1887	21164	5,6%3	9,5%	5,2%
13 laq, gums, resins	151	223	-72	580	3425	-2846	26%	6,5%	2,5%
14 vegetable plaiting materials	9	1	8	38	68	-30	23,7	1,5%	-26,7%
15 animal or vegetable fats and oils	355	756	-401	36127	4844	-1231	1%	15,6%	32,6%
16 preparations of meats and fish	112	147	-35	1529	3631	-2101	7,3%	4%	1,7%
17 sugar and sugar confectionery	59	191	-132	1981	3546	-1565	3%	5,4%	8,4%
18 cocoa and cocoa preparations	44	697	-653	1334	3282	-1948	3,3%	21,2%	33,5%
19 preparations of cereals, flour	81	666	-585	3010	4186	-1176	2,7%	15,9%	49,7%
20 preparations of vegetables, fruit	245	650	-405	3695	5629	-1934	6,6%	11,5%	20,9%
21 miscellaneous edible preparations	484	485	-1	5591	3232	2358	8,7%	15%	-0%
22 beverages, spirits and vinegar	1240	7854	-6614	5393	16144	-10751	23%	48,6%	61,5%
23 residues from food industry and feed	578	140	438	7594	2077	5517	7,6%	6,7%	7,9%
24 tobacco and manufactured substitutes	369	104	265	1287	1457	-170	28,7%	7,1%	-156%
Sub-total: classes 1 to 24 of HS2	17036	29989	-12953	111660	99404	12256	15,3%	30,2%	-106%
Other agricultural products outside classes 1 to 24, according to the WTO Agreement on Agriculture (AoA) Annex 1									
Other agricultural product	575	485	90	8711	2167	6544	6,6%	22,4%	1,8%
Total agricultural products of the AoA plus fish and fish preparations									
	17611	30474	-12863	120371	101571	18800	15,1%	34,4%	-62,2%
Fish preparations (part of class 16)									
Fish preparations	110	86	24	380	3143	-2763	28,9%	2,7%	-1%
Fish + fish preparations									
Fish + fish preparations	859	437	422	4286	13531	-9245	20%	3,2%	-4,6%
Total agricultural products according to the AoA (no fish and preparations)									
Total produits agri selon l'AsA	16752	30037	-13285	116085	88039	28046	14,4%	34,1%	-47,4%
4001 natural rubber	12	63	-51	409	691	-282	2,9%	9,1%	18,1%
Manufactured tobacco	11	3	8	136	2758	-2622	8,1%	0,1%	-0,3%
Total agricultutal products of the AoA + natural rubber – manufactured tobacco									
Total + natural rubber – manuf. tobacco	16751	29977	-13226	115812	90107	25705	14,5%	33,3%	-51,5%

Source: Eurostat; X: exports; M: imports; B: balance. * trade here is considered from the US point of view: exports are the US exports to the EU. Total US trade is drawn from the UN Comtrade data base and the US dollars are converted in euros at the rate of 1.2848 dollar for 1 euro in 2012. ** Contrary to the EU and the WTO AoA, the US does not consider manufactured tobacco as an agricultural product but includes natural rubber.

Annex 2 – Comparison of the US and EU applied agricultural tariffs and contradictions in the level of US agricultural tariffs

1) For the WTO

The table 6, drawn from the WTO World tariff profiles 2012, shows that the EU and US have about the same number of total tariff lines (TLs) but there are twice more agricultural TLs in the EU than in the US. If the level of peak TLs is much higher in the EU (175 exceeding 50% *ad valorem* against 14, and 36 exceeding 100% against 8) the maximum tariff is to be found in the US. For dairy products the US average tariff is 19.1% (with a maximum tariff of 95%) against 56.2% in the EU (with a maximum tariff of 205%).

Table 6 – US and EU rates of applied agricultural tariffs

	Number of tariff lines (TLs)				Number and % of highest agr. tariffs			Dairy products	
	Total	Agri.	Non-agri.	% agri.	TLs>50%	TLs>100%	Maximum	Average	Maximum
US	10992	1595	9397	14,5%	14 (0.9%)	8 (0.4%)	350%	19.1%	95%
EU	10295	2987	7308	29%	175 (5.8%)	36	205%	56.2%	205%

Source: WTO, World tariff profiles, www.wto.org/statistics

2) The USDA report of 2001

According to an USDA report of 2001[16], 24 TLs or 2% of total US agricultural TLs exceeded 100% (with the highest rates at 350%) against 141 TLs or 8% of total agricultural TLs in the EU (with the highest rate of 540% on powder of sugar beet or sugarcane). The US highest average rates concern tobacco products (102%) against 38% in the EU, followed by sweeteners (46%) against 59% in the EU, and dairy products (43%) against 87% in the EU. Given the large percentage of non-*ad valorem* agricultural TLs in EU and US, the report had to convert them in *ad valorem* tariff equivalent (AVE) through the use of the average world import unit values for 1995-97 because, when tariffs are too high, no country-specific import value even exists, as they preclude any trade from taking place. And USDA adds that "*Since calculating AVEs takes considerable time and effort, and since the data needed to perform such calculations are often not available, non-ad valorem tariffs for agriculture are often excluded from calculations of average tariffs. This can result in an average that is underestimated, since the AVE of these tariffs tends to be quite high*". It is likely that most of the gaps between the various US and EU evaluations of average tariff rates come from the fact that some of them do not take into account the non-*ad valorem* TLs. Indeed the USDA report says that "*The average of bound tariffs specified solely in ad valorem terms is 58 percent, while the average AVE of non-ad valorem tariffs is 123 percent*".

3) Applied US *ad-valorem* tariffs on dairy in 2012

Table 7 – Average *ad valorem* tariff equivalent of US imports of dairy products in 2012

Commodity HS2007	Import Value ($)	NetWeight (kg)	Tariff rate	Tariff value $ million	AV equiv tariff
Milk & cream, not concentrated, fat >1% not >6% [code 040120]	4296563	444,438	15/t	0,007	1,6%
Milk in powder/granules/other solid form, fat not >1.5% [code 040210]	5153610	1,924,128	865/t	1,664	32,3%
Milk in powder/other solid, unsweetened, fat >1.5% [code 040221]	44670528	10,032,124	1556/t	15,610	34,9%
Milk in powder/other solid form, sweetened, fat>1.5% [code 040229]	268313	70,309	1104/t+14,9%	0,082	30,6%
Milk & cream, concentrated (excl. powder) unsweetened [code 040291]	7234912	4,434,546	313/t	1,388	19,2%
Milk & cream, concentrated (excl. powder), sweetened [code 040299]	47447988	23,669,777	463/t+14,9%	18,029	38%
Yogurt [code 040310]	31516882	10,593,366	1035/t +17%	16,322	51,8%
Buttermilk/curdled milk & cream/kephir & fermented [code 040390]	3685153	689,550	1556/t	1,073	29,1%
Whey & modified whey [code 040410]	26810639	13,148,054	1035/t+8,5%	15,887	59,3%
Milk products of natural milk constituents, n.e.s. [code 040490]	290433310	49,300,883	1189/t+8,5%	83,306	28,7%
Butter [code 040510]	37583352	8,525,251	1541/t	13,137	35%
Dairy spreads [code 040520]	3066656	573,235	704/t+8,5%	0,404	13,2%
Fats & oils from milk other than butter & dairy spreads [code 040590]	35077954	9,139,648	1865/t+8,5%	20,027	57,1%
Processed cheese, not grated/powdered [code 040630]	30147953	5,744,493	1509/t	8,668	28,8%
Blue-veined cheese [code 040640]	37732748	4,192,576	2269/t	9,513	25,2%
Cheese (excl. of 0406.10-0406.40) [code 040690]	1022349077	135,899,665	1509/t	205,073	20%
Total	1627475638	177,532,000		425,762	26,20%

Sources: Comtrade for imports in HS-6 codes and notified applied tariffs in the WTO database

[16] USDA, *Profiles of Tariffs in Global Agricultural Markets*, http://www.ers.usda.gov/media/919871/aer796.pdf

On the double basis of US exports of dairy products in 2012 according to Comtrade (by HS-6 codes), of the US MFN applied tariffs in 2013 in the WTO data base and in the US Harmonized Tariff Schedule of 2013, we have assessed that the average *ad valorem* tariff equivalent was of 26.2% as shown in table 7. This average is significantly higher than the 19.1% of the US tariff profile for the US and even more than the 17.9% in the CEPR report.

4) CIF value and paid duties of US dairy products by HS-4 code in 2012

The data base of the US International Trade Commission (USITC) gives for each product the CIF value, the calculated duties, the dutiable value (given that many products are imported duty-free or at lower rates within tariff quotas), which allows to calculate the rate of tariff either on the total CIF value or only on the dutiable value. However it is highly puzzling that this very detailed database on the US actual duties on imports presents a level of calculated duties extremely low compared to the other sources, so that we can put in doubt the accuracy of this data base. Thus, taking the 3 agricultural products considered by the CEPR report (Annex 3) as the most protected, the commonly used average *ad valorem* tariff rate relating the duties on the CIF value is only of 5.3% (table 8) for dairy products in 2012 against 17.9% in the CEPR report (see table 1) and 19.1% in the WTO data base, of only 2.4% for tobacco (table 9) against 43.2% in the CEPR report and only of 0.07% for food industries residues and feedstuffs (table 10) against 23.2% in the CEPR report! I have asked the USITC to elucidate this issue and they replied that they are working on it.

Table 8 – CIF value and paid duties of US dairy products by HS-4 code in 2012

$ 1,000	0401	0402	0403	0404	0405	0406	Total
CIF value	10763	104101	33596	317124	64815	1136659	1667058
Calculated duties	43	783	1516	1290	3033	86608	93273
Duty-paid value	10806	104884	35112	318414	67848	1223267	1760331
Dutiable value	2746	22312	8914	277598	48233	796789	1156592
Calculated duties/CIF value	0.4%	0.7%	4.3%	0.4%	4.5%	7.1%	5.3%
Calculated duties/dutiable value	1.6%	3.5%	17%	0.5%	6.3%	10.9%	8.1%

Source: http://dataweb.usitc.gov/scripts/prepro.asp

Table 9 – CIF value and paid duties of US tobacco by HS-4 code in 2012

$1,000	2401	2402	2403	Total
CIF value	909020	760556	50482	1735603
Calculated duties	26034	13573	750	40817
Duty-paid value	935054	770948	51548	1776420
Dutiable value	392737	165015	25196	597052
Rate of calculated duties	2.9%	1.8%	1.5%	2.4%
Calculated duties/dutiable value	6.6%	8.2%	3%	6.8%

Source: http://dataweb.usitc.gov/scripts/prepro.asp

Table 10 – CIF value and paid duties on US residues and feedstuffs in 2012

$1,000	2301	2302	2303	2304	2306	2308	2309	Total
CIF value	143853	50118	129212	68777	971455	19582	1274671	2663447
Calculated duties	0	131	255	126	15	98	1300	1932
Duty-paid value	143853	50249	129468	68903	971470	19680	1275971	2665379
Dutiable value	0	9377	18247	17917	35070	7022	92258	151147
Rate of calculated duties	0%	0.3%	0.2%	0.2%	0.002%	0.5%	0.1%	0.07%
Calculated duties/dutiable value	0%	1.4%	1.4%	0.7%	0.04%	1.4%	1.4%	1.3%

Source: http://dataweb.usitc.gov/scripts/prepro.asp