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Press Release

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Significant economic gains could be achieved through a transatlantic trade partnership

CEPII launches its first *Policy Brief*: 'Transatlantic Trade: Whither Partnership, Which Economic Consequences?'

Today, CEPII – the French leading institute for research and expertise on the world economy – launches its first Policy Brief "Transatlantic Trade: Whither Partnership, Which Economic Consequences?" which examines the stakes and potential impacts of a Transatlantic Trade and Investment Partnership (TTIP).

The TTIP is much more than any other preferential trade agreement project: it aims to link the world's two biggest economic entities. The initiative is motivated by the stalemate in multilateral negotiations, the competition between trade agreements, and the willingness of the two partners to retain their leading positions in world trade, or at least to limit their loss of influence.

Given the low average level of the import tariffs – 2% in the US and 3% in the EU – the setting of influential norms, standards, and other rules is probably where the main benefits lie for the US and the EU in the long run. The authors show that negotiations will focus on non-tariff measures, regulation in services, public procurement, geographical indications, and investment.

After reviewing the main issues at stake, Lionel Fontagné, Julien Gourdon and Sébastien Jean use a computable general equilibrium model to assess the economic impacts of an agreement. The central scenario assumes progressive but complete phasing-out of tariff protection accompanied by an across-the-board 25% cut in the trade restrictiveness of non-tariff measures, for both product and service sectors with the exception of public and audiovisual services.

The authors find that trade between the two signing regions in goods and services would approximately increase 50% on average, including an upsurge of 150% for agricultural products. 80% of the expected trade expansion would stem from lowered non-tariff measures. Both partners to the proposed agreement would reap non-negligible GDP gains in the long run, corresponding to an annual increase in national income of $98bn for the EU and of $64bn for the US.

'Transatlantic Trade: Whither Partnership, Which Economic Consequences?'

About the authors:

Lionel Fontagné is Scientific Advisor at CEPII and Professor at University Paris-1 and Paris School of Economics.

Julien Gourdon is Economist at CEPII.

Sébastien Jean is Director of CEPII and Senior Scientist with the French Institute for Agricultural Research (INRA).

About CEPII:

CEPII (Centre d'Études Prospectives et d'Informations Internationales) is a French institute that produces independent, policy-oriented economic research to help understand the international economic environment and challenges in the areas of trade policy, competitiveness, macroeconomics, international finance and growth.

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Press Contact:

Sophie Piton

presse@cepii.fr

+ 33 (0) 1 53 68 55 23