

# Does Current Trade in Goods between the EU and US Justify the Creation of the TTIP?

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The Transatlantic Trade and Investment Partnership (TTIP), once signed, will result in a combined market of 822.8 million people (World Bank Data 2013)<sup>i</sup>. This agreement aims to cover a wide range of issues, integrating the markets of the United States of America (US) and the European Union (EU). Such an agreement would have its proponents and its opponents. Civil society has apparently recorded one million signatures against the signature of this agreement<sup>ii</sup>. Politicians have also presented their views on various aspects, including immigration; taxes and the economy; and security, defence and foreign affairs<sup>iii</sup>. One of the opposing views of the opponents is presented below.

WTO tariff profiles suggest that the majority of trade between the parties doesn't attract much duty anyway. 46.6% of the value of US' imports of agricultural products from the EU is duty-free, while 67.0% of the value of US' imports of non-agricultural products is duty-free. On the other side of the Atlantic Ocean, 42.3% of the value of EU's imports of agricultural products from the US is duty-free, while 67.9% of the value of EU's imports of non-agricultural products from the US is duty-free.<sup>iv</sup> Currently, the average tariff paid by either country is reportedly below 4%, so neither party experiences high tariffs when trading.<sup>v</sup>

Scotland is known for its whiskey, which is exported to various countries within the world. Currently, in the USA, the import duty for Scotch whiskey is 0%. But there are other popular European products which attract duties, such as German cars, Italian fashion and footwear, and French cheese. According to the BBC, the imports of German cars by the USA accounted for \$1bn in tariffs. Some high tariff items in the USA include knitwear sweaters (16%) and slippers (26%). It is important to note that, even if this agreement is signed, the Scots may not be even able to benefit from preferential tariffs on its knitwear (for which it is known). The rules of origin may be so construed so that the cashmere wool utilised in the manufacture of the garments may have to be originating. This, however, poses a problem for Scotland, since based on its geography, it is no place to raise the high-altitude goats that provide manufacturers with cashmere wool.<sup>vi</sup>

Obviously, an agreement such as the TTIP should not be analysed solely with respect of trade in goods, as there are several components of the agreement. However, trade in goods at both the domestic and international levels have been a part of business since the advent of barter trade. Thus, in the creation of the agreement, companies trading in goods should be able to benefit. However, if most of the trade is already duty-free, and it is possible that some of the non-duty-free trade may still remain dutiable based on the rules of origin, then the benefits to those companies may be overstated.

## Notes

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<sup>i</sup>“Data | The World Bank.” Data | The World Bank. Accessed December 12, 2014. <http://data.worldbank.org>.

<sup>ii</sup> “Petition against EU-US Trade Talks.” BBC News. December 4, 2014. Accessed December 12, 2014. <http://www.bbc.com/news/business-30316819>.

<sup>iii</sup>“Manifesto Watch: Where Parties Stand.” BBC News. December 9, 2014. Accessed December 12, 2014. <http://www.bbc.com/news/uk-politics-29642613>.

<sup>iv</sup> “Trade Profiles.” Trade Profiles. Accessed December 12, 2014.

<http://stat.wto.org/TariffProfile/WSDBTariffPFHome.aspx?Language=E>.

<sup>v</sup> “Tipping Point for TTIP?” BBC News. December 12, 2014. Accessed December 12, 2014.

<http://www.bbc.com/news/uk-scotland-30444398>.

<sup>vi</sup> “Tipping Point for TTIP?” BBC News. December 12, 2014. Accessed December 12, 2014.

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