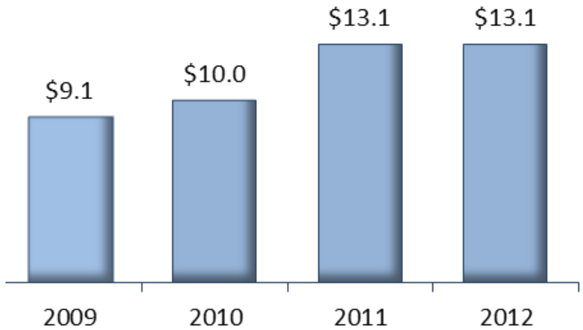
Motor Vehicles and TTIP

At a Glance: Under the implementation of an ambitious Transatlantic Trade and Investment Partnership, US motor vehicles **exports will grow by nearly 650 percent** from 2012 levels.

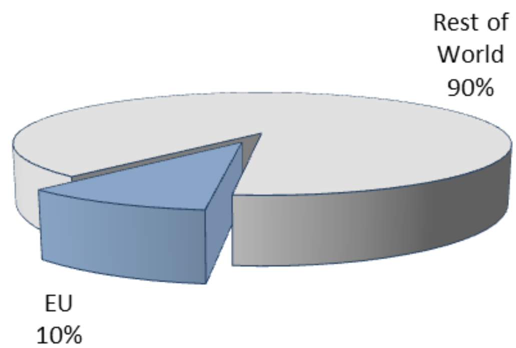
Industry Overview: The US motor vehicle sector includes producers of finished motor vehicles, vehicle bodies and trailers, and automotive parts. At **$522 billion**, the motor vehicle sector accounted for **9.1 percent** of US manufacturing shipments in 2012, led by finished cars and light trucks ($267 billion) and automotive parts ($225 billion).

US Exports of Motor Vehicles to EU
($ billion)



Source: US Census

EU Share of US Motor Vehicle Exports, 2012



Source: US Census

US Exports of Motor Vehicles to the EU: In 2012, the United States exported **$13.1 billion** worth of motor vehicles and parts to the EU. Approximately **$1 out of every $10** in US motor vehicle exports went to the EU in 2012, but the EU market is significantly more important for some states: 52 percent of South Carolina's motor vehicle exports and 31 percent of Colorado's motor vehicle exports went to the EU in 2012.

Current Barriers to Transatlantic Trade: US motor vehicle exporters face EU tariffs averaging 8.0 percent, including tariffs of 10.0 percent on finished vehicles and 3.0 percent to 4.5 percent on most parts, in addition to a variety of non-tariff measures (NTMs) that further restrict access to the EU market. The estimated cost of the NTMs is the equivalent of a 25.5 percent tariff on US motor vehicle exports.

Estimated Export Gains From TTIP: Implementation of an ambitious TTIP by the year 2027 is expected to increase annual US motor vehicle exports to the EU by **$84.7 billion**, a rise of **almost 650 percent** from 2012 levels. A slight majority of these gains would from NTM reductions, although tariff reductions are also significant. **In both absolute and relative terms, expected increases for US motor vehicles exports are larger than for any other industry.**

Atlantic Council
Bertelsmann Foundation
British Embassy Washington

Methodology

This study depicts the estimated economic impact of the implementation of an ambitious Transatlantic Trade and Investment Partnership (TTIP) on US exports and employment for a series of fourteen key economic sectors. The estimated changes in exports to the EU are based on the Centre for Economic Policy Research (CEPR) report *Reducing Transatlantic Barriers to Trade and Investment: An Economic Assessment*, The Trade Partnership's *CDxports* database, and the approach used by Ecorys to quantify non-tariff measures. According to the CEPR study, an agreement would increase US GDP by up to €95 billion, or $125 billion at current exchange rates, under its ambitious scenario.

The CEPR study defines an ambitious agreement as: 1) a 100 percent reduction in tariffs, 2) a 25 percent reduction in the costs resulting from non-tariff measures such as regulatory barriers affecting goods and services, and 3) a 50 percent reduction in procurement non-tariff barriers. CEPR's study estimates reflect the full implementation of an ambitious TTIP agreement by the year 2027. The results are based on an estimated change derived from TTIP compared to a 2027 baseline year without the TTIP in place. Our figures for exports and job creation take into account the countervailing forces of increased imports to the US from the EU.

Employment impacts were derived under the same TTIP liberalization scenarios as in the CEPR report. However, while the core CEPR assessment is a long-run assessment based on an assumption of full employment, Moody's forecasts include continued soft labor markets in 2027, with unemployment above long run levels. We therefore conducted an alternative measure of the potential impact of TTIP on employment reflecting an economy that is not at full employment in 2027. This involved assumptions of both increased labor demand and increased wages. Resulting national impacts by industry were distributed to the state level based on Moody's baseline state and sector level labor force projections.

It is important to note that the largest positive effects of the TTIP arise from the agreement's indirect impacts on US spending and investment. For example, due to the lower costs of imports, companies and consumers have additional resources available to spend on other goods and services, and that spending is itself job supporting. According to European Commission estimates, TTIP increases disposable income by approximately $865 annually for an average American family of four.[1]

Dataset used in this study

The study was conducted using export data for goods and services from The Trade Partnership's *CDxports* database. *CDxports* refines US government export data to estimate merchandise exports to more than 230 countries from individual US states and Congressional districts. It details exports for 104 sectors for 2002 through 2012. This analysis uses figures for goods exports to the EU[2] and services exports to the EU[3], based on the most recent data available at the time of publishing.

Terminology

The terminology used to describe current US exports to the EU in this study is based on the Census Bureau's North American Industry Classification System (NAICS). The CEPR study, by contrast, uses a more broadly defined classification of industry categories based on those in the CEPR study. The two classification systems are interoperable. For instance, logging, fishing, support activities for crop production, animal production, and forestry fall within the right-hand classification "Ag., Forestry, Fisheries." Services agglomerations include the following: Business services (legal, accounting, architecture, engineering, management consulting, etc.), personal services (arts, entertainment, lodging, food services, maintenance and repair, beauty services, etc.), and other services (utilities, wholesale and retail sales, domestic transportation, education, health care, etc.).

[1] http://ec.europa.eu/trade/policy/in-focus/ttip/questions-and-answers/
[2] Based on 2012 data
[3] Based on 2011 data, the most recent available at the time of publishing