

By continuing to use this site you consent to the use of cookies on your device as described in our [cookie policy](#) unless you have disabled them. You can change your [cookie settings](#) at any time but parts of our site will not function correctly without them.

# FINANCIAL TIMES

Home UK World Companies Markets Global Economy Lex Comment Management Personal Finance Life & Arts  
 Economic Calendar | Africa | Americas | Asia | China | EU | India | Middle East | UK | US | Tools

June 17, 2013 1:00 am

## Trade deal would benefit US more than EU, Ifo study finds

By James Politi in Washington



The US would gain more than the EU from a transatlantic trade deal, according to a study to be released on Monday.

Its report concludes that a transatlantic agreement would reduce trade flows within Europe and damage many developing countries.

Economists at the Munich-based Ifo institute, a German economic think-tank, found that a trade deal would lead to a 13.4 per cent increase in US income per head in real terms over the “long term” but only an average 5 per cent rise among the EU’s 27 member states.

Sign up now



*FirstFT* is our new essential daily email briefing of the best stories from across the web

The figures, commissioned by the Bertelsmann Foundation, assume that the US and EU strike an ambitious deal that would slash transatlantic tariffs and harmonise and ease regulations in many sectors that are often referred to as non-tariff barriers to trade.

That prospect was thrown into question late on Friday after France successfully fought to keep Europe’s film, television and music industries out of the European Commission’s mandate for talks, at least temporarily. US officials have warned that such a move to include a “cultural exception” could lead to similar carve-outs on their side, putting a comprehensive deal at risk.

The analysis showing the US reaping more benefits from such an agreement than the EU could bolster American enthusiasm and heighten European scepticism just at the start of formal negotiations, which David Cameron, UK prime minister, is expected to launch at the G8 summit in Northern Ireland on Monday. On the other hand, the data show that the EU would still receive a much-needed economic jolt from more open trade, even if the US would profit more.

For supporters and defenders of European integration, the study offered mixed results. On one hand, the data suggest the deal will not lead to an increase in economic disparity within Europe, as some have feared.

In fact, some of the most economically troubled countries in Europe such as Spain and Greece would reap better than average boosts to growth from such a deal. However, trade flows inside the EU would fall as more goods and services travel across the Atlantic, which could be disconcerting for some member states. For instance, German trade with the UK, France and Italy would shrink, as would the UK's trade with Ireland, Spain, France, Italy and Germany.

“From an economic point of view, it's not a big problem but from a political point of view . . . if something like this happens, it will be difficult to hold countries together,” said Ulrich Schoof, project manager at the Bertelsmann Foundation.

There would also be damage around the world from a sweeping US-EU deal. Advanced countries such as Canada, Australia and Japan would suffer, as would many emerging economies. Mexico and Chile, which have strong trading ties with the US, would be among the worst hit, along with most of Africa, Asia and Latin America, – with the exception of Brazil. China's trade flows with the US would shrink but the hit to Chinese global income per head would be only 0.4 per cent.

The methodology employed by the Ifo economists – based on an econometric analysis of previous trade deals such as the North American Free Trade Agreement and the European single market itself – shows bigger trade effects than previous models. But if the US and the EU agree a deal that simply lowers tariffs, the economic impact would be small for both blocs as well as around the world.

The biggest EU beneficiary under a “deep liberalisation” scenario would be the UK, which would see its global gross domestic product per head rise 9.7 per cent. France would see a smaller gain – of 2.64 per cent. Germany's benefits would also be below average, at 4.68 per cent, while the impact in Sweden, Ireland, and Finland, would be above the mean. In employment terms, the study found that an aggressive transatlantic deal would create 1.1m jobs in the US, 400,000 in the UK and 100,000 to 200,000 each in Germany, Italy, Spain and France.

## *Additional reporting by Peter Spiegel in Brussels*

**RELATED TOPICS** Global Trade, United Kingdom, European Union, US trade, EU trade

---

### Content recommended for you

#### Related articles

Europe will benefit from Greece being given a fresh start

Critics fear ECB quantitative easing will lead to crisis

France seeks to revive European financial transactions tax

Draghi opens Europe's monetary spigot at last

Death of Saudi king, art's shady money, Greece to decide

Oil issues provide test for retail bonds

Free Lunch: Super Mario's supersized stimulus

Draghi's bond buying gives cheer for Abruzzo vineyard

Guest post: Europe - what a state we are in

German public resists debt cut for Greece

**Printed from:** <http://www.ft.com/cms/s/0/87fb5b36-d4f0-11e2-9302-00144feab7de.html>

Print a single copy of this article for personal use. Contact us if you wish to print more to distribute to others.

© **THE FINANCIAL TIMES LTD 2015** FT and 'Financial Times' are trademarks of The Financial Times Ltd.