

Impact assessment of the EU-Mercosur Association Agreement on the US economy

PRELIMINARY APPROACH

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The Agreement in a
nutshell

The agreement



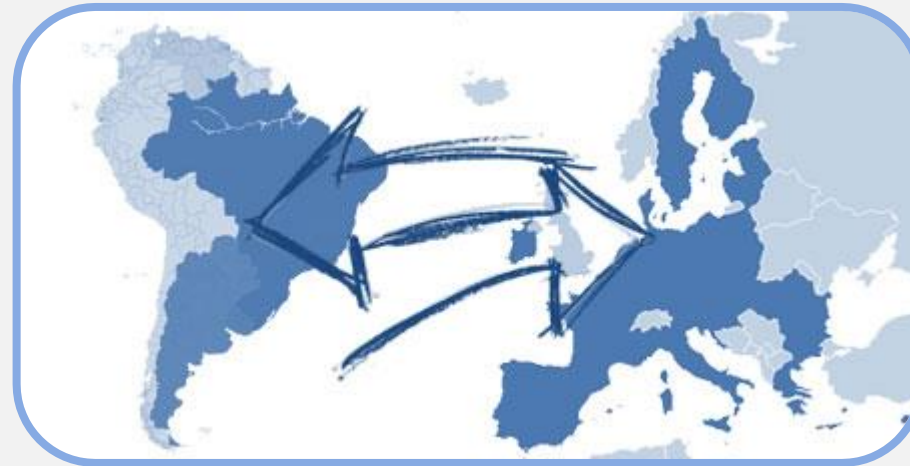
Mercosur



91% tariff liberalization

Gradual liberalization 15
years

NTM reduction



Biggest trade agreement signed by both regions

23.5%	37%	91%	10%
of global GDP	of global exports & imports	of tariff reduction	of Global Population



EU

92% tariff liberalization

Gradual liberalization 10
years





US trade relations with Mercosur and EU



US in regional trade



Trade with EU...

Origin of imports in EU				
Sector Aggregation	EU	MERCOSUR	US	CHINA
	% share	% share	% share	% share
Agriculture	63,3%	4,1%	3,0%	1,6%
Manufacturing	55,9%	0,7%	4,7%	7,7%
Services	40,6%	1,1%	13,5%	3,7%
Total	52,7%	0,9%	6,7%	6,5%



Trade with Mercosur...

Origin of imports in Mercosur				
Sector Aggregation	EU	MERCOSUR	US	CHINA
	% share	% share	% share	% share
Agriculture	5,8%	49,2%	13,9%	3,4%
Manufacturing	15,5%	12,6%	16,5%	18,7%
Services	35,4%	1,3%	16,6%	3,5%
Total	20,1%	10,6%	16,5%	14,8%



Methodology



Sets, data and simulations

9 x 4 x 36 CGE model of the world economy:

SETTING

9 regions (EU27 – Brazil -
Argentina – Paraguay -Uruguay -
United States of America – China –
Canada - ROW)

4 factors of production
(labor-land-natural resources-
capital)

36 sectors
(8 agricultural sectors
18 manufacturing sectors
10 services sectors)

DATA

Most data from the **GTAP10
Data Base** but its tariffs' data
have been updated with:
**International Trade Center
(2020):**

Goods trade (Trade map)
average for 2017-2019
MFN tariffs (market access
map) for 2019

Non-Tariff Measures (NTMs):

For trade in goods:
World Bank (2019)

For trade in services:
Benz and Jaax (2019) and
Fontagné et al. (2016)

Simulations

- Tariff reduction
- NTM reduction
- Public Procurement
NTM reduction
- Canada-Mercosur
tariff reduction



Results

Macro Results

Simulation	GDP	Private Consumption	Aggregated Exports	Aggregated Imports	Wages	Capital remuneration	CPI
EU-MCS Tariff reduction							
NTMs reduction							
Public Procurement							
Canada-MCS tariff reduction							
Total							

Simulation	GDP	Private Expenditure	Aggregated Exports	Aggregated Imports	Wages	Capital remuneration	CPI
Dinamic Sim							

Country/region	Resource allocation	Technical change	Terms of trade	Investment-Savings Terms of	Total
European Union					
Argentina					
Brazil					
Paraguay					
Uruguay					
USA					
China					
ROW					

Impact on bilateral exports

US-EU-MCS

Agriculture

Sector	US exports to EU		US exports to Mercosur	
	Share in EU imports	US-EU % Impact	Share in Mercosur	US-MCS % Impact
Cereals				
Vegetables, fruits, nuts				
Sugar				
Plant & animal fiber, others				
Bovine and other ruminant meats				
Other animal products				
Dairy products				
Forestry				

Services

Sector	US exports to EU		US exports to Mercosur	
	Share in EU imports	US-EU % Impact	Share in Mercosur imports	US-MCS % Impact
Other services				
Construction				
Hotels and Restaurants				
Maritime Transport				
Air Transport				
Communication				
Banking				
Insurance				
Business Services				
Personal Services				

Manufactures

Sector	US exports to EU		US exports to Mercosur	
	Share in EU imports	US-EU % Impact	Share in Mercosur	US-MCS % Impact
Gas, coal, oil extraction or distribut				
Live animals, meat and animal produc				
Vegetable oils and fats				
Food products nec				
Beverages and tobacco products				
Textiles				
Wearing apparel				
Leather products				
Wood products				
Petroleum, coal and other chemica				
Pharmaceutical products				
Rubber and plastic products				
Other manufactures				
Metals and metal products				
Electronic products				
Other machinery				
Motor vehicles and parts				
Transport equipment				

Impact on bilateral exports

Sector	US exports to EU		US exports to Mercosur	
	Share in EU	US-EU % Impact	Share in Mercosur imports	US-MCS % Impact
TOTAL AGRICULTURE				
TOTAL MANUFACTURES				
TOTAL SERVICES				

Thank you for your attention