Significant economic gains from eliminating EU-US industrial tariffs

An economic analysis by the European Commission confirms that the EU and the US would stand to gain considerably from eliminating the remaining tariffs on all industrial goods. This could increase EU exports of industrial goods to the US by 8% and US exports to the EU by 9% by 2033, which corresponds to respectively €27 billion and €26 billion in EU and US exports. Significantly, it would give transatlantic companies of all sizes a comparative advantage, lower costs in integrated supply chains, thereby also supporting their capacity to compete globally.

The EU-US economic relationship is amongst the deepest in the world with relatively low barriers and strong investment links. Total two-way trade in goods reached an all-time high of €633 billion in 2017. Taking trade in services, investments and profit flows into account, it is clear that the EU-US trade relationship is a fair one between equals, with the US reaching a small total surplus of €12 billion in 2017.

EU trade and investment balance with the US over the last decade

Source: US Bureau of Economic Analysis and Eurostat

Eliminating remaining industrial tariffs

The EU and the US have identified considerable and easily achievable economic gains in the area of industrial goods. This category - which makes up the bulk of EU-US trade in goods - includes
everything from machinery, chemicals and metals to clothes and footwear - areas where the EU is often a world market leader. The US is the main destination worldwide of EU industrial goods with over one fifth of all EU exports going to the US. Imports from the US represent almost 15% of all EU imports of industrial goods, second only to imports from China.

In general, the import duties that the EU and the US apply to each other’s imports of industrial goods are amongst the lowest in the world, averaging, 4.3% for the EU and 3.8% for the US.

However, there are a significant number of industrial goods subject to high import tariffs in both the EU and the US, so-called “tariff peaks.” For EU exports to the US, these tariff peaks include footwear (up to 48% duty), clothing (up to 32%), ceramics (up to 28%), or glass (up to 38%) – sectors where especially small- and medium-sized enterprises (SMEs) in the EU manufacture high-quality products for the global market. They impose significant actual costs given the magnitude of trade between the EU and the US and in practice are equal to a tax on transatlantic trade.

**Helping the supply chain for US and EU companies**

By eliminating tariffs on industrial goods, there are also large gains to be had in intra-company supply chains for businesses both large and small. For instance, EU and US automotive and chemical companies have large production facilities in the US and in the EU. Their supply chains are transatlantic with supplies or parts moving back-and-forth. The present import tariffs act like an intra-firm taxation, making the final products unnecessarily more expensive, notably compared to non-EU and non-US manufacturers.

**Making transatlantic trade easier for SMEs**

Smaller companies stand to gain the most from the parallel talks on cutting the costs of assessing whether a product meets EU and US standards. Removing the need for double testing makes these conformity assessments easier and cost effective for businesses on both sides of the Atlantic without lowering safety standards or necessary quality assurances for consumers. Potential areas for closer cooperation include machinery and telecoms equipment.

**A boost to transatlantic trade**:  

The economic analysis predicts that exports of industrial products could grow significantly if industrial duties on both sides of the Atlantic were eliminated: total EU 27 exports to the US would increase by €26.7 billion (+8%) and US exports to the EU would see an increase of €26.2 billion (+9%) by 2033.

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1 EU-27 figures
Sector by sector projections of export increases (to be reached by 2033)

**EU exports to the US of**

- Clothing articles could increase by €2.3 bn (110%) to €4.5 bn
- Leather products could increase by €1.6 bn (69%) to €4.0 bn
- Machinery could increase by €3.3 bn (7%) to €52.8 bn
- Chemicals and pharmaceuticals could increase by €7.4 bn (7%) to €107 bn

**US exports to the EU of**

- Chemicals and pharmaceuticals could increase by €8.6 bn (15%) to €66.6 bn
- Transport equipment could increase by €3 bn (9%) to €35.4 bn
- Motor vehicles and parts could increase by €5.8 bn (46%) to €18.3 bn
- Machinery could increase by €2.5 bn (10%) to €28.1 bn

Source: European Commission, Directorate-General for Trade