The impact of Free Trade Agreements in the OECD

The impact of an EU-US FTA, EU-Japan FTA and EU- Australia/New Zealand FTA

Concept

Client: Ministry of Economic Affairs, the Netherlands

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List of used abbreviations

AVE	Ad Valorem Equivalents
AUS	Australia
BRIC	Brasil, Russia, India and China
CGE	Computable General Equilibrium
DDA	Doha Development Agenda
EU	European Union
EU26	EU27 excluding the Netherlands
FMT	Francois, van Meijl and van Tongeren
FTA	Free Trade Agreement
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
JP	Japan
LR	Long Run
MAD	Market Access Database
MFN	Most Favoured Nation
NL	the Netherlands
NTB	Non-tariff Barrier
NZ	New Zealand
P4	Pacific-4
ROW	Rest of World
SR	Short Run
TEC	Transatlantic Economic Council
US	United States
WTO	World Trade Organisation

1 Introduction

This study is an impact assessment of three possible FTAs in the OECD area: an EU-US FTA, an EU-Japan FTA and an EU-Australia/New Zealand FTA. The study separates the impact on the Netherlands from the rest of the EU (EU26), while also looking at the impact on third countries. The scenarios selected for assessing the impact of these three FTAs are ambitious, as the interest is in the *potential* impact of ambitious bilateral FTAs. In assessing their impact, it is important to keep in mind that the results are based on a situation *without* a possible Doha agreement in the WTO.

The structure of this report is as follows: chapters 2 to 6 present an overview of the context of these three FTAs: current main economic indicators of the partners to the FTAs, existing FTAs and other trade agreements, and the existing trade and investment relations between the partners for each of the three FTAs. Chapter 7 sets out the CGE model that was used for this study, also specifying the assumptions that have been made. Chapter 8, 9 and 10 present the impact of, respectively, an EU-US FTA, an EU-Japan FTA and an EU-Australia/NZ FTA in detail. The final chapter provides the synthesis and conclusions.

2 Main economic indicators: baseline

Source of this Chapter is OECD Factbook 2009: Economic, Environmental and Social Statistics - ISBN 92-64-05604-1 - © OECD 2009. The currency that was used in this OECD Factbook was the US dollar. In this Chapter all the data is recalculated to Euros, a 2007 average is used to do this, the 2007 average was 0.73[1]. The OECD Factbook uses for the EU 27 trade figures in which intra-EU trade in included. So in this Chapter EU 27 data is intra-EU trade included. For AUS + NZ, the data includes intra AUS and NZ trade.

2.1 Income and production

Table 2.1 Main Income and Production indicators – 2007

	EU27	NL	US	JP	AUS [1)]	NZ [1)]	AUS + NZ
GDP (Billion Euros, current prices and PPPs)	10,851	469	10,039	3,138	581	84	664
GDP per capita (Euros, current prices and PPPs)	21,877	28,656	33,232	24,566	27,444	20,034	26,184
Real GDP growth (Annual growth in %)	2.9	3.5	2	2.1	4.4	3	N.A.
Labour productivity (GDP per hour worked)[2)]	34.9 [3)]	39.8	43.7	4,875.2	47.9	38.4	N.A.

1) Data refer to fiscal year

2) Labour productivity for NL, US, JP, AUS and NZ is expressed in national currencies at constant prices.

3) This is EU 19. EU 19 is all EU Member States that are OECD Members. Labour productivity for zones are based on GDP volumes converted to US dollars, using constant Purchasing Power Parities.

[1] The exact 2007 average was 0.7305591 and the source is http://www.x-rates.com/d/EUR/USD/hist2007.html. In Annex I a table and figure can be found with monthly averages over 2007.

2.2 Trade

Table 2.2 Trade balance - 2007

	EU27	NL	US	JP	AUS	NZ	AUS + NZ
Trade in goods (Billion Euro)							
Imports	3,833.9 (1)	307.8	1473.6	454.6	115. 3	22.6	137.9
Exports	3,747.8 (1)	348.3	849.2 (2)	521.8	103.1	19.7	122.7
Total trade	7,581.7	656.1	2,322.8	976.4	218.3	42.2	260.5
Balance	-86.1	40.5	-624.4	67.3	-12.3	-2.9	-15.2
Trade in services (Billion Euro)							
Imports	1,470.4	84.2	378.1	149.3	39.1	9.1	48.2
Export	1,666.7	96.4	497.2	126.2	40.3	9.3	49.6
Total trade	3,137.1	180.6	875.3	275.5	79.4	18.4	97.8
Balance	196.3	12.2	119.1	-23.1	1.2	0.2	1.4

(1) Source: national statistical offices or customs of the European Union Member countries

(2) Free alongside ship

Figure 2.1 Trade in goods – billions Euros (2007)

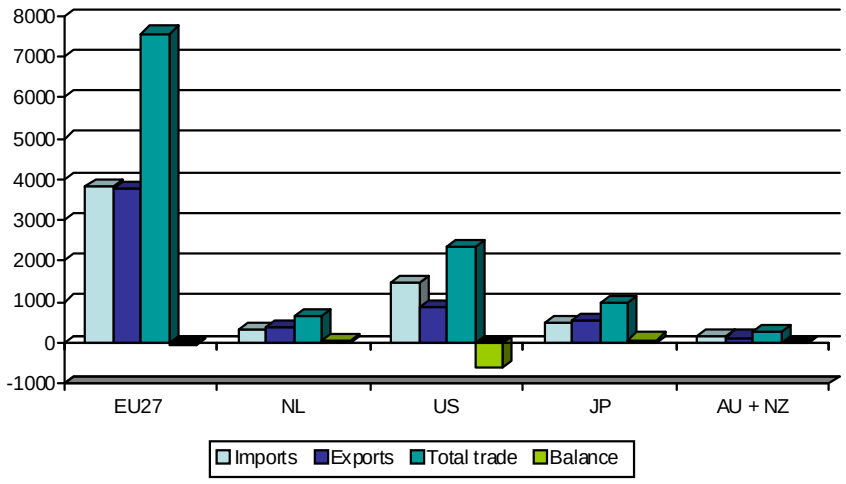


Figure 2.2 Trade in services – billions Euros (2007)

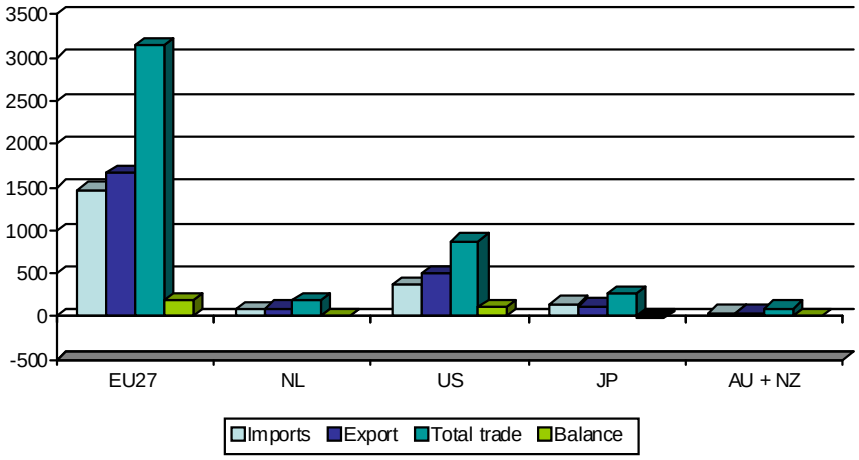
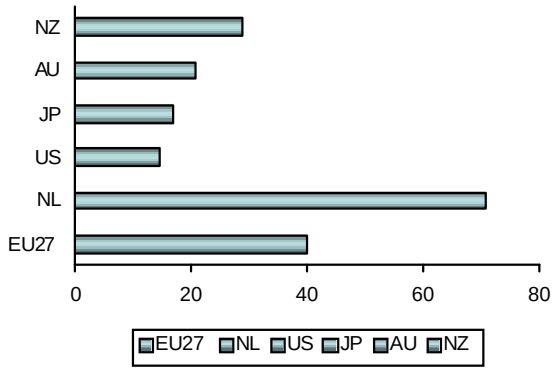


Table and Figure 2.1 Trade in goods and services – % of GDP (2007)



Trade in goods and services (% of GDP)	
EU27	40.0%
NL	70.6%[2]
US	14.7%
JP	16.8%
AUS	20.7%
NZ	29.0%

2.3 Investment

Table 2.3 FDI flows in billion Euro – 2007

	EU 27	NL	US	JP	AUS	NZ	AUS + NZ
Inflows	788.5	72.7	173.5	16.5	17.2	2.1	19.3
Outflows	972.0	22.8	243.5	53.7	18.8	2.1	20.8
Balance	183.6	-49.9	69.9	37.3	1.5	0.0	1.5

[2] OECD Definition: The rates shown in this table correspond to the average of imports and exports (of both goods and services) at current prices as a percentage of GDP. The data are taken from national accounts statistics compiled according to the 1993 System of National Accounts. Goods consist of merchandise imports and exports. Services cover transport, travel, communications, construction, IT, financial, other business, personal and government services, as well as royalties and license fees.

Figure 2.3 FDI flows in billion Euro - 2007

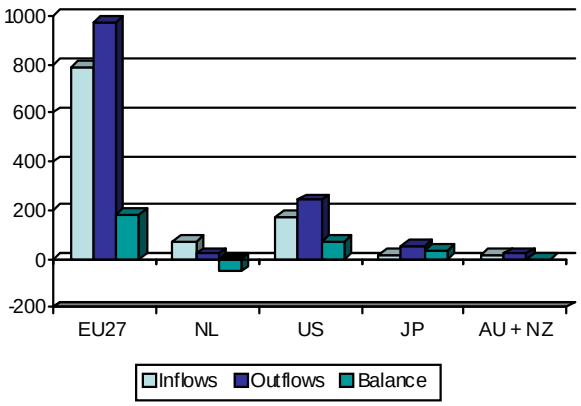


Table 2.4 FDI stocks in billion Euro - 2006

	EU27	NL	US	JP	AUS	NZ	AUS + NZ
Inward stocks	6,091.7	366.9	1,571.9	78.6	182.5	46.3	228.8
Outward stocks	6,755.8	525.2	2,144.9	328.4	166.2	9.1	175.2

Figure 2.4 FDI stocks in billion Euro - 2006

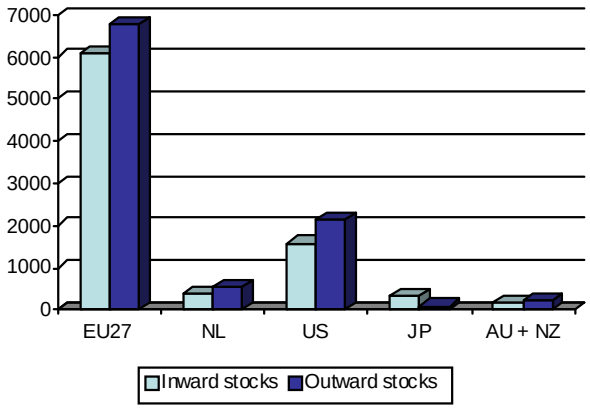
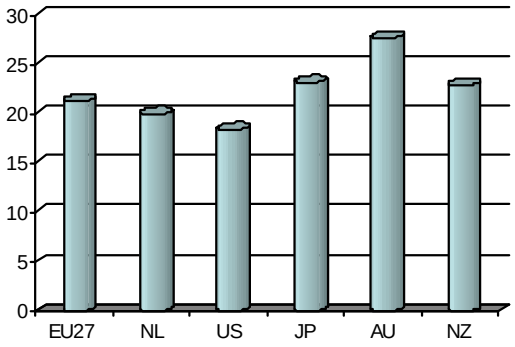


Table and Figure 2.2 Gross fixed capital formation - % of GDP (2007)



Gross fixed capital formation (% of GDP)	
EU27	21.3 %
NL	20.0 %
US	18.4 %
JP	23.2 %
AUS *	27.7 %
NZ *	22.9 %

* Data refer to fiscal year

2.4 Inflation

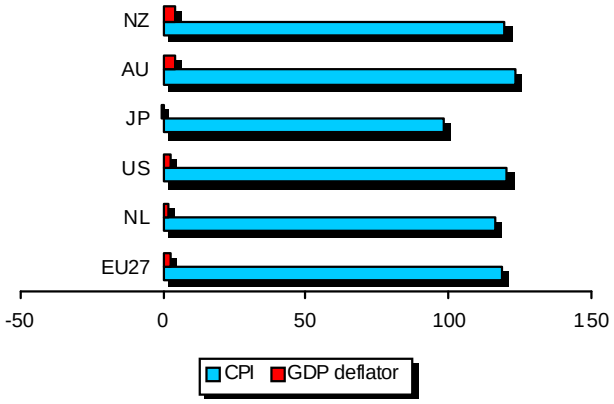
Table 2.5 Main Inflation indicators - 2007

	EU27	NL	US	JP	AUS	NZ
CPI (Year 2000 = 100)	118.4 (2)	116.3	120.4	98.1	123	119.6
GDP deflator[3] (annual growth in %)	2.8%	1.5%	2.7%	-0.7%	4.4 (1) %	4.3 (1) %

(1) Data refer to fiscal year

(2) HICP, source Eurostat

Figure 2.5 Inflation indicators - 2007



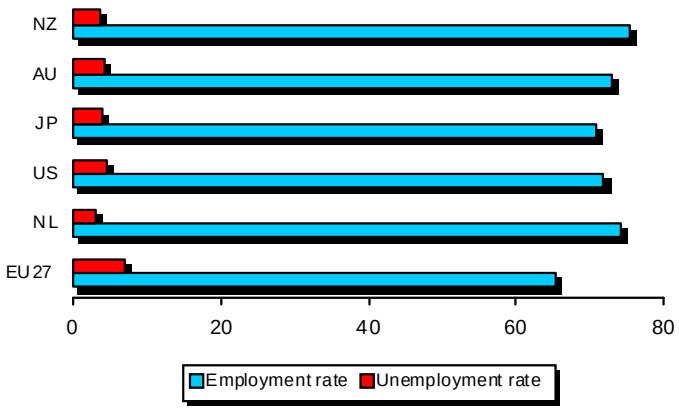
[3] The GDP deflator measures the price changes of goods and services produced by a country – including exports, and a component to reflect price changes in imports- while the CPI measures the price changes of goods and services consumed by households. Source: www.OECD.org

2.5 Employment

Table 2.6 Main Employment indicators – 2007

	EU27	NL	US	JP	AUS	NZ
Employment rate (share of persons of 15 to 64 years in employment)	65.4 %	74.1 %	71.8 %	70.7 %	72.9 %	75.4 %
Unemployment rate (a % of civilian labour force)	7.1 %	3.2 %	4.6 %	3.9 %	4.4 %	3.6 %

Figure 2.6 Main employment indicators - 2007



2.6 Overview of all trade partners

In Table 2.7, a short overview is given with some main indicators. In this overview the trade partner blocks BRIC and RoW are also presented. Different data sources have been used for this table than in the first part of the chapter, which can cause differences with the data presented earlier. Note that data for the trade blocks (EU27, BRIC and RoW) are generally not reported as one block and therefore the figures presented here are the sum of the figures of the individual countries. This implies that in these numbers intra trade or investment flows are included.

Table 2.7 Some indicators for all trade partners, billions of Euros

	EU27	NL	US	JP	AUSs/NZ	BRIC	RoW
Nominal GDP (2007)	12,252	556	10,093	3,211	768	5,154	8,172
Import[1)] (2008)	1,668	361	1,580	557	165	1,379	4,446
Export[1)] (2008)	1,408	398	949	570	159	1,663	4,647
Inflows (2006)	400	3	127	5	23	98	310
Outflows (2006)	418	17	158	37	17	53	205
Inward stocks (2006)	4,015	330	1,307	79	226	557	2,581
Outward stocks (2006)	4,697	477	1,742	33	175	241	1,930

Source: UNCTAD, Handbook of Statistics, 2008

Note: The currency that was used in this Handbook of Statistic was the US dollar. We used an exchange rate 0.73 (see footnote 1) to recalculate this to Euros.

1) For these indicators UN COMTRADE[4] is used as a source. RoW is calculated as the sum of world exports minus the exports of the other countries presented in this table. For world imports, we assumed the same value as for world exports, although this statistically often differs.

[4] http://comtrade.un.org/db/default.aspx

3 Context: EU and Netherlands main economic indicators

3.1 EU main economic indicators

Table 3.1 EU Main Economic Indicators-2007

Indicator	EU 27
Income and Production	
GDP (Billion Euros, current prices and PPPs)	10,851
GDP per capita (Euros, current prices and PPPs)	21,877
Real GDP growth (Annual growth in %)	2.9
Labour productivity (in national currency at constant prices)	34.9 [1)]
Trade in goods	
Imports (Billions of Euros)	3,833.9
Exports (Billions of Euros)	3,747.8
Total trade (Billions of Euros)	7,581.7
Balance of trade in goods (Billions of Euros)	-86.1
Trade in services	
Imports of services (Billions of Euros)	1,470.4
Exports of services (Billions of Euros)	1,666.7
Total trade in services (Billions of Euros)	3,137.1
Balance of trade in services (Billions of Euros)	196.3
Trade	
Trade in goods and services (% of GDP)	40.0%
Investment	
Inflows FDI (Billions of Euros)	788.5
Outflows FDI (Billions of Euros)	972.0
Balance FDI (Billions of Euros)	183.5
Inward stocks 2006 (Billions of Euros)	6,755.9
Outward stocks 2006 (Billions of Euros)	6,091.6
Gross fixed capital formation (% of GDP)	21.3%
Inflation	
CPI (Year 2000 = 100)	118.4
GDP deflation (Annual growth rate)	2.8%
Employment	
Employment rate (share of persons of 15 to 64 years in employment)	65.4%
Unemployment rate (a percentage of civilian labour force)	7.1 %

Source: OECD Factbook 2009: Economic, Environmental and Social Statistics

Note 1: The currency that was used in OECD Factbook was the US dollar. In this Table all the data is recalculated to Euros, with a 2007 average of 0.73, see footnote 1.
Note 2: The OECD Factbook uses for the EU 27 trade figures in which intra-EU trade in included, EU 27 data is intra-EU trade included.
1) This is EU 19. EU 19 is all EU Member States that are OECD Members. Labour productivity for zones are based on GDP volumes converted to US dollars, using constant Purchasing Power Parities.

3.2 Existing EU trade agreements

The EU has concluded a wide variety of bilateral and bi-regional trade and trade-related agreements with several regions and countries. Table 3.2 lists the main trade agreements and agreements containing trade-related provisions and gives some details on each agreement.

Table 3.2 EU trade agreements overview

FTAs, agreements with FTA provisions (Entry into force), agreements under negotiations or awaiting implementation	Details
EU – **Switzerland:** Free Trade Agreement (1973)	Highly evolved participation in EU internal market, despite not being Member State. In addition to the 1972 FTA, Switzerland is a member of the European Free Trade Association (EFTA) and there are bilateral trade agreements in the following fields: free movement of persons, trade in agricultural products, public procurement, conformity assessments, air transport, transport by road and rail.
EU – **Iceland, Liechtenstein, Norway:** European Economic Area (EEA) (1994)	*De facto* participation in internal EU market without being Member State.
EU – **Mexico** Economic Partnership, Political Coordination and Cooperation agreement (2000)	Establishment of free trade area for goods and services. Gradual dismantling of trade barriers in a broad range of fields.
EU – **South Africa** Trade, Development and Cooperation Agreement (TDCA) (Provisionally 2000)	Establishment of free trade area for goods and services. Gradual opening-up of markets over 12 years. South Africa is also member to the EU-ACP Partnership Agreement (subject to qualifications) and there is a separate agreement of wine and spirits.
EU – **Chile** Association Agreement (2003)	Establishment of free trade area for goods and services. Progressive dismantling of trade barriers in a broad range of fields.
EU –**Turkey** Customs Union (1995)	Customs union, final phase: only industrial products, not agriculture, services, procurement. Turkey is candidate country since 1999; accession negotiations started in 2005. In addition, Turkey is part of the Euro-Mediterranean Partnership.
EU – **Andorra** Customs Union (1991)	Only industrial products, not agriculture
EU – **San Marino** Customs Union (2002)	Including agriculture

FTAs, agreements with FTA provisions (Entry into force), agreements under negotiations or awaiting implementation	Details
Stabilisation and Association Agreements (**Western Balkan**): Former Yugoslav Republic of Macedonia (2004), Croatia (2005), Albania (2006), Bosnia-Herzegovina (*interim*), Montenegro (*negotiation*), Serbia (2007), Kosovo (*negotiation*). **Central European** Free Trade Agreement (CEFTA) (2007)	Special relationship with a view to future accession (potential + candidate countries). Preferential trade access in SAA's via Interim Agreements on Trade and Trade-related matters and Autonomous Trade Measures (2000). The Former Yugoslav Republic of Macedonia and Croatia are now EU candidate country. Since 2007, enhanced trade liberalisation under the CEFTA (including Moldova)
Association Agreements (**Euro-Med countries**) Algeria (2005), Egypt (2004), Israel (2000), Jordan (2002), Lebanon (2006), Libya (negotation), Morocco (2000), Palestinian Authority (1997), Syria (1977), Tunisia (1998).	Under European Neighbourhood Policy (ENP). Euro-Mediterranean Partnership since 2007 fully part of ENP. Preferential relationship between the EU and its neighbours. One of the objectives: establish an FTA with EuroMed. Now already progressive tariff dismantling and regulatory approximation. Duty-free access to EU market for manufacturing goods and ongoing liberalisation of agriculture, services and investment.
Partnership and Cooperation Agreements (**Eastern European/Central Asian countries**) Armenia (1999), Azerbaijan (1999), Belarus (1995), Georgia (1999), Kazakhstan (1999), Kyrgyz Republic (1999), Moldova (1998), Russia (1997), Tajikistan (2004), Turkmenistan (1998), Ukraine (1998) and Uzbekistan (1999).	Under European Neighbourhood Policy. Preferential relationship between the EU and its neighbours. Includes most-favoured-nation treatment (tariffs and quotas) and differentiated progressive trade facilitation (regulatory approximation). Possibility of future FTAs.
EU – **ACP** Partnership Agreement (Cotonou Agreement) (2000)	78 countries. Successor to Lomé Conventions. Now also Economic Partnership Agreements (EPA's) with reciprocal trade preferences.
General System of Preferences (**GSP**) / Everything But Arms (**EBA**) Initiative	The GSP allows for non-reciprocal preferences in favour of developing countries (as exemption from the WTO MFN-rule). The EU has a general GSP in place, granting developing countries duty-free access or tariff reductions. Under the EBA, LDC's have (non-reciprocal) duty- and quota-free market access to EU.
Framework Agreement for Commercial and Economic Cooperation between the **EU** and **Canada** (1976) Comprehensive Economic and Trade Agreement (CETA)	For over 30 years the Agreement has provided the foundation for the management and development of the EU-Canada relationship in an increasing number of fields, including trade. *Under negotiation since 2009*
Trans-Regional EU-**ASEAN** Trade Initiative (TREATI)	*FTA under negotiation since 2007*. The Association of South East Asian Nations (ASEAN) includes 10 South East Asian countries (Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Burma/Myanmar, Philippines, Singapore, Thailand

FTAs, agreements with FTA provisions (Entry into force), agreements under negotiations or awaiting implementation	Details
	and Vietnam).
EU-**MERCOSUR** Association Agreement	*FTA under negotiation since 2000*
EU- **Central America** Framework Co-operation Agreement (1993)	*Association Agreement, including an FTA, under negotiation since 2007.*
EU- **Andean Community** Framework Cooperation Agreement (1993)	*Association Agreement, including an FTA, under negotiation*
EC-**Gulf Cooperation Council** (GCC) Co-operation Agreement (1989)	*FTA under negotiation since 1990, resumed in 2002*
EU - **South Korea** Free Trade Agreement	*FTA under negotiation since 2007;* Framework on Trade and Co-operation now governing bilateral relations.
EU – **China Partnership and Cooperation Agreement**	*Partnership and Cooperation Agreement under negotiation since 2007*; will entail a comprehensive agreement and update the 1985 Agreement
EU-**India** FTA	*FTA under negotiation since 2007*

3.3 Netherlands: economic performance

Table 3.3 the Netherlands: Main Economic indictors - 2007

Indicator	The Netherlands	EU27
Income and Production		
GDP (Billion Euros, current prices and PPPs)	469	10,851
GDP per capita (Euros, current prices and PPPs)	28,656	21,877
Real GDP growth (Annual growth in %)	3.5	2.9
Labour productivity (in national currency at constant prices)	39.8	34.9 [1)]
Trade in goods		
Imports (Billions of Euros)	307.8	3,833.9
Exports (Billions of Euros)	348.3	3,747.8
Total trade (Billions of Euros)	656.1	7,581.7
Balance of trade in goods (Billions of Euros)	40.5	-86.1
Trade in services		
Imports of services (Billions of Euros)	84.2	1,470.4
Exports of services (Billions of Euros)	96.4	1,666.7
Total trade in services (Billions of Euros)	180.6	3,137.1
Balance of trade in services (Billions of Euros)	12.2	196.3
Trade		
Trade in goods and services (% of GDP)	70.6%	40.0 %
Investment		
Inflows FDI (Billions of Euros)	72.7	788.5
Outflows FDI (Billions of Euros)	22.8	972.0
Balance FDI (Billions of Euros)	-49.9	183.5

Indicator	The Netherlands	EU27
Inward stocks **2006** (Billions of Euros)	525.1	6,755.9
Outward stocks **2006** (Billions of Euros)	366.9	6,091.6
Gross fixed capital formation (% of GDP)	20.0 %	21.3%
Inflation		
CPI (Year 2000 = 100)	116.3	118.4
GDP deflation (Annual growth rate)	1.5 %	2.8 %
Employment		
Employment rate (Share of persons of 15 to 64 years in employment)	74.1 %	65.4 %
Unemployment rate (a percentage of civilian labour force)	3.2 %	7.1 %

Source: OECD Factbook 2009: Economic, Environmental and Social Statistics.
Note: The currency that was used in OECD Factbook was the US dollar. In this Table all the data is recalculated to Euros, with a 2007 average of 0.73, see footnote 1.
1) See 1) of **Error! Reference source not found.**.

3.4 Selection of 20 sectors for the impact analysis

In Table 3.4 and Table 3.5 the top 20 imports and the top 20 exports is given for the Netherlands. The classification of those sectors is based on GTAP. More information about GTAP and the sector description can be found on www.gtap.agecon.purdue.edu.

Table 3.4 Top Netherlands manufacturing imports by GTAP sector, valued in millions of Euros

rank in 2008	rank in 2004	share of manu-facuturing exports (2008)	GTAP sector	EUR (MLN)
1	2	19.24	OME - Machinery and equipment n.e.c	36,501.9
2	1	19.23	CRP - Chemical, rubber, plastic pro	36,479.7
3	3	10.01	ELE - Electronic equipment	19,002.0
4	4	8.34	MVH - Motor vehicules and parts	15,827.4
5	6	7.43	P_C - Petroleum, coal products	14,093.4
6	5	4.39	I_S - Ferrous metals	8,326.2
7	8	3.39	OIL - Oil	6,435.8
8	9	2.98	OFD - Food products n.e.c.	5,653.8
9	7	2.70	PPP - Paper products, publishing	5,121.9
10	11	2.65	FMP - Metal products	5,022.1
11	13	2.31	NFM - Metals n.e.c.	4,389.0
12	14	1.59	LUM - Wood products	3,017.3
13	10	1.54	OTN - Transport equipment n.e.c.	2,924.5
14	12	1.29	TEX - Textiles	2,449.0
15	16	1.26	B_T - Beverages and tobacco product	2,383.6
16	17	1.18	MIL - Dairy products	2,233.8

17	19	1.12	NMM - Mineral products n.e.c.	2,118.5
18	20	1.04	WAP - Wearing apparel	1,979.6
19	18	1.01	V_F - Vegetables, fruit, nuts	1,907.7
20	21	0.98	OMF - Manufactures n.e.c.	1,865.4
		6.33	Other imports	12,017.5
		100.00	Total	189,750.2

Table 3.5 Top Netherlands manufacturing exports by GTAP sector, valued in millions of Euros

rank in 2008	rank in 2004	share of manu-facuturing exports (2008)	GTAP sector	EUR (MLN)
1	1	19.90	33 CRP - Chemical, rubber, plastic products	50,991.7
2	3	16.64	41 OME - Machinery and equipment n.e.c	42,636.5
3	4	12.03	32 P_C - Petroleum, coal products	30,824.6
4	2	11.85	40 ELE - Electronic equipment	30,380.7
5	5	4.51	25 OFD - Food products n.e.c.	11,570.5
6	8	3.91	35 I_S - Ferrous metals	10,010,1
7	6	3.73	38 MVH - Motor vehicules and parts	9,554.4
8	9	2.27	08 OCR - Crops n.e.c.	5,805.1
9	12	2.25	04 V_F - Vegetables, fruit, nuts	5,764.5
10	14	2.16	37 FMP - Metal products	5,538.9
11	10	2.14	26 B_T - Beverages and tobacco product	5,495.0
12	12	1.90	36 NFM - Metals n.e.c.	4,867.4
13	20	1.86	21 VOL - Vegetable oils and fats	4,772.1
14	14	1.84	31 PPP - Paper products, publishing	4,721.8
15	13	1.43	27 TEX - Textiles	3,663.7
16	16	1.39	22 MIL - Dairy products	3,571.7
17	21	1.36	42 OMF - Manufactures n.e.c.	3,496.9
18	17	1.33	20 OMT - Meat products n.e.c.	3,417.4
19	18	1.28	39 OTN - Transport equipment n.e.c.	3,292.7
20	19	1.06	28 WAP - Wearing apparel	2,719.1
		5.14	Other exports	13,177.2
		100.00	Total	256,272.1

4 Context: EU-US Economic relations

4.1 US main economic indicators

Table 4.1 US: Main Economic indictors - 2007

Indicator	US	EU27
Income and Production		
GDP (Billion Euros, current prices and PPPs)	10,039	10,851
GDP per capita (Euros, current prices and PPPs)	33,232	21,877
Real GDP growth (Annual growth in %)	2.0	2.9
Labour productivity (in national currency at constant prices)	43.7	34.9[1)]
Trade in goods		
Imports (Billions of Euros)	1,473.6	3,833.9
Exports (Billions of Euros)	849.2	3,747.8
Total trade (Billions of Euros)	2,322.8	7,581.7
Balance of trade in goods (Billions of Euros)	-624.4	-86.1
Trade in services		
Imports of services (Billions of Euros)	378.1	1,470.4
Exports of services (Billions of Euros)	497.2	1,666.7
Total trade in services (Billions of Euros)	875.3	3,137.1
Balance of trade in services (Billions of Euros)	119.1	196.3
Trade		
Trade in goods and services (% of GDP)	14.7 %	40.0 %
Investment		
Inflows FDI (Billions of Euros)	173.5	788.5
Outflows FDI (Billions of Euros)	243.5	972.0
Balance FDI (Billions of Euros)	69.9	183.5
Inward stocks 2006 (Billions of Euros)	2,144.9	6,755.9
Outward stocks 2006 (Billions of Euros)	1,571.9	6,091.6
Gross fixed capital formation (% of GDP)	18.4 %	21.3%
Inflation		
CPI (Year 2000 = 100)	120.4	118.4
GDP deflation (Annual growth rate)	2.7 %	2.8 %
Employment		
Employment rate (share of persons of 15 to 64 years in employment)	71.8 %	65.4 %
Unemployment rate (a percentage of civilian labour force)	4.6 %	7.1%

Source: OECD Factbook 2009: Economic, Environmental and Social Statistics.

Note: The currency that was used in OECD Factbook was the US dollar. In this Table all the data is recalculated to Euros, with a 2007 average of 0.73, see footnote 1.

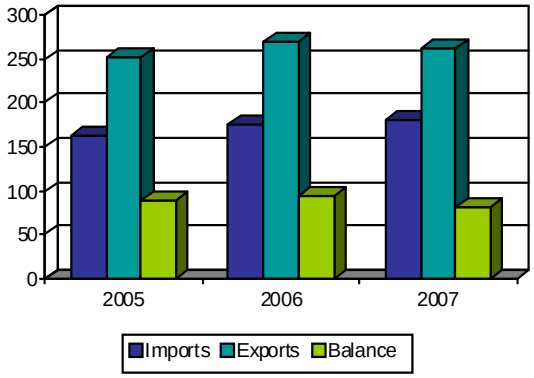
1) See 1) of **Error! Reference source not found.**.

4.2 EU-US trade relations

4.2.1 Trade in Goods

Table and Figure 4.1 EU trade with the US – billions of Euros

	2005	2006	2007
Imports	163.5	175.2	181.1
Exports	252.7	269	261.5
Balance	89.2	93.8	80.4



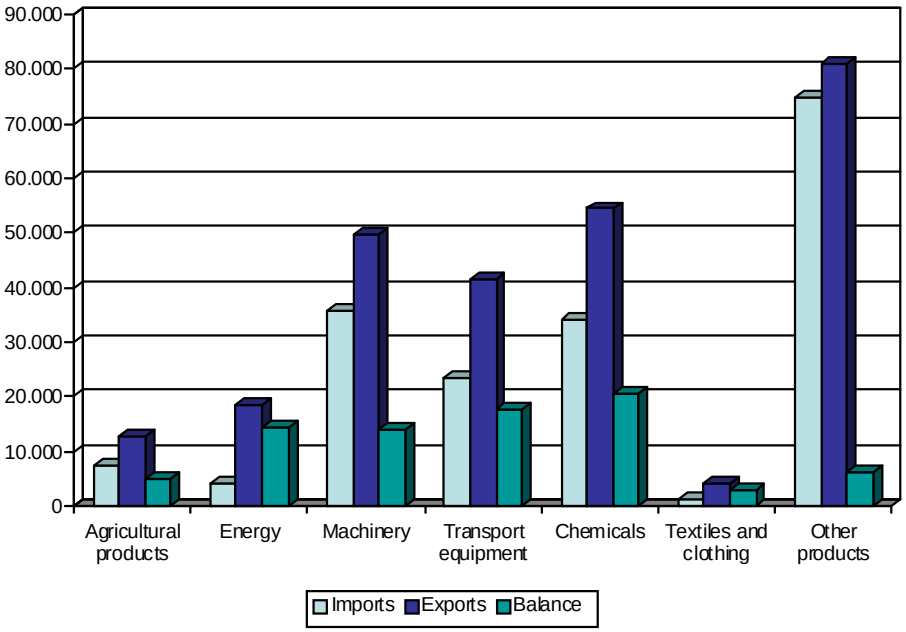
Source: Eurostat, DG Trade, 2008

Table 4.2 EU trade with the US, by product groups – millions of Euros (2007)

	Agricultural products	Energy	Machinery	Transport equipment	Chemicals	Textiles & clothing	Other products
Imports	7,499	4,130	35,910	23,582	34,054	1,227	74,703
Exports	12,600	18,307	49,677	41,380	54,424	4,193	80,881
Balance	5,101	14,177	13,767	17,799	20,370	2,966	6,179

Source: Eurostat, DG Trade, 2008

Figure 4.1 EU trade with the US, by product groups – millions of Euros (2007)



Source: Eurostat, DG Trade, 2008

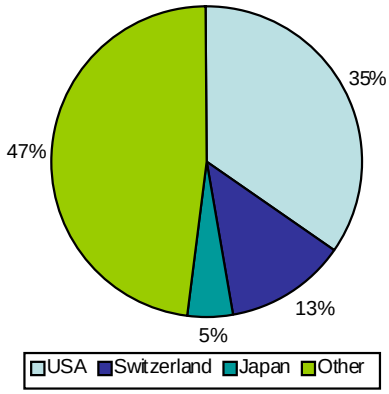
4.2.2 Trade in Services

Table 4.3 EU27 trade in services with US – Billions of Euros

		2004	2005	2006
Services Debit	Imports	107.2	116.4	119.7
Services Credit	Exports	113.4	120.2	131.9
	Balance	6.1	3.8	12.2
Government services Debit	Imports	2.1	1.9	2.3
Government services Credit	Exports	4.6	2.9	2.8

Source: Eurostat, DG Trade, 2008

Figure 4.2 US share of EU 25 trade in services

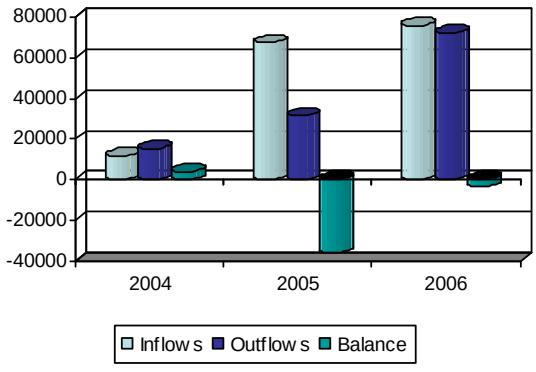


Source: Eurostat, DG Trade, 2008

4.3 EU-US investment relations

4.3.1 FDI flows

Table and Figure 4.2 EU 27 FDI flows with the US – billions of Euros



	2004	2005	2006
Inflows	11.5	67.3	75.6
Outflows	15.5	31.3	72.0
Balance	4.0	-36.0	-3.6

Source: Eurostat, DG Trade, 2008

4.3.2 FDI stocks

Table 4.4 EU27 FDI stocks with US – billions of Euros

	2004	2005	2006
Inward Stocks	842.2	874.5	953.7
Outward Stocks	815.8	850.4	934.3

Source: Eurostat, DG Trade, 2008

4.4 EU-US Bilateral Agreements and Co-operation

At the EU-US Summit on 30 April 2007, the EU and the US signed the "Framework for Advancing Transatlantic Economic Integration between the USA and the EU". The Transatlantic Economic Council (TEC) was part of this framework and is established to closer integrate the EU and US economies. The EU and the US also have a range of further dialogues - the Transatlantic Legislators' Dialogue, the Transatlantic Consumer Dialogue and the Transatlantic Business Dialogue - designed to further this agenda. The reports of TEC meetings are available to the public[5].

Other US trade agreements

The United States has FTAs with different countries; see Table 4.5 for these details about other US FTAs.

Table 4.5 Other US trade agreements[6]

FTAs, agreements with FTA provisions (Entry into force), agreements under negotiations or awaiting implementation	Details
The **United States-Australia** FTA (January 1, 2005)	Under the FTA, more than 99 percent of U.S. exports of manufactured goods are now duty-free. The FTA will also eliminate tariffs within 10 years of entry into force on textiles.
The **Trans-Pacific Strategic Economic Partnership agreement** (under negotiation)	A high-standard FTA between Singapore, Chile, New Zealand, and Brunei Darussalam. Australia, Peru, and Vietnam indicated their interest in participating as well.
The **United States-Bahrain** FTA (August 2006)	
The **Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR)** with Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and the Dominican Republic. (August 5, 2004).	The CAFTA-DR is the first free trade agreement between the United States and a group of smaller developing economies.

[5] http://ec.europa.eu/trade/issues/bilateral/countries/usa/index_en.htm

[6] Source: http://www.ustr.gov/trade-agreements/free-trade-agreements

FTAs, agreements with FTA provisions (Entry into force), agreements under negotiations or awaiting implementation	Details
The **United States-Chile** FTA (January 1, 2004)	The US and Chile eliminated tariffs on 87 percent of bilateral trade immediately and will establish duty free trade in all products within a maximum of 12 years.
The **United States-Israel** FTA (1985)	Most tariffs between the United States and Israel have been eliminated as agreed, although tariff and nontariff barriers continue to affect a certain portion of U.S. agricultural exports.
The **United States-Jordan** FTA (December 17, 2001)	Phased tariff reductions culminating in the complete elimination of duties on nearly all products by 2010.
The **United States-Morocco** FTA (January 1, 2006)	Eliminating duties on more than 95 percent of all goods and services.
The North American Free Trade Agreement between the **United States, Canada, and Mexico** (NAFTA) (January 1, 1994)	All remaining duties and quantitative restrictions were eliminated, as scheduled, on January 1, 2008. NAFTA created the world's largest free trade area, which now links 444 million people producing $17 trillion worth of goods and services.
The **United States- Oman** FTA (January 1, 2009)	Oman provided immediate duty-free access on virtually all industrial and consumer products in its tariff schedule, and will phase out tariffs on the remaining products and agricultural products within 10 years.
The **United States-Peru** Trade Promotion Agreement (PTPA) (April 12, 2006)	Peru's Congress ratified the Agreement in June 2006 and a protocol of amendment in June 2007. On December 14, 2007, President Bush signed into law the PTPA Implementation Act which approved the PTPA. The PTPA entered into force on February 1, 2009. The PTPA is a comprehensive free trade agreement.
The **United States -Singapore** FTA (January 1, 2004)	Exports from the United States through 2008 increased 73 percent. The United States and Singapore meet annually to review the implementation of the FTA and to seek to resolve outstanding trade issues.

The United States has signed free trade agreements with Colombia, Korea, and Panama, but Congress must enact legislation to approve and implement each individual agreement in order for them to go into effect.

5 Context: EU-Japan Economic relations

5.1 Japan main economic indicators

Table 5.1 Japan: Main Economic indictors - 2007

Indicator	Japan	EU27
Income and Production		
GDP (Billion Euros, current prices and PPPs)	3,138	10,851
GDP per capita (Euros, current prices and PPPs)	24,566	21,877
Real GDP growth (Annual growth in %)	2.1	2.9
Labour productivity (in national currency at constant prices)	4875.2	34.9 [1)]
Trade in goods		
Imports (Billions of Euros)	454.6	3,833.9
Exports (Billions of Euros)	521.8	3,747.8
Total trade (Billions of Euros)	976.4	7,581.7
Balance of trade in goods (Billions of Euros)	67.3	-86.1
Trade in services		
Imports of services (Billions of Euros)	149.3	1,470.4
Exports of services (Billions of Euros)	126.2	1,666.7
Total trade in services (Billions of Euros)	275.5	3,137.1
Balance of trade in services (Billions of Euros)	-23.1	196.3
Trade		
Trade in goods and services (% of GDP)	16.8 %	40.0 %
Investment		
Inflows FDI (Billions of Euros)	149.3	788.5
Outflows FDI (Billions of Euros)	126.2	972.0
Balance FDI (Billions of Euros)	275.5	183.5
Inward stocks **2006** (Billions of Euros)	328.4	6,755.9
Outward stocks **2006** (Billions of Euros)	78.6	6,091.6
Gross fixed capital formation (% of GDP)	23.2 %	21.3%
Inflation		
CPI (Year 2000 = 100)	98.1	118.4
GDP deflation (Annual growth rate)	-0.7%	2.8 %
Employment		
Employment rate (share of persons of 15 to 64 years in employment)	70.7%	65.4 %
Unemployment rate (a percentage of civilian labour force)	3.9%	7.1 %

Source: OECD Factbook 2009: Economic, Environmental and Social Statistics.

Note: The currency that was used in OECD Factbook was the US dollar. In this Table all the data is recalculated to Euros, with a 2007 average of 0.73, see footnote 1.

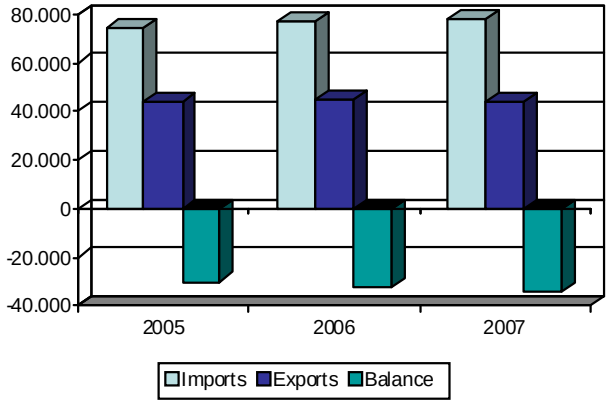
1) See 1) of **Error! Reference source not found.**.

5.2 EU-Japan trade relations

5.2.1 Trade in Goods

Table and Figure 5.1 EU trade in goods with Japan – billions of Euros

Year	2005	2006	2007
Imports	74.1	77.3	78.1
Exports	43.7	44.7	43.8
Balance	-30.4	-32.6	-34.3



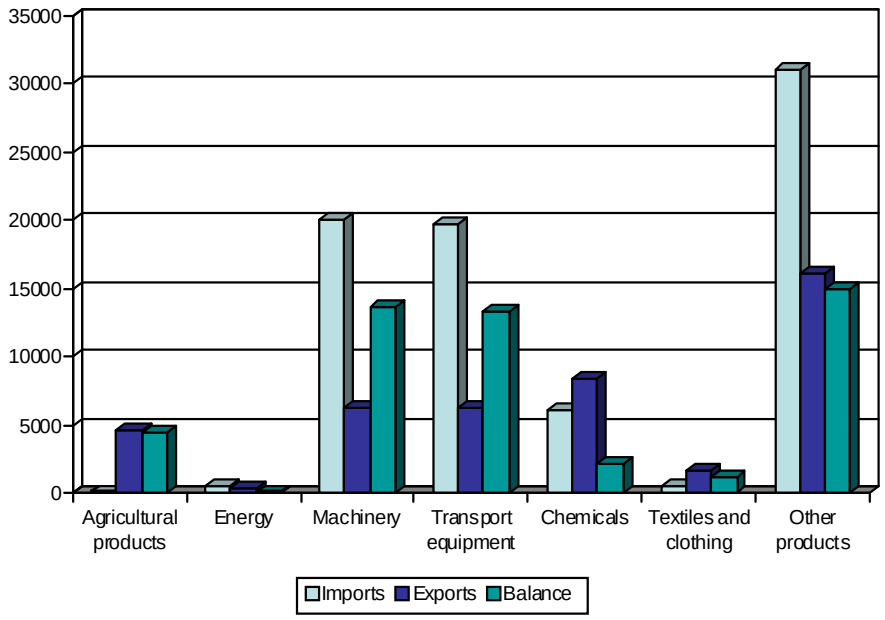
Source: Eurostat, DG Trade, 2008

Table 5.2 EU trade in goods with Japan, by product groups - millions Euros (2007)

	Agricultural products	Energy	Machinery	Transport equipment	Chemicals	Textiles & clothing	Other products
Imports	160	526	20,034	19,670	6,119	484	31,112
Exports	4,610	369	6,372	6,252	8,375	1,705	16,075
Balance	4,451	157	13,662	13,417	2,256	1,221	15,037

Source: Eurostat, DG Trade, 2008

Figure 5.1 EU trade in goods with Japan, by product groups - millions Euros (2007)



Source: Eurostat, DG Trade, 2008

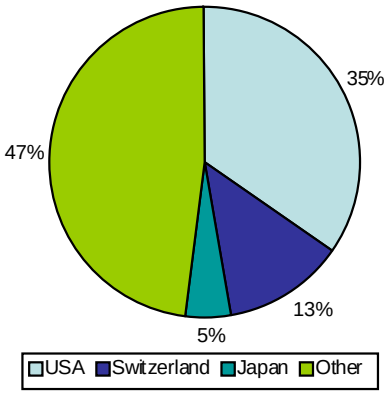
5.2.2 Trade in Services

Table 5.3 EU27 trade in services with Japan – Billions of Euros

		2004	2005	2006
Services Debit	Imports	11.0	12.2	12.9
Services Credit	Exports	18.3	19.5	18.9
	Balance	7.3	7.3	6.0
Government services Debit	Imports	0.99	0.82	0.73
Government services Credit	Exports	0.83	0.59	0.35

Source: Eurostat, DG Trade, 2008

Figure 5.2 Japan Share of EU 25 trade in services



Source: Eurostat, DG Trade, 2008

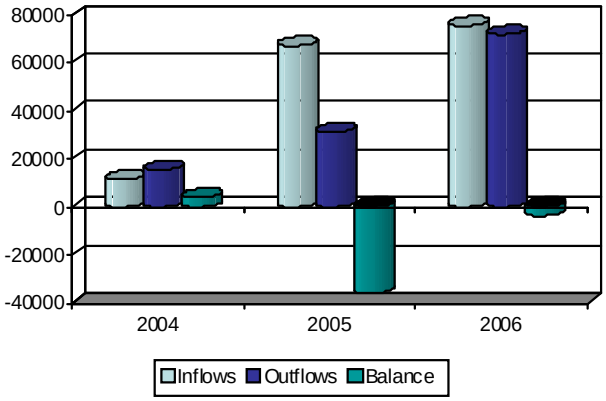
5.3 EU-Japan investment relations

5.3.1 FDI flows

Table 5.4 EU FDI flows with Japan – Billion Euros

	2004	2005	2006
Inflows	8.2	-4.6	13.6
Outflows	5.8	11.9	0.5
Balance	-2.4	16.5	-13.1

Source: Eurostat, DG Trade, 2008



5.3.2 FDI stocks

Table 5.5 EU FDI stock with Japan – Billion of Euros

	2004	2005	2006
Inward Stocks	89.2	82.7	99.3
Outward Stocks	79.5	90.2	75.5

Source: Eurostat, DG Trade, 2008

5.4 EU-Japan Bilateral Agreements and Co-operation7

The EU and Japan has two bilateral trade related agreements and several formal co-operation agreements; Table 5.6 presents an overview of the existing agreements.

Table 5.6 Bilateral agreements and co-operation between the EU and Japan

Bilateral agreements and Co-operation	Details
There are two formal trade related agreements	
The EU-Japan Mutual Recognition Agreement (1 January 2002)	Permits acceptance of conformity assessment conducted in one Party according to the regulations of the other in four product areas (telecommunications terminal equipment and radio equipment, electrical products, Good Laboratory Practices for chemicals and Good Manufacturing Practices for pharmaceutical), an important step in facilitating market access.
An Agreement on Co-operation on Anti-competitive Activities (16 June 2003)	This agreement should facilitate both trade and investment by securing a level-playing field between in- and outsiders.
The EU and Japan cooperate in several ways:	
Joint Declaration on Relations between the European Community and its Member States and Japan (18 July, 1991)	
A ten-year **Action Plan** (December 2001)	Action Plan is to reinforce EU-Japan partnership. The Action Plan has four objectives, one of those is "the strengthening of the Economic and Trade Partnership", not only in bilateral relation, also on international markets, including the WTO
Cooperation Framework (22 June 2004)	On 22 June 2004 Japan and the EU reconfirmed the importance of the strategic partnership. They recognised importance of trade and bilateral investment; therefore they endorsed a Cooperation Framework. In addition to this also the value of Intellectual Property Rights is recognized.
Regulatory Reform Dialogue	Both Japan and the EU want to reduce the number of unnecessary and obstructive regulations which obstruct trade and FDI.
Co-operation in the context of the **WTO** (since 1998)	The EU and Japan has bilateral consultations to achieve common position on issues relating to WTO negotiations

[7] http://ec.europa.eu/trade/issues/bilateral/countries/japan/index_en.htm

Other Japan trade agreements[8]

Until recently, Japan focused its bilateral negotiating agenda on a few countries around the Pacific. In Table 5.7 an overview is given of Japans bilateral trade agreement and which ones are coming up.

Table 5.7 Overview of bilateral trade agreements of Japan

Bilateral trade agreements
Singapore (2002), **Malaysia** (2004), **Mexico** (2004), **Philippines** (2006), **Indonesia** (2007), **Chile** (2007), **Thailand** (2007), **ASEAN** as a whole (2008) and **Vietnam** (2008).
In mid-2006, Japan started to negotiate a FTA with **Brunei**.
Since 2006 Japan proposed an overarching **East Asian FTA** encompassing ASEAN, India, China, Korea, Australia and New Zealand. ASEAN, among others, was not that enthusiastic.
In 2007, negotiations with **India** and **Australia** began. China, Korea, Cambodia and Laos are also on the agenda.
FTA with **Kuwait** and other oil and gas-rich **Gulf Cooperation Council (GCC),** negotiations since 2006.
Switzerland, since 2007 under negotiations.

[8] Source: www.bilateral.org

6 Context: EU-Australia/New Zealand Economic relations

6.1 Australia and New Zealand main economic indicators

Table 6.1 Australia and New Zealand: Main Economic indictors - 2007

Indicator	AUS	NZ	AUS + NZ	EU27
Income and Production				
GDP (Billion Euros, current prices and PPPs)	581[1)]	84[1)]	664	10,851
GDP per capita (Euros, current prices and PPPs)	27,443[1)]	20,040[1)]	26,184	21,877
Real GDP growth (Annual growth in %)	4.4%[1)]	3.0 %[1)]	N.A.	2.9
Labour productivity	47.9[2)]	38.4[2)]	N.A.	34.9[3)]
Trade in goods				
Imports (Billions of Euros)	115.3	22.6	137.9	3,833.9
Exports (Billions of Euros)	103.0	19.7	122.7	3,747.8
Total trade (Billions of Euros)	218.3	42.2	260.5	7,581.7
Balance of trade in goods (Billions of Euros)	-12.3	-2.9	-15.2	-86.1
Trade in services				
Imports of services (Billions of Euros)	39.1	9.1	48.2	1,470.4
Exports of services (Billions of Euros)	40.3	9.3	49.6	1,666.7
Total trade in services (Billions of Euros)	79.4	18.4	97.8	3,137.1
Balance of trade in services (Billions of Euros)	1.2	0.2	1.4	196.3
Trade				
Trade in goods and services (% of GDP)	20.7%	29.0%	NA	40.0 %
Investment				
Inflows FDI (Billions of Euros)	17.2	2.1	19.3	788.5
Outflows FDI (Billions of Euros)	18.8	2.1	20.8	972.0
Balance FDI (Billions of Euros)	1.5	0.0	1.5	183.5
Inward stocks **2006** (Billions of Euros)	166.2	9.0	175.2	6,755.9
Outward stocks **2006** (Billions of Euros)	182.5	46.3	228.8	6,091.6
Gross fixed capital formation (% of GDP)	27.7%1)	22.9%1)	NA	21.3%
Inflation				
CPI (Year 2000 = 100)	123	119.6	NA	118.4
GDP deflation (Annual growth rate)	4.41)	4.31)	NA	2.8 %
Employment				
Employment rate (Share of persons of 15 to 64 years in employment)	72.9%	75.4%	NA	65.4 %
Unemployment rate (As a percentage of civilian labour force)	4.4%	3.6%	NA	7.1 %

Source: OECD Factbook 2009: Economic, Environmental and Social Statistics.
Note: The currency that was used in OECD Factbook was the US dollar. In this Table all the data is recalculated to Euros, with a 2007 average of 0.73, see footnote 1.
1) Data refer to fiscal year
2) Labour productivity is expressed in national currencies at constant prices.
3) See 1) of **Error! Reference source not found.**.

6.2 EU-Australia/New Zealand trade relations

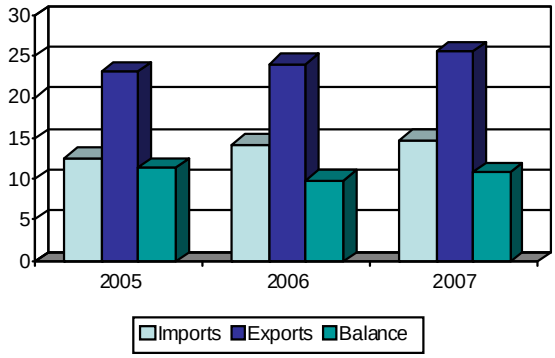
6.2.1 Trade in Goods

Table 6.2 EU27 Trade in goods with Australia/New Zealand – Billion of Euros

	2005	2006	2007
Imports	12.6	14.2	14.8
Exports	23.0	24.1	25.6
Balance	11.3	9.9	10.8

Source: Eurostat, DG Trade, 2008

Figure 6.1 EU27 Trade in goods with Australia and New Zealand – Billions of Euros

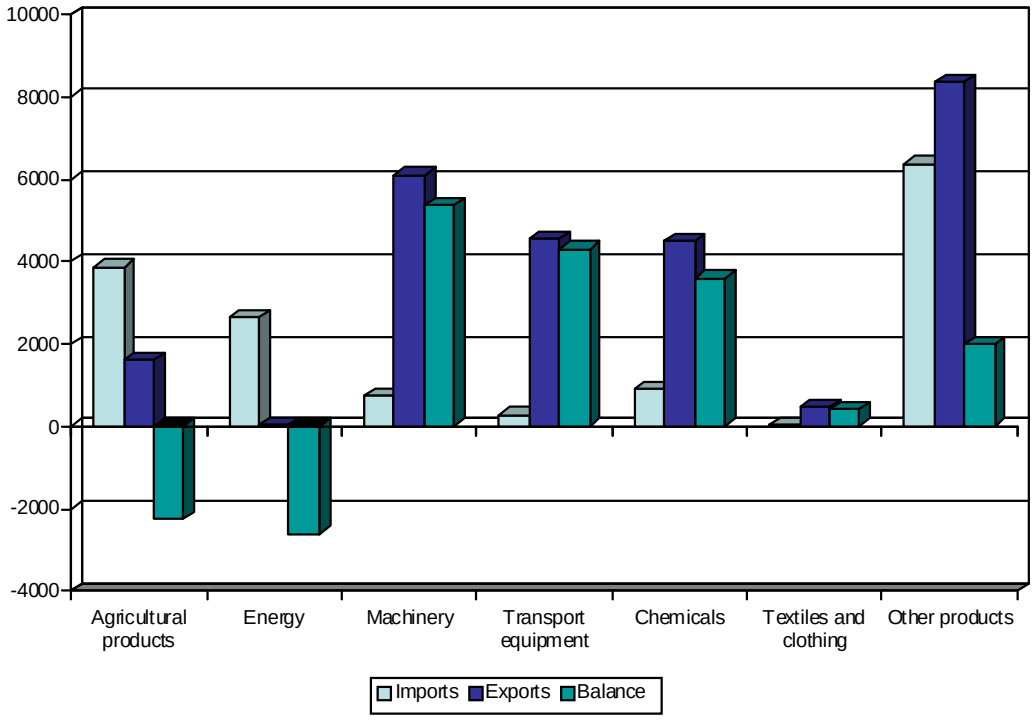


Source: Eurostat, DG Trade, 2008

Table 6.3 EU27 trade in goods, by product group – million of Euros

	Agricultural products	Energy	Machinery	Transport equipment	Chemicals	Textiles & clothing	Other products
Imports	3,856	2,642	730	264	904	39	6,369
Exports	1,612	31	6,095	4,552	4,497	457	8,370
Balance	-2,245	-2,611	5,364	4,288	3,592	418	2,001

Source: Eurostat, DG Trade, 2008



Source: Eurostat, DG Trade, 2008

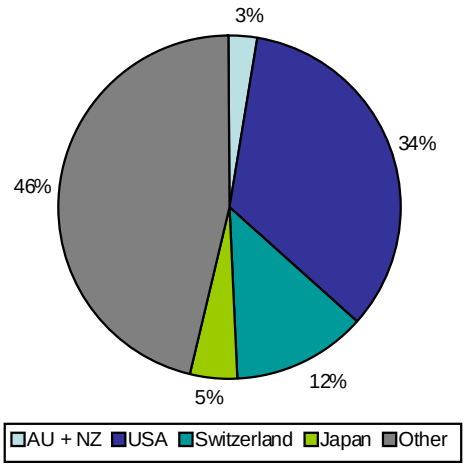
6.2.2 Trade in Services

Table 6.4 EU 27 Trade in services with Australia and New Zealand –Billions of Euros

		2004	2005	2006
Services Debit	Imports	6.2	7.0	7.4
Services Credit	Exports	8.8	10.2	10.8
	Balance	2.6	3.2	3.4
Government services Debit	Imports	0.50	0.64	0.66
Government services Credit	Exports	0.61	0.51	0.43

Source: Eurostat, DG Trade, 2008

Figure 6.2 Australia and New Zealand share of EU25 trade in services (2006)



Source: Eurostat, DG Trade, 2008

6.3 EU- Australia/New Zealand investment relations

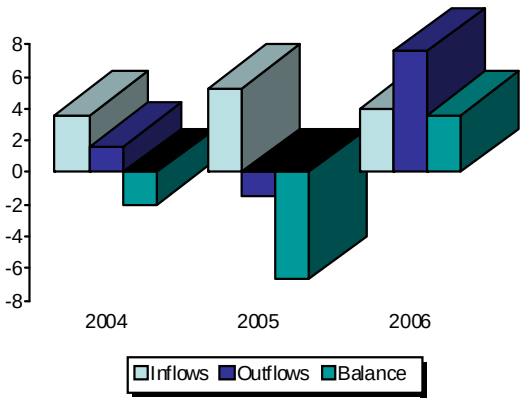
6.3.1 FDI flows

Table 6.5 FDI flows with Australia and New Zealand –Billions of Euros

	2004	2005	2006
Inflows	3.6	5.3	4.0
Outflows	1.6	-1.4	7.6
Balance	-2.0	-6.7	3.6

Source: Eurostat, DG Trade, 2008

Figure 6.3 FDI flows with Australia and New Zealand – millions Euros



Source: Eurostat, DG Trade, 2008

6.3.2 FDI stocks

Table 6.6 FDI Stocks with Australia and New Zealand –Billions of Euros

	2004	2005	2006
Inward Stocks	37.8	23.8	19.1
Outward Stocks	66.8	58.6	55.8

Source: Eurostat, DG Trade, 2008

6.4 EU- Australia/New Zealand Bilateral Agreements9 and Co-operation

The EU and Australia are parties to a bilateral agreement that aims to facilitate trade in industrial products between the EU and Australia by reducing technical barriers, including assessment procedures. This agreement covers mutual recognition of conformity assessment procedures, with the objective of reducing the costs of testing and certification of products exported to and imported from Australia. It applies to medicinal devices, telecom terminal equipment, electrical safety, pharmaceutical GMP, machinery and pressure equipment, and motor vehicles.

Since 1999 the EU and New Zealand have the almost the same bilateral agreement as the EU and Australia. It covers around one third of all EU merchandise products exported to New Zealand including medicine products and devices, telecommunication equipment, low voltage equipment, machinery and pressure equipment. In 2003 a similar agreement entered into force; this agreement aimed at facilitating trade in live animals and animal products while safeguarding public and animal health.

Other trade agreements[10]

Australia has been actively engaged in bilateral FTA negotiations, while maintaining that its top priority is multilateral trade negotiations at the WTO. In Table 6.7 the bilateral trade and investment deals which Australia has concluded are given.

Table 6.7 Australia's bilateral trade and investment agreements

Bilateral trade and investment agreements, agreements under negotiations or awaiting implementation	
New Zealand (1983), **Singapore** (2003), **Thailand** (2004), the **United States** (2004) and **Chile** (2008).	Concluded FTAs
Pacific Agreement on Closer Economic Relations (PACER)	Along with New Zealand and Pacific Island Nations
FTAs with **China, the GCC, Japan, Malaysia, the United Arab Emirates** and, together with New Zealand, **ASEAN**	All under negotiation.
The **Pacific-4, or P4** (Negotiations started in March	The "Trans-Pacific Strategic Economic Partnership

9 http://ec.europa.eu/trade/issues/bilateral/countries/australia/index_en.htm and http://ec.europa.eu/trade/issues/bilateral/countries/newzealand/index_en.htm

10 Source: www.bilateral.org

2009)	Agreement" (P4), is a FTA between the four Pacific governments of Brunei Darussalam, Chile, New Zealand and Singapore. The negotiations started in March 2009, to join this FTA along with the US, Peru and possibly Vietnam.

New Zealand is a party to a number of completed free trade and investment agreements. See Table 6.8.

Table 6.8 New Zealand's bilateral trade and investment agreements

Bilateral trade and investment agreements, agreements under negotiations or awaiting implementation	
The **Australia-New Zealand** Closer Economic Relations Agreement (1983)	
The **New Zealand-Singapore** Closer Economic Partnership (2001)	
The **New Zealand-Thailand** Closer Economic Partnership (2005)	
The **Trans-Pacific** Strategic Economic Partnership or P4 (2005)	The "Trans-Pacific Strategic Economic Partnership Agreement" (P4), is a FTA between the four Pacific governments of **Brunei Darussalam, Chile, New Zealand and Singapore**.
The **New Zealand-China** Free Trade Agreement (2008)	
New Zealand is currently negotiating FTAs with **Malaysia, ASEAN (together with Australia), Hong Kong** (stalled) and **the GCC**.	
A **New Zealand-India** agreement (Currently being studies).	
New Zealand has also signed a number of IPPAs (bilateral investment treaties) with **Chile, Argentina, Hong Kong, China** and others.	
The P4 expansion to include the **US** and others	While negotiating a US-New Zealand FTA was resisted, partly because of New Zealand's anti-nuclear policy; the expansion of the P4 agreement to include the US would bring important changes to New Zealand policies. **Peru and possibly Vietnam** would also join the FTA.

7 The model

In order to be able to solidly quantify the potential economic effects of FTAs between the EU-US, EU-Japan and EU-Aus/NZ in terms of trade and investments, we employ a multi-region computable general equilibrium (CGE) model developed by Prof. Joe Francois. This chapter describes the model, its specifications and limitations.

7.1 Computable General Equilibrium: The Multi-Region Trade Model

7.1.1 CGE model specifications

CGE

The CGE model that has been used for this study is based on the Francois, Van Meijl, and Van Tongeren model (FMT 2005)[11] and is implemented in GEMPACK – a software package designed for solving large applied general equilibrium models.[12] The model builds on Francois (2000),[13] and versions have recently been employed for impact assessment studies for the EC WTO negotiations, as well as for the prospective FTA negotiations for the EU-Korea (Copenhagen Economics, 2007)[14], EU-MERCOSUR (2008)[15], EU-India (ECORYS, 2009a)[16], EU-ASEAN (ECORYS, 2009b)[17], EU-ANDEAN (University of Manchester et al. , 2009)[18] and EU-Central America (ECORYS, 2009c)[19] as well as a large-scale Asian Development Bank assessment of regional integration schemes in Asia (Francois and Wignarajan, 2007).[20] The model is solved as an explicit non-linear system of equations, through techniques described by Harrison and Pearson (1994). The model is a standard multi-region computable general equilibrium (CGE) model, with important features related to the structure of competition (as described

11 Francois. J.F., H. van Meijl and F. van Tongeren (2005), "Trade Liberalization in the Doha Development Round," Economic Policy April: 349-391.

12 The full model code for Francois, van Meijl and van Tongeren can be downloaded from the internet at http://wwwi4ide.org/francois/data.htm/.

13 Francois, J.F., THE NEXT WTO ROUND: North-South stakes in new market access negotiations, CIES Adelaide and the Tinbergen Institute, CIES: Adelaide, 2001. ISBN: 086396 474 5.

14 Economic Impact of a Potential Free Trade Agreement (FTA) Between the European Union and South Korea, Short study by Copenhagen Economics & Prof. J. F. Francois, 2007.

15 Trade Sustainability Impact Assessment (TSIA) on the Association Agreement under negotiation between the European Community and Mercosur, study by the University of Manchester with input from Prof. J.F. Francois, 2008.

16 Trade Sustainability Impact Assessment of the FTA between the EU and the Republic of India, study by ECORYS, 2009.

17 Trade Sustainability Impact Assessment of the FTA between the EU and ASEAN, study by ECORYS, 2009.

18 EU-Andean Trade Sustainability Impact Assessment, study by the University of Manchester, CEPR and Development Solutions, 2009.

19 Trade Sustainability Impact Assessment of the Association Agreement to be negotiated between the EU and Central America, Study by ECORYS, 2009.

20 Francois, J.F. and G. Wignarajan (2007), "Pan-Asian Integration: Economic Implications of Integration Scenarios," Asian Development Bank discussion paper.

by Francois and Roland-Holst 1997).[21] Imperfect competition features are described in detail in Francois (1998).[22]

Data

The data we employ in this analysis is the GTAP version 7.0 dataset with data benchmarked to 2004, which is the best and most up-to-date source of internally consistent data on production, consumption and international trade by country and sector. For more information, see Dimaran and McDougall (2006)[23]. The GTAP data on protection incorporates the Macmaps data set, which includes a set of ad valorem equivalents (AVEs) of border protection across the world. The source information concerns various instruments, such as specific tariffs, mixed tariffs and quotas, which cannot be directly compared or summed. In order to be of use in a CGE model, these have been converted into an AVE per sector, per country and per trading partner. The GTAP database also includes detailed information on input-output, trade and final demand structures for the whole world.

We observe that some important changes to the trade policy environment have happened since 2004 that we wish to include in the basic dataset. Therefore, before conducting any policy experiments, we first run a pre-experiment, where we include the ATC phase-out (and new China quotas imposed by the EU and US), China's full accession to the WTO, and EU-10 joining the European Union in 2004, and recent FTA agreements (since 2004) that have been concluded. In addition, we are interested in the impact of underlying growth in the medium term. We therefore project the basis 2004 database to the year 2020 based on IMF medium-term macroeconomic projections of GDP and trade volumes. Thus we employ for the analysis a representation of a notional world economy in 2020, where we have realized many of the trade policy reforms that have taken place since then.

Trade data come from EUROSTAT and COMTRADE. Protection data in the WTO and WITS tariff databases have been complemented with additional sources like the WTO's integrated database, including supplemental information from the World Bank's recent assessment of detailed pre- and post-Uruguay Round tariff schedules, the UNCTAD / World Bank WITS dataset, and the EU DG Trade's Market Access Database (MAD).

Conceptual structure of an economy

The general conceptual structure of an economy in the model is as follows. Within each region, firms produce output, employing land, labour, capital, and natural resources and combining these with intermediate inputs. Firm output is purchased by consumers, government, the investment sector, and by other firms. Firm output can also be sold for export. Land is only employed in the agricultural sectors, while capital and labour (both skilled and unskilled) are mobile between all production sectors. Capital is fully mobile within regions. All demand sources combine imports with domestic goods to produce a

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21 Francois, J.F. and D.W. Roland-Holst (1997), "Scale economies and imperfect competition, in Francois,J.F. and K.A. Reinert, eds. (1997), Applied methods for trade policy analysis: a handbook, Cambridge University Press: New York.

22 Francois, J.F. (1998), "Scale economies and imperfect competition in the GTAP model," GTAP consortium technical paper. http://www.gtap.agecon.purdue.edu/resources/res_display.asp?RecordID=317

23 Dimaran, B, and McDougall, R., ed. (2007). The GTAP database -- version 7, Global Trade Analysis Center: Purdue University.

composite good. Investment effects are also included, along the lines of Francois, McDonald, and Nordstrom (1996).[24]

Taxes

Taxes are included in the theory of the model at several levels. Production taxes are placed on intermediate or primary inputs, or on output. Some trade taxes are modelled at the border. Additional internal taxes are placed on domestic or imported intermediate inputs, and are applied at differential rates that discriminate against imports. Where relevant, taxes have also been placed on exports, and on primary factor income. Finally, where relevant (as indicated by social accounting data) taxes are placed on final consumption, and can be applied differentially to consumption of domestic and imported goods.

Trade policy instruments

Trade policy instruments are represented as import or export taxes or subsidies. This includes applied most-favoured nation (MFN) tariffs, antidumping duties, countervailing duties, price undertakings, export quotas, and other trade restrictions. The major exception is service-sector trading costs, which are discussed in the next section. The full set of tariff vectors are based on WTO tariff schedules, augmented with data on trade preferences. The set of services trade barrier estimates is described below.

International trade costs

International trade is modelled as a process that explicitly involves trading costs, which include both trade and transportation services. These trading costs reflect the transaction costs involved in international trade, as well as the physical activity of transportation itself. Those trading costs related to international movement of goods and related logistic services are met by composite services purchased from a global trade services sector, where the composite "international trade services" activity is produced as a Cobb-Douglas composite of exports of trade and transport service exports. Trade-cost margins are based on reconciled f.o.b. and c.i.f. trade data, as reported in version 7.0 of the GTAP dataset.

Frictional trading costs

A second form of trade costs is known in the literature as frictional trading costs. These are implemented in the service sector. They represent real resource costs associated with producing a service for sale in an export market instead of the domestic market. Conceptually, we have implemented a linear transformation technology between domestic and export services. The basic methodology for estimation of services barriers involves the estimation of a gravity equation using panel data as detailed in Francois, Hoekman, and Woerz (2007).[25]

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[24] Francois, J.F., B. McDonald and H. Nordstrom (1996), "Trade liberalization and the capital stock in the GTAP model," GTAP consortium technical paper. http://www.gtap.agecon.purdue.edu/resources/res_display.asp?RecordID=310).

[25] Francois, J.F. B. Hoekman and J. Woerz (2007). “Does gravity apply to non-tradables? Estimating barriers to trade in services.” Paper presented at the ETSG annual meetings, September 2007.

7.1.2 Model variables and results

The economic impacts of the analysed FTAs are described in two separate sections: macro-economic (overall) economic effects and sector-specific effects.

Macro-economic effects

The macro-economic effects show the impact of the FTAs on the economies as a whole and will be measured in terms of changes in national income, changes in exports and imports, changes in wage levels (separately for high- and low-skilled workers) and changes in the terms of trade.

Sector-specific effects

At sector-specific level (33 sectors are specified as shown in section 7.2.1) the economic impact is captured by changes in output (production), exports and imports, prices, and employment (high- and low-skilled workers).

In Chapters 8 to 10 the results will be presented and analysed looking for primary (and if relevant and applicable secondary) effects and the way in which the FTA affects the economies. In addition to the macro-economic effects of the modelled liberalisations, the results will also indicate to what extent the effects can be attributed to the three components of the scenario – tariff reductions, services liberalisation and NTB reduction.

7.1.3 Dynamics of the model and short- and long-run effects

The CGE model is comparative static in nature and does not fully capture all the time-element of effects. However, we have added features to the model to capture the dynamic nature of the FTA. First of all, investments are included in the model to allow for adjustment over time towards those sectors where comparative advantages are greatest. Secondly, we have added a short- and long-run split into the results. The long-run closure is based on Francois et al (1997) and links capital stocks to long-run (stead-state) changes in investment in response to changes in incomes and returns to investment. The long-run closure provides an assessment of the impact of FTA-induced policy changes on the capital stock, thereby capturing the induced expansion (or contraction) of the economy over a longer time horizon following FTA implementation. The long-run effects, which include those of the short-run, also incorporate other additional effects such as those resulting from capital accumulation. The short-run results show the immediate effects of the FTAs assuming that capital is fixed in the short-run, essentially showing the results of an FTA without dynamic capital adjustments.

We will see that this distinction between the short- and long-run is important. In some sectors:

- The dynamic effects are more positive (long-run) than in the short-run, while in other sectors effects can become more negative in the LR;
- Projected losses are smaller in the LR or sectors show higher growth and gains for both trading partners following dynamic capital adjustments (i.e. creating win-win situations);
- Short-run gains evaporate due to negative dynamic investment effects.

7.1.4 Third country effects

The CGE model allows us to look at third country effects, by analysing trade creation, trade diversion, as well as price and wage effects. In general, two observations can be made:

- Trade diversion is expected more in FTAs that involve countries with relatively higher levels of initial protection, shifting trade patterns to less efficient producers;
- FTAs tend to favour those countries involved in the FTA at the expense of countries not in the FTAs because preferential treatments are granted (bilaterally).

The results for third countries are reported in terms of changes in national income, exports, imports, prices and wages (for high- and low-skilled workers). Please note that – because of the scenario specifications – some countries are always categorised as third countries (e.g. the group Brazil-Russia-India-China) while some countries are either inside the FTA or third countries (e.g. the US is inside the EU-US FTA, but a third country with respect to an EU-Japan or EU-Aus/NZ FTA).

7.1.5 CGE modelling assumptions and limitations

CGE modelling is the best tool to evaluate the outcomes of policy changes in a general equilibrium setting. It yields outcomes with respect to output, employment wage changes and other macroeconomic variables that are important for policy making. However, some caution and awareness are needed when interpreting the results because of constraints related to the quality and quantity of data and those emanating from the model itself. With respect to the latter, below are some of the key limitations associated with CGE modelling of which policy makers aught to be aware:

- The assumption of full employment and a fixed trade balance and budget deficit rules out economic phenomena such as involuntary unemployment and effective market failures in the short-run – making this CGE model essentially a long-run model;
- The comparative-static approach allows for the description of the relative changes in the economy when all the necessary adjustments have taken place. It does not provide insights into the specific timing or patterns of adjustment;
- Trade in services is included explicitly in the model but for cross-border modes only;
- We assume market clearing in the labour market. In the product market, however, we assume that market imperfections exist. For example, we model product differentiation in the manufacturing and services sectors, while we assume homogeneity of goods in the agricultural sector;
- Non-tariff barriers (NTBs) are modelled using AVEs, and results show the net effect of NTBs overall. Specific modelling of the effects of individual NTBs is not pursued in this study;
- The informal sector is not taken into account.

7.2 Model inputs for the trade and investment liberalisation scenarios

7.2.1 Sector specification for model analysis

The CGE model employed in this study includes 33 sectors that in total represent the entire economies under investigation. The 20 first sectors are those of highest importance for the Netherlands in terms of total trade volumes, based on the GTAP 7.0 database and COMTRADE data for the presented sectors (see section 3.4). The 33 sectors are listed below in Table 7.1 whereby the 20 most important trade-sectors for the Netherlands are presented in bold.

Table 7.1 Sectors modelled in CGE

Sector	Sector (continued)
GTP 04 vegetables and fruits	**GTP 38 motor vehicles**
GTP 08 crops, n.e.c. (except grains)	**GTP 39 other transport equipment**
GTP 15, 16, 17 oil, gas, and coal	**GTP 40 electrical machinery and equipment**
GTP 20 meats, except beef	**GTP 41 other machinery and equipment**
GTP 21 vegetables oils	**GTP 42 manufactures, n.e.c.**
GTP 22 dairy products	GTP 43-45 utilities
GTP 25 processed foods, n.e.c.	GTP 46 construction
GTP 26 beverages and tobacco	GTP 47 retail and wholesale trade and warehousing
GTP 27 textiles	GTP 48-50 transport services
GTP 28 clothing	GTP 51 communications
GTP 30 wood products	GTP 52 other financial services
GTP 31 paper, pulp, and publishing	GTP 53 insurance
GTP 32 petro-chemicals	GTP 54 other business services
GTP 33 chemicals, rubber, and plastics	GTP 55 recreational and consumer services
GTP 35 iron and steel	GTP 56-57 other services (public health, education, residential)
GTP 36 non-ferrous metals	GTP 1-3, 5-7, 9-14, 18-19, 23-24, 29, 34 other goods
GTP 37 fabricated metals	

7.2.2 Country specification for model analysis

For this study, Table 7.2 shows the separate countries/blocks that are investigated. The Netherlands is taken out of the EU-27 in order to look specifically at the effects of the three FTAs for the Dutch economy. This leaves EU-26 as another block indicating the economic impact of the FTAs for the EU (minus the Netherlands). Further, the most important global economies (and OECD members) and trade partners are split out as United States of America, Japan and Australia/New Zealand (one block). The effects of the modelled FTAs are also analysed for the four most important emerging economies (the BRIC countries). Rest of World (ROW) groups all countries not previously specified together to make sure all countries of the world are included.

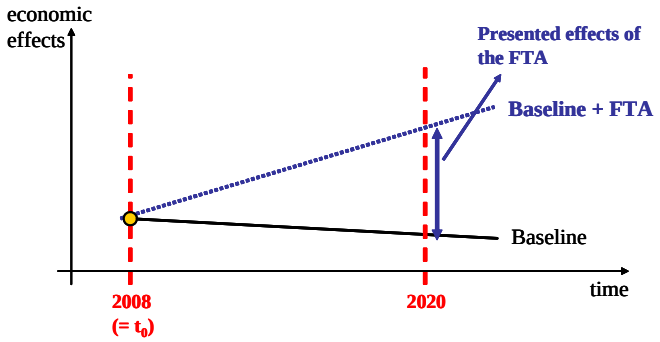
Table 7.2 Countries modelled in CGE

Country or block of countries	Abbreviation used in result tables
The Netherlands	NL
European Union 26 (EU27 - the Netherlands)	EU26
United States of America	US
Japan	JP
Australia / New Zealand (as one block)	AUSNZ
China-Brazil-Russia-India (as one block)	BRIC
Rest of the world (as one block)	ROW

7.2.3 Scenario specifications

In order to be able to look at the pure effects of the FTAs, avoiding all kinds of other developments that also take place in parallel, we first develop a baseline that incorporates the most likely development of the overall macro-economy including the most likely policy scenarios. When assessing the impact of the potential three FTAs, we measure and report the deviations from that baseline scenario, comparing the future without the FTAs and with the FTAs. This is graphically presented in Figure 7.1.

Figure 7.1 Graphical representations of CGE baseline and FTA scenario developments



The baseline scenario

The baseline scenario used is based on World Bank, IMF and OECD macro-economic forward-looking projections, in conjunction with specifications on current (or future) FTAs, WTO agreements, and other known unilateral, bilateral or multilateral policy initiatives. More concretely, the baseline scenario is constructed according to the following specifications and assumptions:

- In the baseline, existing commitments of each partner to the FTA under existing WTO agreements and existing FTAs are taken into account, as well as the extent to which these commitments have been implemented;
- The baseline scenario assumes that the EU-Korea FTA has been concluded (on the basis of current negotiating texts). Other negotiations on FTAs that are currently under negotiation are not taken into account;
- The baseline scenario excludes (the results of) the Doha Development Round (DDR).

Table 7.3 and Table 7.4 below show the shares of value added and exports used for the different blocks in the baseline scenario– based on 2008 shares projected forward using IMF and World Bank data. This table provides information about the relative importance of each sector in value added terms (for output) and export share (for exports), important for interpreting the model outcomes later. A small percentage change in a sector with a high share of value added could be more important than a large percentage change in a sector with a very low share of value added.

Table 7.3 Value added shares in percentages

	NL	EU26	US	JP	Aus/NZ	BRIC	ROW
chemicals, rubber, and plastics	1.3	2.8	2.3	2.3	1.3	2.6	2.0
other machinery and equipment	2.3	3.3	3.2	3.4	0.7	5.2	2.3
petro-chemicals	0.2	0.1	0.1	0.1	0.1	0.3	0.3
electrical machinery and equipment	0.1	0.5	0.3	2.0	0.1	3.0	1.8
processed foods, n.e.c.	1.6	1.6	1.0	1.2	1.1	0.8	1.2
iron and steel	0.5	0.4	0.4	0.9	0.4	1.6	0.6
motor vehicles	0.6	1.5	1.0	2.0	0.7	1.2	1.4
crops, n.e.c. (except grains)	2.2	0.6	0.2	0.3	0.2	0.7	0.8
vegetables and fruits	0.6	0.7	0.4	0.6	1.1	5.4	2.5
fabricated metals	0.8	1.5	1.0	1.2	0.8	1.2	0.8
beverages and tobacco	0.5	0.3	0.3	0.7	0.7	0.4	0.6
non-ferrous metals	0.1	0.3	0.2	0.3	0.2	0.7	0.5
vegetables oils	0.1	0.1	0.0	0.0	0.1	0.1	0.2
paper, pulp, and publishing	1.9	1.6	1.5	1.6	1.8	0.9	1.1
textiles	0.2	0.4	0.3	0.2	0.2	1.3	0.9
dairy products	0.6	0.4	0.2	0.1	0.4	0.3	0.3
manufactures, n.e.c.	0.7	0.7	0.3	0.6	0.4	1.3	0.6
meats, except beef	0.2	0.2	0.2	0.1	0.2	0.1	0.2
other transport equipment	0.4	0.4	0.8	0.4	0.2	0.8	0.5
clothing	0.3	0.4	0.0	0.3	0.2	1.0	0.5
oil, gas, and coal	2.1	0.9	1.8	0.0	6.0	5.0	13.6
wood products	0.3	0.6	0.9	0.3	0.5	0.5	0.7
other goods	2.1	3.5	2.2	2.2	8.4	11.7	7.5
utilities	1.9	1.9	1.8	2.0	2.2	2.1	2.1
construction	6.4	5.8	7.2	6.9	6.4	9.2	5.7
retail and wholesale trade and warehousing	11.9	13.3	12.9	15.7	13.2	8.2	11.0
transport services	4.5	4.8	2.9	5.0	4.8	4.1	4.3
communications	2.5	2.3	2.0	2.4	3.0	1.2	1.9
other financial services	2.2	2.8	7.4	3.9	3.7	3.1	3.2
insurance	1.4	1.0	2.0	1.5	2.1	0.9	1.0
other business services	21.9	20.1	9.9	10.1	10.7	5.0	6.2
recreational and consumer services	3.1	3.7	3.4	3.4	2.6	2.0	2.3
other services (public health, education, residential)	24.8	21.5	32.0	28.6	25.8	18.5	21.6

Table 7.4 Export shares in percentages

	NL	EU26	US	JP	Aus/NZ	BRIC	ROW
chemicals, rubber, and plastics	11.5	14.3	12.4	11.1	2.9	8.3	6.1
other machinery and equipment	6.3	14.8	13.9	29.6	2.1	13.6	8.3
petro-chemicals	11.5	1.6	2.6	0.5	0.7	4.1	4.3
electrical machinery and equipment	1.6	2.9	6.3	10.7	0.3	26.6	9.5
processed foods, n.e.c.	5.9	2.2	1.8	0.4	2.2	0.7	1.8
iron and steel	3.1	2.2	0.9	3.1	0.8	3.2	1.9
motor vehicles	3.5	10.6	7.2	19.0	1.4	3.1	5.1
crops, n.e.c. (except grains)	4.9	0.5	0.5	0.2	0.5	0.1	0.6
vegetables and fruits	2.2	1.0	1.5	0.0	2.3	0.1	1.9
fabricated metals	2.2	2.1	1.3	1.5	0.3	2.8	1.0
beverages and tobacco	2.6	1.2	0.4	0.1	1.8	0.1	0.4
non-ferrous metals	1.0	1.4	1.3	1.3	2.7	3.2	2.3
vegetables oils	0.3	0.2	0.3	0.0	0.1	0.3	0.8
paper, pulp, and publishing	2.6	2.6	2.0	0.7	1.0	0.7	1.2
textiles	0.8	1.7	1.2	1.4	0.6	4.0	2.5
dairy products	2.0	0.7	0.1	0.0	1.6	0.0	0.1
manufactures, n.e.c.	1.9	1.3	1.3	1.1	0.3	4.3	1.2
meats, except beef	1.8	0.5	0.6	0.0	0.2	0.2	0.2
other transport equipment	1.2	2.5	5.1	2.9	0.4	1.5	1.8
clothing	0.2	1.1	0.3	0.1	0.2	7.6	1.3
oil, gas, and coal	3.2	1.0	2.0	0.0	20.4	5.7	26.3
wood products	0.3	1.8	0.8	0.1	0.8	1.4	1.4
other goods	4.1	7.9	11.1	4.0	38.3	2.8	7.1
utilities	0.3	0.6	0.3	0.0	0.1	0.2	0.3
construction	1.1	0.7	0.4	1.6	0.1	0.2	0.3
retail and wholesale trade and warehousing	1.9	2.0	1.1	2.2	2.9	1.2	2.5
transport services	4.3	5.1	4.1	3.4	6.1	1.9	4.2
communications	1.6	0.7	0.6	0.2	0.6	0.2	0.4
other financial services	0.4	1.8	1.7	0.6	0.6	0.1	0.4
insurance	0.5	1.7	1.1	0.3	0.7	0.1	0.5
other business services	12.6	7.9	5.6	2.3	2.3	1.4	2.9
recreational and consumer services	0.9	1.6	3.0	0.6	2.2	0.2	0.7
other services (public health, education, residential)	2.1	2.1	7.4	1.2	2.6	0.2	1.0

The scenario for liberalisation

The types and degree of liberalisation are the same for the EU-US, EU-Japan and EU-Aus/NZ FTAs and are summarised in Table 7.5 below. This scenario is meant to reflect a very ambitious level of opening up between OECD partners in the areas of tariffs to trade in goods, barriers to services trade and non-tariff barriers. This means in detail:

- Tariffs to trade in goods are liberalised by the full 100%, except for some sensitivities in agricultural products;
- Barriers to trade in services are reduced by 75% for all services trade. This means a reduction of barriers from 40% to 10% in terms of trade cost equivalents;

- Non-tariff barriers (NTBs) are reduced by 2.5% indicating a significant level of regulatory harmonisation within the FTA.

Table 7.5 Liberalisation scenario

Type of liberalisation	Reduction (%)
Tariffs for trade in goods (safe some sensitivities in agricultural products)	100%
Barriers to services (average)	75%
Non-Tariff Barriers (NTBs)	2.5%

In Annex E, the import trade barriers between the Netherlands, US, Japan and Australia/New Zealand are presented for both goods and services. The table clearly shows sectors where tariffs and trade in services barriers have been almost or fully removed and sectors that are more sensitive and where these barriers are still quite high. Figures 7.2 and 7.3 below summarise this graphically for goods imported into the Netherlands from the US (green), Japan (red) and Aus/NZ (blue) and for goods imported into the US (green), Japan (red) and Aus/NZ (blue) from the Netherlands respectively, showing the sectors on the horizontal axis and level of import barriers on the vertical axis.

Figure 7.2 Level of import barriers in the Netherlands for FTA partners (pre-FTA)

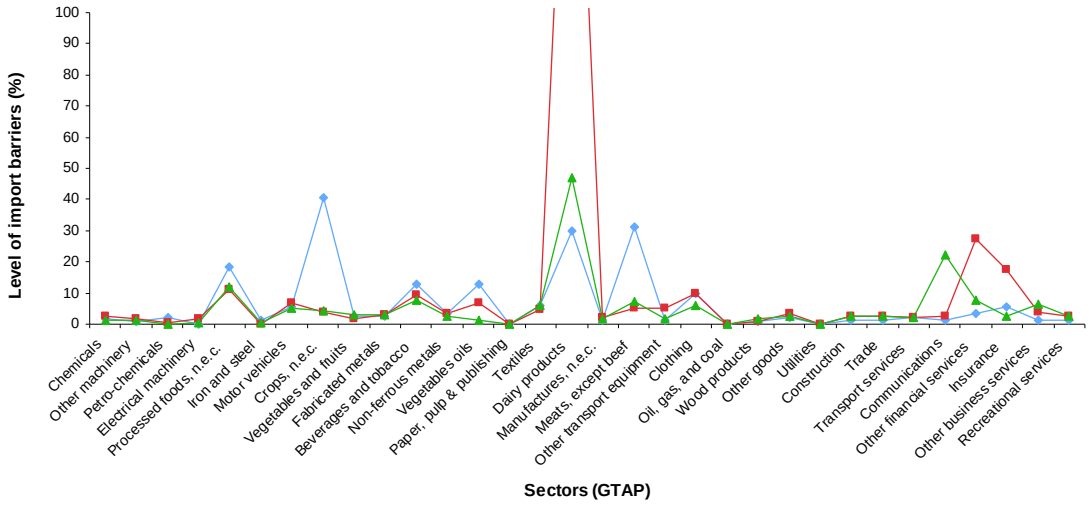
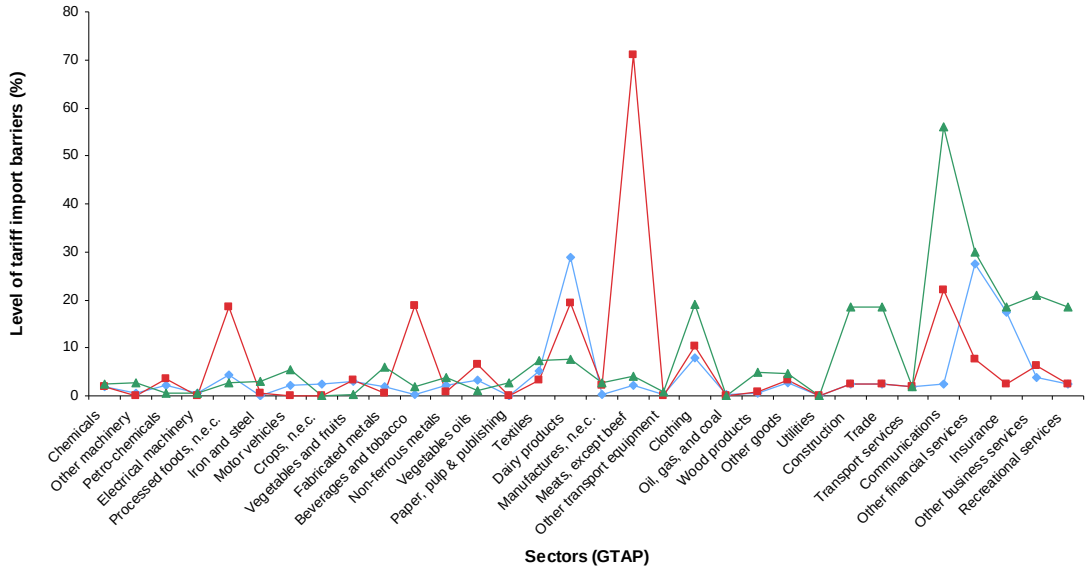


Figure 7.3 Level of import barriers in FTA partner countries for the Netherlands (pre-FTA)



8 Modelling results: Impact of an EU-US FTA

Summary of main impacts EU – US FTA

- Dutch, EU26, and US national incomes all increase because of the EU-US FTA, and much more so in the long-run;
- Dutch national income is €1.38 billion higher each year in the long run because of the EU-US FTA;
- Exports and imports increase significantly for the Netherlands, EU26 and US, with the latter experiencing the relatively largest effects;
- For the US, exports increase significantly more than imports (improving the US trade balance), for the Netherlands and EU26 exports and imports increase roughly with the same amount;
- The EU-US FTA is good for wage rates in the Netherlands, EU26 and US. In the long run, wages in The Netherlands will be higher for both the skilled- and unskilled workers by around 0.5 percent if an FTA between the EU and US is implemented;
- In the US wages will also be higher, but not to the same extent as for the EU26 or The Netherlands;
- There are negative third country effects, especially for Japan and the BRICs – in terms of national income, trade flows and wages all of which decrease. The effects are stronger in the long-run, but in percentage terms still relatively small;
- For the Netherlands, iron and steel, dairy products, beverages and tobacco and petro-chemicals are sectors that will see output increases, while manufactures, crops, and motor vehicles are decreasing in output;
- Exports from the Netherlands mostly increase in terms of iron and steel, petro-chemicals, vegetables and fruits, while exports of notably motor vehicles, other transport equipment and meats decrease;
- For the US, the largest output gains are in clothing, electrical machinery and equipment, meat, crops and other transport equipment, while the sectors dairy products, insurance services and other machinery and equipment contract. The export effects largely follow the output effects for the US;
- Changes in producer prices are relatively limited. Producer prices decline for most sectors in the Netherlands, notably for *iron and steel* sector, *beverages and tobacco* and *crops*. Prices in the EU26 follow a similar pattern. Prices increase for *motor vehicles* in the Netherlands, an in the EU26 *other transport equipment* witness an increase of producer prices. For US producers, prices in *electrical machinery and equipmen*t and *clothing* are decreasing while prices for *crops* are going up.

In this Chapter, we present the expected impact of an ambitious EU-US FTA, including deep tariff, barriers to services and non-tariff barrier cuts, with a time horizon of 2020. The results are presented in two parts: macro-economic effects and sector-specific effects.

8.1 Macroeconomic effects of the EU-US FTA

The macroeconomic effects of the EU-US FTA are presented below in Table 8.1 and analysed in terms of national income, value changes in exports and imports and changes in real wages for the skilled and unskilled workers.

Table 8.1 Macro economic results of an EU – US FTA on all country-blocks

	NL	EU26	US	JP	AUS/NZ	BRICS	ROW
Short Run (SR)							
National income, million Euros	245.5	15,260.6	17,959.1	-929.9	-84.3	-1,307.0	-3,426.9
Value of exports, %	1.1	1.4	5.6	-0.4	-0.1	-0.3	-0.2
Value of imports, %	1.1	1.4	3.6	-0.4	-0.1	-0.3	-0.2
Real wages %, unskilled workers	0.2	0.3	0.2	-0.0	0.0	-0.0	-0.0
Real wages %, skilled workers	0.2	0.3	0.2	-0.0	0.0	-0.0	-0.0
Long Run (LR)							
National income, million Euros	1,375.2	34,927.4	24,061.7	-1,889.0	-115.9	-4,402.6	-8,806.5
Value of exports, %	1.3	1.6	5.7	-0.4	-0.1	-0.3	-0.2
Value of imports, %	1.4	1.6	3.7	-0.4	-0.1	-0.3	-0.3
Real wages %, unskilled workers	0.5	0.5	0.3	-0.1	-0.0	-0.1	-0.1
Real wages %, skilled workers	0.5	0.5	0.3	-0.1	0.0	-0.1	-0.1

National income

Looking at the national income effects in Table 8.1, we see that a potential EU-US FTA yields positive results for the Netherlands, EU26 and US in the short run, and even more so in the long-run where we allow capital to flow into sectors with comparative advantages. The Netherlands gains € 246 million on a yearly basis in the short-run and € 1.38 billion each year in the long run from the FTA. We also note that in the short-run US gains are higher than EU26 gains, but due to the dynamic investment effect, in the long-run, EU26 gains are higher. When comparing the outcomes of the FTA for those that are inside the FTA to the 'outsider' (third) countries, we find that trade and investment diversion do occur, which can be see by Japan, Aus/NZ, BRIC and Rest of World (ROW) losing out compared to an EU-US trade block. However, the negative third country effects turn out to be relatively small in percentage change.

Exports and imports

If we analyse trade flow impacts of the FTA, we find that – as expected – trade and trade-related investment flows increase for the Netherlands, EU26 and US. It is interesting to note, however, that US exports grow significantly faster than US imports, improving the US trade balance while for the EU26 and the Netherlands export and import growth are virtually the same. For the Netherlands exports – in the long-run – are expected to increase by 1.3 percent due to the FTA while imports are expected to go up by 1.4 percent. In percentage change, US exports and imports are expected to go up most (5.7 and 3.7 percent respectively). Finally, also for trade flows we observe third country effects with Japan and BRICs seeing the most significant decrease of their export and import flows, diverted to EU-US bilateral trade.

Wage effects for skilled and unskilled workers

The model assumes labour markets to be in equilibrium in the long run as discussed in Chapter 7.[26]. We find that the EU-US FTA is good for wages for both the skilled and unskilled. The immediate effects of the FTA will raise high-skilled wages in the Netherlands faster than low-skilled wages, however, in the long run, this effect disappears and wages go up by a significant 0.46 to 0.49 percent because of the FTA. For the EU26 these wage effects are the same, while also the US sees increases in wage rates, albeit at lower levels. The overall increases in wage levels on average due to the FTA are important because they indicate that – as we will see below when discussing sector level effects – pull factors dominate over push factors when it comes to labour reallocation process (i.e. labour displacement) in an economy in the short run; i.e. workers move from one sector to another because of the prospect of earning higher wages in the new sector, not because they are shed by the sector they have been working in previously. Finally, there are small but negative third country effects on wages, especially for the BRIC countries and ROW (-0.06 and -0.10 percent for unskilled workers and -0.06 and -0.09 percent for skilled workers respectively).

Decomposition of national income effects

We have noted that a potential EU-US FTA will have large positive national income effects for the EU26, the Netherlands and the US. However, in an effect analysis, it is important – from the perspective of policy making – to analyse where these effects mainly originate from. Table 8.2 shows the decomposed national income effects into the main trade policy components: tariffs, barriers to services and non-tariff measures.

Table 8.2 Decomposition of impact of the EU-US FTA on National Income (million Euros) by source

	NL		EU26		US	
	SR	LR	SR	LR	SR	LR
Tariff rate cuts	-108	435	1,984	9,808	2,941	4,282
Services barrier reductions	40	110	4,737	7,586	5,248	7,201
Trade cost reductions	314	830	8,540	17,533	9,770	12,580
Total	246	1,375	15,261	34,927	17,959	24,062

Starting with the short-run effects, for all three blocks (EU26, the Netherlands, US) most gains come from trade cost reductions, i.e. non-tariff measure reductions inside the EU and across the Atlantic. However, we also see that while for the EU26 and US tariff rate cuts would have a positive welfare effect, for the Netherlands, this component would

[26] There are two general types of models that look at employment and wage effects: the first strand focuses on the short-run and employment effects, but therefore cannot say anything about wage effects; the second strand focuses on the longer-run and wage effects, assuming markets clear in the long run, therefore not reporting employment effects. We – because of the focus for the long-run – use a model of the second strand.

have a negative national income effect, i.e. the losses in tariff revenue and producer surplus outweigh positive effects for consumer prices.

When we look at the long-run effects, we find – overall – that the positive effects of liberalisation, for all three components, are larger if not much larger than the effects in the short-run. We also observe an interesting change in that for the EU26 and the Netherlands, tariff rate cuts yield larger dynamic benefits than services barrier reductions, while for the US this is the other way around (opening up the potential for different approaches to policy making and focus of national policies). We also note that – even though the Netherlands loses welfare in the short-run by tariff rate cuts – in the long run the Netherlands gains significantly from doing so. Trade cost reductions (non-tariff measure alignment) are responsible for more than 50 percent of the potential gains in an EU-US FTA, making regulatory alignment an important policy goal in addition to tariff and services barrier reductions.

In general this study shows that the gains from tariff rate cuts are very high, compared to many other studies–. The main reason for this is that Doha multilateral trade liberalisations (with a strong tariff component) – unlike in most other studies – is not in the baseline. Therefore the tariff effects become visible as part of bilateral FTA welfare effects.

8.2 Sectoral effects of the EU-US FTA

The sector-level effects of the EU-US FTA are presented in the Annex; The Tables contain sector-level effects on output value, export value, producer prices and employment of high- and low-skilled workers.

8.2.1 Sectoral impact on the Netherlands and the EU26

Whereas the overall macroeconomic effects for both the EU26 and the Netherlands are positive in terms of national income, effects at sector level may either be positive or negative. As a result of the FTA, resources shift across sectors – in the long run including dynamic capital – according to relative comparative advantages. Therefore, in short, some sectors gain and some loose.

Output

These shifts across sectors can be clearly seen from the output changes at sector level. Table 8.3 lists the sectors that show most pronounced percentage changes in output for **the Netherlands** (five most negative and five most positive in percentage changes). Output in the Dutch *iron and steel* sector is expected to grow by 5.6 percent as a result of this EU-US FTA because it is a relatively small sector, largely in the hands of an efficient company using scale economies in production and easy access to raw materials, allowing Dutch production to be competitive; for the *dairy products* sector output growth is 2.5 percent, also because the Dutch dairy sector is very competitive. In contrast, the *other transport equipment* and *motor vehicles* sectors are projected to decline (-3.6 percent and -2.9 percent respectively).

Table 8.3 Most impacted sectors (% output change) for the Netherlands, EU-US FTA, long run

Sector (top 5 positive impact)	Output change (%)	Sector (top 5 negative impact)	Output change (%)
Iron and steel	5.6	Other transport equipment	-3.6
Dairy products	2.5	Motor vehicles	-2.9
Beverages and tobacco	2.1	Meats, except beef	-2.4
Petro-chemicals	1.7	Crops, n.e.c. (except grains)	-1.3
Vegetables and fruits	1.1	Manufactures, n.e.c.	-0.6

When relating the percentage changes at sector level (Annex B) to the share of value added of that sector to the economy (see chapter 7.2.3) in 2020 (baseline projection), we see that a 0.4 percentage increase in the *other business services* sector has the largest impact in absolute terms for the Dutch economy, followed by the 0.4 percent increase in *other services (public health, education, residential)* and the 0.5 percent in *construction. Transport services* and *iron and steel* also cause a considerable positive change in absolute terms.

For the **EU26**, as presented in Table 8.4, we find that the largest positive percentage effects are found in *insurance services* (1.7 percent), *dairy products* (1.6 percent), *motor vehicles* (1.2 percent) and *textiles* (1.1 percent) in the long run. A direct, short-run, positive effect is most pronounced in dairy products and insurance services. Insurance services are much more fragmented in the US at state level than in the EU, and overall the EU automotive industry is more competitive than its US counterpart at present due to lower cost levels of production and a technological advantage in green technologies.

In the sectors *meat* (-3.8 percent), *other transport equipment* (-3.1 percent), *crops* (-1.5 percent) and *electrical machinery and equipment* (-1.3 percent), the EU26 has a relative comparative disadvantage, implying that production factors will move to other sectors (like those mentioned above). When comparing short run (direct) effect to the longer-run effect, we see that notably the *electrical machinery* does relatively better in the long run due to investments that will flow into the sector.

Table 8.4 Most impacted sectors (% output change) for the EU26, EU-US FTA, long run

Sector (top 5 positive impact)	Output change (%)	Sector (top 5 negative impact)	Output change (%)
Insurance	1.7	Meats, except beef	-3.9
Dairy products	1.6	Other transport equipment	-3.5
Motor vehicles	1.2	Crops, n.e.c. (except grains)	-1.5
Textiles	1.1	Electrical machinery and equipment	-2.4
Other machinery and equipment	0.7	Vegetables and fruits	-0.1

Weighing the percentage change effects with the relative shares in value added, that is: taking into account the relative importance of sectors for the EU26 economy, we see that

the largest positive expected absolute changes in the long run relate to *other machinery and equipment* (+0.7 percent), *construction*, *other business services* and *other services*, while the largest negative changes in the long run are expected in the sectors *other transport equipment* (-3.5 percent) and *crops* production (-1.5 percent).
Thus, whereas the most pronounced relative changes are found in goods sectors, some services sectors – given their large absolute size – show the largest impacts in absolute terms, both in the Netherlands and in the EU26.

The apparent contradiction between an EU26 level rise in automotive production and decline in Dutch automotive output can be explained by the different levels of trade and production in the EU (final goods versus parts and components). It looks like final automotive production in the EU will increase but the parts and components the Dutch economy is supplying in that process is facing much stronger competition from the US because of the EU-US FTA. Combined with growth in other sectors, this implies that costs for labour are going up, prices go up and output falls, which does not happen in the EU26.

Exports

The changes in export value at sector level closely follow the output figures as discussed above. For **the Netherlands**, the sector *dairy products* and *iron and steel* also show the largest percentage increases in (6.5 and 6.1 percent respectively). *Petro-chemicals* and *textiles* are expected to increase their exports by 3.1 percent. The sector *motor vehicles* is expected to see a decline in export value of 3.3 percent, followed by *other transport equipment* (-2.6 percent) and *meats* (-2.5 percent).

When relating the export values to the share of that sector in total exports for the Netherlands, the contribution in absolute terms is again considerable from the *other business services* sector, being the largest sector in the Dutch economy. Yet the largest absolute gains in export value are to be expected from the two largest Dutch export sectors after business services, the *petro-chemicals* sector followed – at some distance – by *chemicals, rubber and plastics*. Iron and steel also contribute see considerable absolute changes. On the other hand, *motor vehicles, other transport equipment and meats* are sectors that are expected decline.

Table 8.5 Most impacted sectors (% export change) for the Netherlands, EU-US FTA, long run

Sector (top 5 positive impact)	Export change (%)	Sector (top 5 negative impact)	Export change (%)
Dairy products	6.5	Motor vehicles	-3.3
Iron and steel	6.1	Other transport equipment	-2.7
Petro-chemicals	3.1	Meats, except beef	-2.5
Textiles	3.1	Oil, gas, and coal	-0.2
Beverages and tobacco	2.7	Electrical machinery and equipment	-0.1

For the **EU26**, exports increase for most sectors and decrease only for a few; moreover, the percentage change increases predicted are much larger than the anticipated decreases. The largest percentage change increases in exports due to an EU-US FTA at sector level accrue to the *dairy* sector (+11.5 percent), *insurance services* (+7.6 percent), *crops*

production (+7.3 percent), and *financial services* sector (+5.9 percent). The largest decreases in exports concentrate in the *meats*(-2.5 percent*)* and other *transport equipment* sectors (-2.7 percent).

In absolute values – weighed by share in total exports – the 2.4 percent increase in *other machinery and equipment* is most important (14.8 percent of total EU26 value added), followed by the increased exports in *motor vehicles*, *chemicals, rubber & plastics*, and *insurance services*.

Table 8.6 Most impacted sectors (% exports change) for the EU26, EU-US FTA, long run

Sector (top 5 positive impact)	Export change (%)	Sector (top 5 negative impact)	Export change (%)
Dairy products	11.5	Meats, except beef	-2.8
Insurance	7.6	Other transport equipment	-1.3
Crops, n.e.c. (except grains)	7.3	Electrical machinery and equipment	-0.8
Other financial services	5.9	Other services (public health, education, residential)	-0.4
Manufactures, n.e.c.	4.5	Vegetables and fruits	-0.1

Producer prices

The changes in producer prices in **the Netherlands** that are expected as a result of this EU-US FTA relate logically to the observed changes in output and export values. As a result of increased competitive pressure and international specialisation, prices in the sectors that are increasing their output and exports considerably, experience a slight downward effect on producer prices. The price effects (in percentage changes) for the different sectors in the Netherlands in the long run are negative; that is: most prices go down following a potential ambitious EU-US FTA. They go down mostly for *beverages and tobacco* (-1.9 percent), *iron and steel* (-1.1 percent) and *crops* (-0.9 percent). However, at the same time we also observe an increase in the prices for *motor vehicles* (by 0.6 percent), again, because of competition for workers with other growing – and closely linked – sectors, while US competition for producing parts and components increases.

In the **EU26**, we see a similar picture of price changes as in the Netherlands (e.g. prices of *crops* drop), but we also find that prices in *other transport equipment* rise.

Like in the Netherlands (and as we will see below in the US) we see an overall increase in prices of the services sectors. This can be explained, first of all, by the fact that the large shocks applied in terms of barrier reductions lead to significant changes in, for example, *automotives*, *electrical machinery* and production of *processed foods*. These shocks pull in resources in terms of service inputs needed for these increases in *manufacturing* production. Secondly, income elasticities are typically higher for services than for goods; i.e. when incomes goes up (as they do because of the EU-US FTA) demand for services increases more than demand for manufacturing products. This secondary effect, relatively faster increasing demand for services, also leads to higher prices for services.

Sectoral impact comparison between the Netherlands and EU26

When comparing the sectoral impact between the Netherlands and the rest of the EU, the EU26, some interesting observations stand out:

- The Dutch *iron & steel* sector production gains much more from the EU-US FTA than the sector gains in the rest of the EU (a gain of 5.6 percent for the Netherlands versus a gain of 0.2 percent for EU26) as presented in Table 8.7 below;
- As presented in Table 8.7 below, the effect of the EU-US FTA on output of the *beverages and tobacco* sector, the *meat* sector, the *vegetables & fruits*, *petro-chemicals*, *electrical machinery* and *dairy products* sectors in the Netherlands is more positive than the effect of the FTA on the same EU26 sectors;
- However, we also find – see Table 8.7 – that the effect of the EU-US FTA on the Dutch economy is more negative for *motor vehicles*, *insurance services*, and *other manufactures* than for the same sectors in the EU26;
- The reason for Dutch output increases in the dairy sector that exceed EU26 percentage increases in production while Dutch exports are growing at a slower pace (in percentage terms) than EU26 exports, can be explained by the fact that the Dutch share of *dairy products* in total exports is much larger to begin with and the EU26 starts off from a much lower relative base to begin with.

Table 8.7 Comparison of Dutch and EU26 sector effects for selected sectors (output %, exports %) from an EU-US FTA, long run

Sector	Change (%) for the Netherlands	Change (%) for the EU26
Output		
Iron and steel	5.6	0.2
Beverages and tobacco	2.1	0.2
Meats (except beef)	-2.4	-3.8
Vegetables and fruits	-1.1	-0.1
Petro-chemicals	1.7	0.5
Electrical machinery and equipment	-0.1	-1.3
Dairy products	2.5	1.6
Other manufactures	-0.6	0.7
Insurance services	0.3	1.7
Motor vehicles	-2.9	1.2
Exports		
Iron and steel	6.1	0.5
Beverages and tobacco	2.7	1.0
Vegetables and fruits	0.9	-0.1
Electrical machinery and equipment	-0.1	-0.8
Utilities	0.6	-0.1
Other manufactures	0.2	4.5
Crops	2.6	7.3
Dairy products	6.5	11.5
Motor vehicles	-3.3	2.5
Insurance services	1.7	7.6

8.2.2 Sectoral impact on the US

Output

The most affected sectors in the long-run, following an ambitious EU-US FTA turn out to be *textiles* (+16.7 percent), *electrical machinery and equipment* (+6.3 percent), *meats* (+4.0 percent), *crops* (+3.4 percent), and *other transport equipment* (+3.3 percent), *dairy products* (-3.6 percent), *insurance services* (-1.4 percent), and *other machinery and equipment* (-1.0 percent). In general differences between the short-run and long-run effects in output are small, with the exception of *electrical machinery and equipment*. This latter sector, due to a significant inflow of investments, will increase output by 1.5 percentage points in the long run compared to the short run due to strengthened comparative advantage. The most important sectors in terms of percentage output changes are presented in Table 8.8 below.

Table 8.8 Most impacted sectors (% output change) for the US, EU-US FTA, long run

Sector (top 5 positive impact)	Output change (%)	Sector (top 5 negative impact)	Output Change (%)
Clothing	16.7	Dairy products	-3.6
Electrical machinery and equipment	6.3	Insurance	-1.4
Meats, except beef	4.0	Other machinery and equipment	-1.1
Crops, n.e.c. (except grains)	3.4	Iron and steel	-0.8
Other transport equipment	3.3	Other goods	-0.6

Weighing the percentage changes based on the respective value added of each sector as share of total national value added, we find that the small percentage increase (0.2 percent) in *retail and wholesale trade* is important economy-wide and so are the increases in output for the *construction sector* and *other business services*. Important also are *electrical machinery and equipment* and *other transport equipment*. On the downward side, *insurance services* and *other machinery and equipment* are sectors that decline – with a significant impact on value-added weighed output for the US.

Exports

The effects of the EU-US FTA on US exports are very positive overall, especially for exports of *crops* (+53.9 percent), *other transport equipment* (+12.5 percent), *electrical machinery and equipment* (+11.1 percent), *motor vehicles* (+8.6 percent). Also clothing, dairy products and meats see large increases in exports but these increases are relatively smaller in absolute terms. The *public services and utilities sectors* – as a consequence of the EU-US FTA – are expected to export less (-0.9 percent and -0.8 percent respectively) as well as the *iron and steel* sector (-0.2 percent) but only marginally so. All other sectors experience an export increase. Table 8.9 summarises these findings.

Table 8.9 Most impacted sectors (% exports change) for the US, EU-US FTA, long run

Sector (top 5 positive impact)	Export change (%)	Sector (top 5 negative impact)	Export Change (%)
Crops, n.e.c. (except grains)	53.9	Other services (public health,	-0.9

		education, residential)	
Dairy products	45.3	Utilities	-0.8
Meats, except beef	35.5	Iron and steel	-0.2
Clothing	31.4		
Other transport equipment	12.5		

Producer prices

Like in the EU and the Netherlands, producer prices do not change a lot as a consequence of the EU-US FTA in the US. For US producers, prices in *electrical machinery and equipment* (-0.7 percent) and *clothing* (-1.9 percent) are decreasing while prices for *crops* are going up (+1.7 percent). As for the EU26, we find that producer prices for *services* in the US go up across the board (albeit marginally). This can be explained – as mentioned before – by services inputs needed for increases in manufacturing production and a higher demand elasticity for services.

8.2.3 Sectoral impact on third countries: selection of most significant results

Whereas the Netherlands, EU26 and US are inside the scope of the potential EU-US FTA, the other countries in the world are not. We provide a short analysis of output, exports and producer price effects the EU-US FTA has for third countries as long as there are significant effects. The countries that do not participate in the FTA and that have been grouped together for this analysis are Japan, Australia/New Zealand, BRIC and Rest of World (ROW).

Output

The global automotive effects of the EU-US FTA are interesting to note and analyse. Australia & New Zealand benefit from a more integrated EU-US automotive market through parts and components trade. The Japanese sectoral output in the long run is however affected negatively for *motor vehicles* (-2.2 percent) due to increased competition from EU and US automakers. The more integrated EU-US market also affects ROW automotive production negatively (-1.3 percent). Turning to *electrical machinery and equipment*, we see that the Japanese sector benefits from the EU-US agreement (+0.5 percent) while the BRICs and ROW lose out (-0.7 percent change for both blocks in *electrical machinery and equipment* outputs). Here the US-Japanese integration in *electronic equipment* may cause the positive effects for Japan since the US sector gains a lot, while this goes at the expense of those blocks where integration with the US is either indirect (via Japan) or more shallow, leading to trade diversion. ROW also is shown to show a lower growth rate in *textiles* (especially technical textiles) (-0.4 percent) and *other transport equipment* (-0.9 percent).

Exports

Export patterns overall mimic (though with higher levels of change) the output changes: Japanese *automotive* exports (both final products as well as parts and components) will decrease significantly (-4.1 percent) while Australian & New Zealand exports will go up by 1.3 percent and ROW trade in *automotives and parts and components* declines by 1.3 percent. For *electrical machinery and equipment*, Japanese exports go up (+0.6 percent) while BRIC and ROW export trade go down (-1.1 percent and -0.7 respectively). These

findings reflect shifting comparative advantages and existing interlinkages in trade in intermediate goods between the trade blocks. Another export effect of the EU-US FTA is a decrease in Japanese exports of *meat (except beef)* by 1.8 percent, and in Aus/NZ *meat* exports by -1.4 percent.

Producer prices

The producer price effects on third countries are very small though mostly negative across the third country economies with no particular sector standing out. This is the trade diversion effect showing the decreases in production faced by third country producers.

9 Modelling results: Impact of an EU-Japan FTA

Summary of main results of an EU-Japan FTA

- The EU-Japan FTA is beneficial for the Netherlands in terms of national income, both in the short run (€176 million) and long run (€458 million);
- The FTA is also very beneficial for Japan (€45,300 million increase in national income) because of significant increases in market access to the EU, but not beneficial for the EU26 (€14,000 million decrease in national income) because of significant losses of tariff revenues;
- Tariff rates and tariff revenues – because the Doha Development round is not in the economic baseline – drive the results for the EU-Japan FTA;
- Dutch gains stem from increased trade from which the Dutch economy benefits disproportionately through Mainport Rotterdam and increased access for processed foods (including meat), a sector relatively more important for the Dutch economy than for the EU26 as a whole;
- The EU-Japan FTA benefits Australia/NZ and BRICs because of the increased trade and demand for parts and components from Japan. For the US and ROW trade diversion dominates.;
- Wages are virtually unchanged for the EU26 (-0.1) and the Netherlands (+0.1) but Japanese wages go up by 1.7 percent for skilled workers and 1.6 percent for unskilled workers;
- The main sectoral output effects for the Netherlands occur in the meat sector (+9.9 percent), electrical machinery and equipment (-3.4 percent) and dairy products (-8.9 percent). For the EU26, also the meat sector benefits (+13.1 percent) while motor vehicles declines in output by 8.3 percent;
- Trade (exports) increases significantly for the Netherlands, EU26 and Japan – with a lot of trade creation in the meat and automotives sectors – at the expense of US, Australia/NZ, BRIC and ROW;
- For Japan, the sector benefiting most significantly is the automotive sector (output gains of +53.4 percent) – this is the main effect of the FTA for Japan, drawing in production factors from other sectors;
- Price levels in the Netherlands and EU26 are not heavily affected, but rise significantly overall in Japan due to the large positive national income effect, with the exception of the automotive sector (-12.0 percent) and meat sectors (-2.2 percent);
- Third country automotive and meat sectors are hurt most by the integrated EU-Japan automotive and meat markets, but the electrical machinery and equipment sector gains globally.

In this Chapter, we present the expected impact of an ambitious EU-Japan FTA, including deep tariff, barriers to services and non-tariff barrier cuts, with a time horizon of 2020. The results are presented in two parts: macro-economic effects and sector-specific effects.

9.1 Macroeconomic effects

The overall effects of the EU-Japan FTA are presented below in Table 9.1. They are analysed in terms of national income, value changes in exports and imports and changes in real wages for the skilled and unskilled workers.

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Table 9.1 Macro economic results of an EU – Japan FTA on all country-blocks

EU-Japan FTA,	NL	EU26	JP	US	AUS/NZ	BRICS	ROW
Short run							
National income, million Euros	176	-10,950	22,663	-1,321	304	208	-563
GDP value, percent	0.1	-0.1	2.4	0.1	-0.1	0.3	0.2
Value of exports, %	0.7	0.5	9.1	0.5	0.5	0.2	0.3
Value of imports, %	0.7	0.5	10.4	0.3	0.5	0.2	0.3
Real wages %, unskilled workers	0.1	-0.1	1.1	-0.0	-0.0	0.0	-0.0
Real wages %, skilled workers	0.1	-0.0	0.8	-0.0	-0.1	0.0	-0.1
Long run							
National income, million Euros	458	-13,998	45,276	-3,004	203	911	-7,516
GDP value, percent	0.2	-0.1	3.2	0.1	-0.2	0.3	0.1
Value of exports, %	0.7	0.4	9.8	0.5	0.5	0.2	0.2
Value of imports, %	0.8	0.4	11.2	0.3	0.5	0.2	0.2
Real wages %, unskilled workers	0.1	-0.1	1.6	-0.0	-0.2	0.0	-0.2
Real wages %, skilled workers	0.1	-0.1	1.7	-0.0	-0.1	0.0	-0.1

National income

Looking at the national income effects in Table 9.1, we see that a potential EU-Japan FTA yields very interesting and very different results when compared to the EU-US FTA.

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A deep and comprehensive FTA with Japan will be beneficial for the Netherlands, both in the short-run (€ 176 million extra yearly) and the long-run (€ 458 million extra per year). This is due to the fact that increases in trade flow benefit the Netherlands disproportionally because of the Mainport Rotterdam and because the FTA allows the Dutch economy much better food access (*processed food, meat products*) to Japan – which is relatively more important for the Netherlands than for the EU as a whole. Moreover the Dutch trade in parts and components for the automotive sector, due to its specific areas of specialisation and integration with the global automotive supply chain, also benefit from an EU-Japan FTA.

We also note that the FTA is very beneficial for Japan – especially in the long run – where Japan gains € 45.3 billion in additional national income because of an FTA with the EU. This is the case because for Japan, the EU market opens up completely and it allows Japanese firms in particular and the Japanese economy in general to benefit significantly from scale economies and enlargement of its global production networks.

However, for the EU26 the welfare effects are clearly and significantly negative, especially in the long run (a loss in national income of € 14.0 billion each year because of the EU-Japan FTA). These results, though surprising at first, are intuitive when studied in more detail. The explanations for these results are the following:

1. Please note that in the baseline the Doha Development Agenda (DDA) is not included, which implies that still very high tariff rates are in place between the EU and Japan before the FTA is concluded.
2. With tariff rates constituting a major component of welfare effects – compared to trade in services barriers and non-tariff measures – a full cut of tariffs (as postulated in the scenario) implies that tariff losses are very large. The large negative tariff cut effect due to significant loss of tariff revenues; explain the negative EU26 national income effect because this effect is not compensated by gains from services barrier reduction and/or lower trade costs.
3. Tariff losses are a negative welfare effect as government incomes decrease significantly. However, this can be compensated for by gains for companies and consumers due to increased market access and lower prices for imported products respectively. However, the assumption of DDA not being in the baseline combined with a *bilateral* (as opposed to a multilateral) FTA means that the full weight of large tariff losses falls onto the EU without major increases in market access (as only Japan lowers its tariffs and large NTMs remain) or much lower prices (Japan is not the cheapest producer of many products). For Japan the gain in market access (large EU market) and lower import prices (EU is efficient in some manufacturing and service sectors) is much larger than for the EU, more than compensating Japan for loss in tariff revenues. If the EU and Japan would *multilaterally* reduce all tariffs – the loss in tariff revenue for the EU would be compensated by much larger increases in producer and consumer surplus that is the case in a bilateral reduction.
4. In essence, the main gains accrue to the partner in the FTA with the highest trade barrier reductions (Japan) because reducing these will lead to more and cheaper imports leading to large consumer gains. That effect occurs to Japan (through cheap imports from the EU) but not much to the EU since the economy was already more open and therefore the consumer gains are smaller.

Looking at third country effects, the impact of an EU-Japan FTA is mixed. The US and ROW see trade and investments diverted away towards the trade block leading to losses in national income (albeit of a limited magnitude). For Aus/NZ and BRIC, we find that the EU-Japan FTA is potentially beneficial. The main reasons for this is that the very large increase in national income for Japan spills over to its Asian trade and investment partners. Japan is an important source for FDI and a main trade partner in the region. This happens through complex (large company) inter-linkages with 2nd and 3rd generation countries in the region (see the Flying Geese model of Akamatsu, 1939)[27]: Japanese industrial benefits from the EU-Japan FTA spill over into the region due to regional trade and FDI links and regional sourcing of parts through large Japanese multinationals that operate in the region.

Exports and imports

If we analyse trade flow impacts of the FTA, we see that because of a deep EU-Japan FTA world trade increases significantly, with all blocks increasing the value of their exports and imports. The largest effects occur for Japan where – in the long run – the value of exports go up by 9.8 percent and imports by 11.2 percent. For the EU26 trade

[27] Akamatsu K.(1962): A historical pattern of economic growth in developing countries. Journal of Developing Economies, 1(1):3-25, March-August.

goes up by around 0.45 percent (both imports and exports) but for the Netherlands – mainly due to the Mainport Rotterdam effect – the increases in the value of exports and imports are higher; 0.7 and 0.8 percent respectively. For the Netherlands we also find evidence of a dynamic investment effect because the long-run growth in the value of exports and imports is larger than the immediate effect.

Wage effects for skilled and unskilled workers

For Japan, the EU-Japan FTA is highly beneficial for employees. The skilled workers see their wages increase rapidly by 0.8 percent and over time by 1.7 percent, while the unskilled workers see such an increase from 1.1 to 1.6 percent. It is interesting to see that the immediate effect on wages benefits the unskilled workers more, while in the long run, skilled workers benefit relatively more from the FTA. For the Netherlands a modest increase in wages is foreseen, albeit larger when we allow for dynamic investment effects in the long run. The EU26 is expected to experience a decrease in wages, especially for unskilled workers soon after the implementation of the FTA and especially for the skilled workers in the more distant future. Overall the wage effects are in line with the national income effects. An exception is the Aus/NZ block. This block shows positive national income effects but lower wages. This implies that downward price effects and export effects play a role, leading to benefits for consumers and larger markets and demand for Aus/NZ produced products respectively, outweighing the decrease in real wages.

Table 9.2 Decomposition of impact of the EU-Japan FTA on National Income (million Euros) by source

	NL		EU26		JP	
	SR	LR	SR	LR	SR	LR
Tariff rate cuts	184	446	-12,065	-16,309	17,545	35,556
Services barrier reductions	-11	-1	1,164	1,977	663	1,170
Trade cost reductions	3	12	-48	334	4,455	8,550
Total	176	458	-10,950	-13,998	22,663	45,276

Decomposition of national income effects

Decomposing the national income effects, we see clearly that the negative effect of an EU-Japan FTA is driven by losses in tariff revenues that come from ambitious tariff rate cuts. Reductions in services barriers and non-tariff measure alignment would – in the long run – yield substantial benefits for the EU26. For the Netherlands – on the contrary – not much is to be gained from reductions in services barriers or the modelled depth of reductions in trade costs. Most gains in the long run for the Netherlands stem from the same tariff rate cuts that have a negative effect on the EU26 as a whole. Again, the main reasons for these diverging effects are the Main port Rotterdam and the relative importance of the Dutch processed foods and dairy sectors. For Japan, the lion's share of gains come from tariff rate cuts, even though non-tariff measure reductions also yield significant benefits. The dynamic, long-run effects are significantly more positive for Japan (and the Netherlands) than the direct effects of FTA implementation.

9.2 Sectoral effects

The macro-economic effects show a mixed picture with respect to the effects of the EU-Japan FTA (Annex C). Especially for the EU26, the welfare effects – driven by losses in tariff revenue – are negative even though the EU is a partner in the FTA.

9.2.1 Sectoral impact on the Netherlands and the EU

Output

The main positive effects at sectoral level for **the Netherlands**, occur in the sectors *meats* (+9.9 percent), *motor vehicles* (+2.0 percent), *processed foods* (+1.2 percent), and *clothing* (+0.7 percent). Resources are drawn into those growing sectors from *iron and steel* (-0.5 percent), *electrical machinery and equipment* (-3.4 percent) and *dairy products* (-8.1 percent). These results can partially be explained by Dutch and Japanese comparative advantages but more so even by looking at the tariff reductions (e.g. a reduction of 100 percent of the 224 percent tariff on dairy imports from Japan) and the implications thereof for market access. When comparing the short run effects of the FTA with the long-run effects, we see that *motor vehicles* benefit from an inflow in investments, strengthening its competitive position further (growth in output goes up from 1.5 percent in the short-run to the aforementioned 2.0 percent in the long run), while for *iron and steel* the immediate decrease in output (-1.2 percent) is mitigated by inflows of capital into the sector to a decrease of -0.5 percent in output.

If we weigh these results by the sectors' value added, we find that the *dairy sector* faces the largest negative output effects, while *transport services, meats and processed foods* are those sectors that stand most to gain.

Table 9.3 Most impacted sectors (% output change) for the Netherlands, EU-Japan FTA, long run

Sector (top 5 positive impact)	output change (%)	Sector (top 5 negative impact)	output change (%)
Meats, except beef	9.9	Dairy products	-8.1
Motor vehicles	2.0	Electrical machinery and equipment	-3.4
Processed foods, n.e.c.	1.2	Iron and steel	-0.5
Clothing	0.7	Other transport equipment	-0.5
Transport services	0.5	Beverages and tobacco	-0.4

For the **EU26**, as presented in Table 9.4, we see that *meats* (+13.1 percent), *clothing* (+2.2 percent), *textiles* (+1.8 percent) and *other transport equipment* (+1.3 percent) are the sectors that benefit from the EU-Japan FTA in the long run while the *motor vehicles* sector especially (-8.3 percent), but also – to a lesser extent – *iron and steel* (-0.8 percent) and *fabricated metals* (-0.5 percent) see their output decline compared to the economic baseline development. Given the negative wage effects of the FTA for the EU26, this implies in these sectors jobs are likely to be shed as the sectors shrink and the effects of the EU-Japan FTA for the EU26 are driven by its effects on the *motor vehicles sector*. No significant dynamic investment effects occur to cause a difference between short- and long-run effects for the EU26.

If we weigh the percentage changes based on share of a sector's value added, we find that the importance of the *motor vehicles sector*, and the way it is negatively affected by the EU-Japan FTA stands out, but so do *other business services* where a small negative percentage change causes significant effects on economy-wide value added due to the sheer size of the sector (20.1 percent of total EU26 value added). *Meats* – because of the large percentage change of a small base sector – and *electrical machinery and equipment* – because of a small percentage change of a relatively large sector – dominate the positive side of the results when including value added shares as weights.

Table 9.4 Most impacted sectors (% output change) for the EU26, EU-Japan FTA, long run

Sector (top 5 positive impact)	output change (%)	Sector (top 5 negative impact)	output change (%)
Meats, except beef	13.1	Motor vehicles	-8.3
Clothing	2.2	Iron and steel	-0.8
Textiles	1.8	Fabricated metals	-0.5
Other transport equipment	1.3	Other services (health, education)	-0.1
Electrical machinery and equipment	0.7	Other business services	-0.1

Exports

The effects of the EU-Japan FTA on **Dutch** exporting sectors – when compared to output effects – tend to be in line. The meat sector (+12.7 percent), processed foods (+3.1 percent) and transport services (+1.0 percent) are sectors where sectoral output increases and also export increases are predicted. In sectors where output is projected to decline, also exports go down: electrical machinery and equipment (-3.7 percent), iron and steel (-0.6 percent), other transport equipment (-0.4 percent) and beverages and tobacco (-0.4 percent).

A major exception to this proportionate effect is the dairy sector, where sector output declines significantly, but Dutch exports increase. This is likely due to the very high tariff rates that exist on both sides. Removing the lion's share of these tariff rates as part of the ambitious FTA leads to a more competitive dairy market between the Netherlands (EU) and Japan and a reduction in domestic market shares in favour of imports. At the same time significant trade creation between the two trade partners and trade diversion with the rest of the world occurs (export changes of US -2.0 percent, Aus/NZ -2.3 percent, BRIC -1.3 percent and ROW -0.5 percent).

Overall, when comparing the import tariffs on Japanese products with the projected export changes after removing these import tariffs, we find that the EU-Japanese FTA is by and large driven by tariffs; i.e. tariff rates are relatively high for all top-5 sectors mentioned in the left column of Table 9.5 (see analysis of dairy products above), and removing them leads to significant trade creation between the Netherlands and Japan.

Table 9.5 Most impacted sectors (% export change) for the Netherlands, EU-Japan FTA, long run

Sector (top 5 positive impact)	Export change (%)	Sector (top 5 negative impact)	Export change (%)
Meats, except beef	12.7	Electrical machinery and equipment	-3.7
Dairy products	6.2	Fabricated metals	-0.7
Processed foods, n.e.c.	3.1	Iron and steel	-0.6
Other financial services	1.2	Beverages and tobacco	-0.4
Transport services	1.0	Other transport equipment	-0.4

Looking deeper into export changes, we also find that exports in the services sectors increase – not a lot in percentage changes – but broadly across all service sectors. This is a general equilibrium effect, whereby workers in the long run are transferring from some of the declining manufacturing sectors into services sectors, output and exports in those sectors will increase. also leading to increases in export flows.

Turning to the **EU26**, its exports increase in all but two sectors of the economy (*motor vehicles*, -8.5 percent and *iron and steel*, -0.6 percent). The largest increase in exports is in the *meat sector* (+49.1 percent) – which seems large but is a percentage change of a relatively small base – *clothing* (+5.7 percent), *dairy products* (+4.0 percent) and *textiles* (+3.0 percent). These results are essentially the consequence of dropping tariff rates in previously protected sectors (i.e. in sensitive sectors like *dairy products* and *meats*) and of specialisation effects that work negatively for the *motor vehicles sector* and its exports.

Table 9.6 Most impacted sectors (% export change) for theEU26, EU-Japan FTA, long run

Sector (top 5 positive impact)	Export change (%)	Sector (top 5 negative impact)	Export change (%)
Meats, except beef	49.1	Motor vehicles	-8.5
Clothing	5.7	Iron and steel	-0.6
Dairy products	4.0		
Textiles	3.0		
Manufactures, n.e.c.	2.3		

Producer prices

For **the Netherlands**, the EU-Japan FTA has only a very limited effect on producer prices. In the long-run, for none of the sectors analysed price changes exceed 0.5 percent in absolute terms. Immediate effects of the FTA lead to increases in the prices for *beverages and tobacco* (+0.5 percent) and *electrical machinery and equipment* (+0.6 percent). For the **EU26**, the only major price change relates to the *motor vehicles sector* where prices are expected to go up – both in the short-run (+1.8 percent) and long-run (+1.9 percent). This is a significant increase that reflects the negative impact of the FTA on the EU *automotive sector*. The effect for consumer prices is likely to be less negative due to cheaper automotive imports.

Sectoral impact comparison between the Netherlands and EU26

When comparing the sectoral impact between the Netherlands and the rest of the EU, the EU26, some interesting observations stand out:

- For many sectors, Dutch and EU26 output growth and decline are in line with each other:
  - Potential growth in output in *meats*, *clothing*, *processed foods*, *transport services*;
  - Potential decline in output in *iron and steel*, and *fabricated metals*;
- However, in the sectors *motor vehicles*, *other transport equipment*, *electrical machinery and equipment*, and *dairy products* Dutch and EU26 output effects (see above) run in opposite directions. This is because of large changes in tariff lines (*dairy sector*: -8.1 percent for the Netherlands versus +0.6 percent for the EU26), trade in parts and components that is different from final product trade (*motor vehicles* (+2.0 percent for the Netherlands versus -8.3 percent for the EU26) and *electrical machinery and equipment*: -3.4 percent for the Netherlands versus +0.7 percent for the EU26), and general equilibrium wage and welfare effects;
- EU26 exports of *meat* increase by 49.1 percent and Dutch exports for that sector increase by 12.7 percent. These are both increases, but the order of magnitude is much higher for the EU26 than for the Netherlands. This, again, can be explained by changes on a relatively small base for the EU26 versus the Netherlands (where the meat sector is relatively larger and more important).

9.2.2 Sectoral impact on Japan

The EU-Japan FTA has a profound impact on the Japanese economy. As shown under the macro-economic heading, the overall national income effects – especially in the long-run – are large and positive and wage increases are significant.

Output

In case of an EU-Japan FTA, the Japanese *automotive sector* drives the sector-specific results with a very significant increase in output of 53.4 percent. Also benefiting, though only marginally compared to *motor vehicles* are *construction* (+1.4 percent), *iron and steel* (+1.8 percent), *other services* (+1.0 percent) and *retail and wholesale trade and warehousing* (+0.8 percent). The large amount of resources, both in human and physical capital, needed for increased production of *motor vehicles*, comes from *other machinery equipment* (-15.0 percent) and *electrical machinery and equipment* (-7.2 percent). Capital is also drawn from *meats* (-84.5 percent decline in output though over a small base), *textiles* (-14.8 percent) and *clothing* (-6.9 percent). Service sectors in Japan tend to see increases in production due to the very high amount of service support needed for the *motor vehicles* sector. Also the decline in sectors like *textiles*, *other machinery and equipment and meats* as shown in the Table 9.7 below, is mainly due to 'pull factors', i.e. the increase in demand for labourers in the *motor vehicle sector* pushes wages in that sector up, causing workers to want to move to that sector, away from, for example, *other machinery and equipment or electrical machinery and equipment*, where wages are not going up: specialisation is taking place.

Table 9.7 Most impacted sectors (% output change) for Japan, EU-Japan FTA, long run

Sector (top 5 positive impact)	output change (%)	Sector (top 5 negative impact)	output change (%)
Motor vehicles	53.4	Meats, except beef	-84.5
Construction	1.4	Other machinery and equipment	-15.0
Iron and steel	1.8	Textiles	-14.8
Other services (public health, education, residential)	1.0	Electrical machinery and equipment	-7.2
Retail and wholesale trade and warehousing	0.8	Clothing	-6.9

If we include the relative importance of the sectors – in terms of value added – for the Japanese economy, the *motor vehicles sector* still clearly dominates, but also *other services* and *retail and wholesale trade* matter a lot. The related decreases in output matter most in *electrical machinery and equipment* and *other machinery and equipment* due to their relative shares in value added.

Exports

Changes in the underlying production structure of the Japanese economy, following and FTA with the EU, cause exports to change also, even more significantly. Exports of final products as well as parts and components for *motor vehicles* increase by 96.6 percent, while also exports of *meats* (+87.8 percent), *vegetable oils* (+11.9 percent), *other financial services* (+5.5 percent) and *other transport equipment* (+3.4 percent) go up. Exports for *other machinery and equipment* (-19.6 percent) and *electrical machinery and equipment* (-10.4 percent) – in line with output changes for those sectors – are expected to decrease. However, also *textiles* (-14.3 percent), *paper, pulp and publishing* (-6.8 percent) and *utilities* (-6.4 percent) show a decrease in exports by 2020 compared to the economic baseline.

Table 9.8 Most impacted sectors (% export change) for Japan, EU-Japan FTA, long run

Sector (top 5 positive impact)	Export change (%)	Sector (top 5 negative impact)	Export change (%)
Motor vehicles	96.6	Other machinery and equipment	-19.6
Meats, except beef	87.8	Textiles	-14.3
Vegetables oils	11.9	Electrical machinery and equipment	-10.4
Other financial services	5.5	Paper, pulp, and publishing	-6.8
Other transport equipment	3.4	Utilities	-6.4

Producer prices

For Japan, the FTA has a significant impact on producer prices at sector level. Clearly prices for *motor vehicles* are expected to drop (by 12.0 percent)-mainly due to scale economies, following the FTA, as are prices for *meat* (-2.2 percent), mainly due to increased competition. The largest price increases occur in *textiles* (+4.0 percent), *clothing* (+3.1 percent) and *other machinery and equipment* (+4.2 percent). These price

changes are the consequence of specialisation of the Japanese economy into production of (parts and components of) *motor vehicles*.

Like before in the EU-US FTA, we see that prices for *services* are expected to go up by over 2 percent on average. This is due to the fact services have a higher income elasticity, implying that an increase in income (which is indeed significant in Japan, looking at the macroeconomic effects – especially in the long run) will increase demand for services more than demand for goods. With relatively higher demand for services (including service support for motor vehicles), given the production structure, prices for services are expected to go up.

9.2.3 Sectoral impact on third countries: selection of most significant results

Whereas the Netherlands, EU26 and Japan are inside the scope of the potential EU-Japan FTA, the other countries in the world are not. We provide a short analysis of output, exports and producer price effects the FTA has for third countries as long as there are significant effects.

Output

The main production effects of the EU-Japan FTA for the US lies in *motor vehicles* (an output decline of 5.3 percent), while for Australia/NZ *motor vehicles* production drops by 32.0 percent, BRICs by 5.5 percent and ROW by 11.5 percent. Clearly an EU-Japan FTA would make Japan the *automotive* centre – both for final trade and for parts and components – of the world. The large EU-Japan market for *automotives* hurts the competitiveness of the US sector, while strong US competitiveness in *electrical machinery and equipment* is leading to increases in outputs because the Japanese economy is specialising in *motor vehicles*, away from *electrical machinery and equipment*. The *electrical machinery and equipment* sector will decline in Japan and partially move to the EU +0.7 percent) as well as to the US (+3.2 percent), Australia/NZ (+3.5 percent), BRICs (+0.7 percent – which is mostly final assembly of products), and ROW (+2.9 percent). With respect to the *meats sector*, the FTA would significantly strengthen the EU27 (EU26 and the Netherlands) *meat sector*, and divert Japanese imports from other parts of the world towards the EU, at the expense of the US (-1.5 percent), Australia/NZ (-0.4 percent), BRICs (-14.0 percent) and ROW (-16.9 percent), since the external EU and Japanese barriers remain.

Exports

The export picture looks similar to the changes in output. US exports of *motor vehicles* (-6.6 percent) and *meats* (-13.3 percent) are dropping, while *electrical machinery and equipment* (+4.5 percent) and *clothing* (+4.5 percent) see increases in exports due to the EU-Japan FTA, reflecting the changes in production structure. Australia/NZ see a significant drop in exports of parts and components and final *motor vehicle products* (-29.7 percent) and of *meat* (-9.0 percent). Sectors in Australia/NZ that export more following an EU-Japan FTA are *other transport equipment* (+6.2 percent), *construction* (+4.6 percent), *electrical machinery and equipment* (+4.5 percent) and *textiles* (+4.1 percent). For the BRIC countries, the *meat* (-14.0 percent) and *motor vehicle* (-5.5 percent) sectors are expected to see drops in exports while *other machinery and*

equipment (+1.5 percent) and *construction* (+1.1 percent) gain. Finally, in line with the other blocks, ROW experiences a decrease in *meat* (-16.9 percent) and *motor vehicle* (-11.5 percent) exports and increases in exports of *other machinery and equipment*, *electrical machinery and equipment* (both due to the large demand for parts and components from Japan), and *construction*.

Producer prices

Producer price effects of the EU-Japan FTA for the US are very limited. The only sector with a price increase larger than 1 percent is the motor vehicles sector (1.2 percent).

For the US, BRICs and ROW, we find that the prices for services overall are going up a little. For Australia/NZ, we find – on the other hand – that prices for services go down, reflecting the trade diversion effect, showing the decreases in production faced by Australian/NZ producers.

10 Modelling results: Impact of an EU-Australia/New Zealand FTA

Summary of main results of an EU-Aus/NZ FTA:

- The EU-Aus/NZ FTA is beneficial for the Netherlands, the EU26 and Aus/NZ in terms of national income, in the short run but more so in the long run;
- Dutch national income is expected to increase by € 214 million yearly in the long run, mostly attributable to tariff reductions, but also to trade cost reductions;
- Relative to national income, the largest gains in national income and trade flows are projected for Aus/NZ (+ € 3.0 billion in the long run);
- Exports and imports for the Netherlands and the EU26 increase very slightly; exports and imports for Aus/NZ increase somewhat more (+ 4 percent);
- No wage changes are expected in the Netherlands and EU26 as a result of an EU-Aus/NZ FTA; a slight upward pressure on wages is observed for Aus/NZ, both for skilled (+0.2) and unskilled (+0.4) labour;
- The macro-economic effects on third countries (US, Japan, BRICs, ROW) as a result of trade diversion effects are negative but small;
- The most pronounced sector-level effects in terms of output for the Netherlands if an EU-Aus/NZ FTA is implemented occur in the *iron and steel* sector (+0.5 percent), *communications* (+0.4), the *dairy* products sector (-2.4) and *motor vehicles* (-0.3). For the EU26 *motor vehicles* gains most (+0.6), while *dairy* products decreases most (-2.1);
- In absolute terms, the expected increase in the *other business services* sector contributes most to the increase in total added value to the economy for the Netherlands and the EU26;
- In Aus/NZ, the *dairy* sector increases considerably (+39 percent in the long run) reflecting shifts in relative comparative advantage mostly as a result of cuts in the high baseline tariff rates. *Electrical machinery and equipment* also grows considerably (+11.7). Decreases in output are expected for *other machinery and equipment, motor vehicles* and *clothing*;
- For Aus/NZ, export values are expected to increase in almost all sectors, except *iron and steel* and *motor vehicles*, where respectively the Netherlands and the EU26 gain;
- Effects on producer prices for the EU26 are negligible and for the Netherlands very small (a downward tendency is observed, except for services). Aus/NZ sees a downward price effect across the economy.

In this Chapter, we present the expected impact of an ambitious EU-Aus/NZ FTA, including deep tariff, barriers to services and non-tariff barrier cuts, with a time horizon of 2020. The results are presented in two parts: macro-economic effects and sector-specific effects.

10.1 Macroeconomic effects

Table 10.1 EU – Australia/New Zealand FTA

	NL	EU26	US	JP	AUS/NZ	BRICS	ROW
Short run							
National income, million Euros	60	3,394	-294	-686	1,557	-452	-272
Value of exports, %	0.1	0.2	-0.1	-0.2	4.4	-0.1	-0.1
Value of imports, %	0.1	0.2	-0.1	-0.3	4.2	-0.1	-0.1
Real wages %, unskilled workers	0.0	0.0	0.0	-0.0	0.4	-0.0	-0.0
Real wages %, skilled workers	0.0	0.0	0.0	-0.0	0.2	-0.0	-0.0
Long run							
National income, million Euros	214	7,481	-117	-1,352	2,961	-1,123	-1,563
Value of exports, %	0.2	0.3	-0.1	-0.2	4.6	-0.1	-0.1
Value of imports, %	0.2	0.3	-0.1	-0.3	4.3	-0.1	-0.1
Real wages %, unskilled workers	0.1	0.1	0.0	-0.0	0.7	-0.0	-0.0
Real wages %, skilled workers	0.1	0.1	0.0	-0.0	0.5	-0.0	-0.0

National income

Given the relatively limited trade flows between the two blocks, the expected impacts of an EU- Australia/New Zealand (Aus/NZ) FTA are small when compared to the EU-US FTA and EU-Japan FTA impacts, but still considerable. The direction of the macro-effects is similar to the EU-US FTA. As a result of this EU- Aus/NZ FTA, positive effects in income and trade flows are observed for the two blocks involved, whereas the third country effects are negative. This pattern is considerably more pronounced in the long run than in the short run, with exception of the US where the (small) negative national income effects are larger in the short run than in the long run.

Relative to national income in the baseline, the effects are largest for Aus/NZ; the increase in national income as a result of this FTA is estimated to be € 3 billion in the long run and € 1.6 in the short run. For the Netherlands, the impact in the short run is positive but much smaller; national income is expected to increase by € 60 million. In the long run, this effect is more pronounced, estimated at € 214 million. National income of the EU26 is expected to increase by € 3.4 billion in the short run and € 7.5 billion in the long run.

For the third countries, the negative effect on national income is a result of some small trade diversion effects. The estimated change in national income in the long run is largest for Japan (- € 1.4 billion). For the Rest of World it is - € 1.6 billion and for BRICS it is - € 1.1 billion. For the US the negative effect is relatively small, - € 118 million in the long run.

Exports and imports

The observed pattern for this FTA also holds for the export and import values; a small increase is observed for the parties to the FTA, whereas export and import values decline slightly for the third countries to this agreement. For the Netherlands and the EU26, import and export values increase by the same percentage, 0.1 and 0.2 percent respectively in the short run, and 0.2 and 0.3 respectively in the long run. The results for Aus/NZ show relatively larger increases in import and export values (+4.6 and +4.3,

respectively, in the long run); exports increase slightly more than imports, implying a small relative improvement of the trade balance. Again trade flow effects are slightly more pronounced in the long run than in the short run, implying that capital mobility has a positive effect on specialisation towards the most efficient sectors in this FTA.

For the third countries, i.e. the countries outside this FTA, very small (to negligible) negative pressure on trade values is expected, for Japan around -0.2 and 0.3 for import and export values, both in the short and long run.

Wage effects for skilled and unskilled workers

Given the relatively small effects on output and trade as a result of this FTA, the wage effects are very small or negligible for most countries / blocs. Only for Aus/NZ, we do observe an upward pressure on wages (up to 0.7 percent for unskilled labour in the long run) as a result of the positive output and trade figures. This effect is stronger in the long run than in the short run and unskilled labour stands to gain relatively more than skilled labour. This latter effect can partly be attributed to increases in employment in the dairy sector relatively intensive in unskilled labour. For the Netherlands and the EU26, the tendency of wage pressure is upwards, but the extent negligible (+0.1 percent in the long run for both skilled and unskilled labour). Similarly, a negative but negligible to very small effect is observed for the third countries to this FTA.

Decomposition of national income effects

When looking at the decomposition of the observed effects on national income we see clearly that for the Netherlands and the EU26, the estimated effects mainly stem from tariff reductions, accounting for around two third of the estimated income increases in the short and long run. For the Netherlands, services liberalisation under the FTA actually leads to a negative effect on national income, which can mainly be explained by a loss of relative preferences in intra-EU trade. For Aus/NZ on the contrary, services liberalisations cause considerable positive national income effects, around two third of total, whereas tariffs show positive effects in the long run, but negative effects at first in the short run. Trade cost reductions are important for all parties involved, roughly accounting for one third of the effects.

Table 10.2 Impact of the EU – Aus/NZ FTA on National income, million Euros

	NL		EU26		Aus/NZ	
	SR	LR	SR	LR	SR	LR
Tariff	60.6	138.3	2,247.2	4,836.5	-142.1	383.8
Services	-36.4	-13.8	96.7	508.3	1,002.7	1,491.1
Trade costs	35.8	89.7	1,050.4	2,136.8	696.7	1,086.1
Total	60.0	214.2	3,394.3	7,481.6	1,557.3	2,961.1

10.2 Sectoral effects

The sector-level effects of the EU-Aus/NZ FTA are discussed below; a detailed overview of all sector-level results can be found in Annex D, containing sector-level effects on output value, export value, producer prices and skilled and unskilled employment changes.

10.2.1 Sectoral impact on the Netherlands and the EU26

Output

The macro-economic effects of this EU- Aus/NZ FTA for both the Netherlands and the EU26 are positive but small. Following the macro-economic results, the shifts across sectors as a result of this FTA are not so pronounced as for the other two FTAs simulated. Table 10.3 gives the ten sectors for which the largest positive and negative percentage changes in output are observed for **the Netherlands** in the long run. The *iron and steel* sector is expected to grow mostly in percentage terms, as this sector has a relative comparative advantage vis-à-vis the block Aus/NZ. Other sectors that are expected to expand are *communications* (+0.3 percent), *textiles* and *fabricated metals*. *Dairy products* is affected most negatively (-2.4 percent), as Aus/NZ can be seen as a serious competitor to the Dutch dairy sector when the relatively high import barriers into the EU are cut. *Motor vehicles* is also expected to contract somewhat as a result of this FTA.

Table 10.3 Most impacted sectors (% output change) for the Netherlands, EU-Aus/NZ FTA, long run

Sector (top 5 positive impact)	Output change (%)	Sector (top 5 negative impact)	Output change (%)
Iron and steel	0.5	Dairy products	-2.4
Communications	0.4	Motor vehicles	-0.3
Textiles	0.3	Electrical machinery and equipment	-0.1
Fabricated metals	0.3	Other goods	-0.1
Meats, except beef	0.2	Vegetables and fruits	-0.1

When relating the percentage changes to the sectoral shares in total value added to the economy of the Netherlands, the increase in *other business services* contributes mostly to the income increases for the Dutch economy in absolute terms, followed by *communications*. The relatively largest decrease in added value for the Dutch economy in absolute terms comes from the *dairy products* sector.

For the **EU26**, the sectors with most pronounced percentage output changes are reported in Table 10.4. In contrast to the results for the Netherlands, the *motor vehicles* sector shows an expansion in the EU as a whole (+0.6 percent). *Other machinery and equipment* also gains. The expansion in the *clothing* sector is expected to be concentrated in the lower labour cost countries (Eastern Europe), whereas the expansion in the *textiles* sector applies to higher-en products in the field of technical textiles and fashion. Also for the EU26, the *dairy products* sector is expected to decline (-2.1 percent) in the face of stronger competition and cuts under this FTA in the relatively high tariff equivalents in

the baseline for this sector. Output in *electrical machinery and equipment* is expected to decline by -0.5 percent.

Table 10.4 Most impacted sectors (% output change) for the EU26, EU-Aus/NZ FTA, long run

Sector (top 5 positive impact)	Output change (%)	Sector (top 5 negative impact)	Output change (%)
Motor vehicles	0.6	Dairy products	-2.1
Clothing	0.4	Electrical machinery and equipment	-0.5
Textiles	0.3	Vegetables and fruits	-0.1
Other machinery and equipment	0.2	Other goods	-0.1
Iron and steel	0.2	Beverages and tobacco	-0.1

Looking at the impact on output in absolute terms, the *other business services* sector contributes most to the output increases for the EU26, followed by the goods sectors *motor vehicles* and *other machinery and equipment*. The *retail* sector shows small output declines in the short run, but positive changes in the long run where capital is allowed to move freely across sectors.

As with the EU-US FTA, we see the pattern that output in the *motor vehicles* sector at the EU26 level is increasing, whereas the Netherlands sees negative changes. This is explained by the expectation of relatively more fierce competition in the parts and components sub-segment than in the final product sub-segment.

Exports

When looking at percentage changes in exports, the shifts across sectors are slightly larger overall, though still small. For **the Netherlands**, the largest increases in exports are seen in roughly the same sectors in which the output increases are observed (four out of five). *Communications* sees the largest export value increase, whereas *recreational and consumer services* also sees a considerable increase (+1.5 percent). In line with the results for output, the largest percentage decreases in export are observed in the *dairy sector* (-1.2 percent), followed by the *motor vehicles* sector (see Table 10.5).

Table 10.5 Most impacted sectors (% export change) for the Netherlands, EU-AUS/NZ FTA, long run

Sector (top 5 positive impact)	Export change (%)	Sector (top 5 negative impact)	Export change (%)
Communications	2.0	Dairy products	-1.2
Recreational and consumer services	1.5	Motor vehicles	-0.2
Clothing	1.3	Vegetables and fruits	-0.1
Textiles	0.8	Other services (public health, education, residential)	-0.1
Fabricated metals	0.7	Electrical machinery and equipment	-0.1

Relating the observed export changes to the share that the sector makes up of the total export value for the Netherlands, again the *other business services* sector contributes most to overall export increases as a result of this FTA, followed closely by *communications*. The goods sector *chemicals, rubber, and plastics* (increasing its export value by 0.2 in the long run) also contributes considerably to the overall increase, given its large share in overall export value for the Netherlands. *Dairy products* causes the relatively largest decline in export value for the Netherlands overall, followed by *motor vehicles*.

When looking at the export values at sector level for the **EU26** (Table 10.6), the list of most pronounced changing sectors also matches the output figures to a large extent. *Dairy products* (-1.2 percent) and *electrical machinery and equipment* (-0.5 percent) sees most pronounced negative changes in export values, whereas *clothing, motor vehicles*, and *textiles* (+1.5, +0.9 and +0.7 percent, respectively), are again among the most positively impacted sectors. The sector *communications* is now also in the list for the EU26, with an expected export value increase of 1 percent.

Table 10.6 Most impacted sectors (% exports change) for the EU26, EU-Aus/NZ FTA, long run

Sector (top 5 positive impact)	Export change (%)	Sector (top 5 negative impact)	Export change (%)
Clothing	1.5	Dairy products	-1.2
Communications	1.0	Electrical machinery and equipment	-0.5
Motor vehicles	0.9	Other services (public health, education, residential)	-0.2
Textiles	0.7	Vegetables and fruits	-0.2
Fabricated metals	0.6	Construction	-0.1

When weighted with the relative importance of the sector in total export value of the EU26, the export increase in *motor vehicles* contributes most to overall export increases for the EU26 (roughly 9 percent of export increases for the EU26 can be attributed to this sector), followed by the related sector of *other machinery and equipment* and – with some distance – by *chemicals, rubber and plastics*. The largest services sector in terms of overall contribution is *other business services*.

Producer prices

Given the relatively small effects of this EU- Aus/NZ FTA on the economies of **the Netherlands** and the **EU26**, producer price changes are very small or negligible. The estimated long run price changes at sector level are all within the range -0.1 and +0.1. For the Netherlands the overall tendency is a slight downward pressure on producer prices for most sectors – except for the services sectors – which can be attributed to a slight positive specialisation effect increasing efficiency in the general equilibrium setting. For the EU26 the effect on prices in virtually zero; in some expanding sectors, there is a slight downward pressure on prices, like in the *motor vehicles* sector. Also for the EU26, the *services* sectors show a small upward (though mostly negligible) trend in prices, which can be explained by the complementary nature to the manufacturing services and the high elasticities for services.

Sectoral impact comparison between the Netherlands and EU26

In general the differences between the results for the EU26 and the Netherlands are not very large.

- Both for the Netherlands and for the EU26, the sector-level effects are small, generally within the range +0.5 and -0.5 percent output changes;
- Many sector effects are similar for the Netherlands and EU26:
    - Positive output changes are observed mainly in *textiles*, *fabricated metals* (slightly more for the Netherlands), *clothing* (slightly more for the EU26), *other machinery and equipment* (slightly more for the EU26) and *iron and steel* (slightly more for the Netherlands).
    - Negative effects are observed mainly in *dairy products*, but also in *electrical machinery & equipment* (slightly more negative for EU26) and *other goods*.
- In the sector *motor vehicles* output effects run in opposite directions (+0,6 for the EU26 and -0,3 for the Netherlands in the long run), because the EU is considered to have a relatively larger comparative advantage in final products than in parts and components, while the Netherlands produces mainly parts and components, and not final products. Slight opposite effects are also observed in the *meats* sector (positive for the Netherlands and very slightly negative for the EU26);
- In the *communications services* sector, output increases slightly more in the Netherlands (+0.4) than in the EU26 (+0.1), pointing to a comparative advantage of the Netherlands in this sector;
- Similarities and differences in export patterns are similar to those in output patterns.

10.2.2 Sectoral impact on Australia/New Zealand

In line with the macro-economic results that are relatively more positive for Aus/NZ under this FTA, the sector-level effects on output and exports are larger for Aus/NZ than for the Netherlands and EU26.

Output

By far the most pronounced output increase at sector level for Aus/NZ occurs in the *dairy products* sector (39 percent in the long run, see Table 10.7). This effect can be explained by the high import barriers in the baseline when importing from Aus/NZ into the EU, in combination with the highly competitive nature of this sector in Aus/NZ. The tariff cut modelled will then have a large effect on the relative position of this sector between the two trading blocks; considerable shifts are foreseen, benefitting Aus/NZ in terms of higher export and output, but potentially benefitting the EU and the Netherlands in terms of downward pressure on consumer prices.

The *electrical machinery and equipment* is also expected to expand considerably, by 11.7 percent. The sectors that are losing out in Aus/NZ as a result of trade liberalisation under this FTA include *other machinery and equipment* (-9 percent), *motor vehicles* and *clothing*. The top five declining sectors mirror the top five expanding sectors observed in the EU results, reflecting trade specialisation between the two trading blocs.

Table 10.7 Most impacted sectors (% output change) for AUS/NZ, EU-Aus/NZ FTA, long run

Sector (top 5 positive impact)	Output change (%)	Sector (top 5 negative impact)	Output Change (%)
Dairy products	39.2	Other machinery and equipment	-9.0
Electrical machinery and equipment	11.7	Motor vehicles	-6.9
Beverages and tobacco	2.1	Clothing	-6.4
Other goods	2.1	Iron and steel	-4.6
Non-ferrous metals	1.6	Textiles	-3.8

When weighting these percentage changes by the share in value added to the economy of that sector, the general sector *other goods* together with the *dairy products* sector make the largest contribution to overall output increases as a result of this FTA. On the contrary, *other business services* causes the largest negative change in output for the economy as a whole, which is the mirror image of the results for the EU. This sector is followed by *other machinery and equipment*.

Exports

Export values are expected to increase for Aus/NZ across the board; in fact there are only two sectors with declining export values, *iron and steel* and *motor vehicles*. The other sectors as modelled all see an increase in export value, except *iron and steel* and *motor vehicles* (both -2.6 percent, see Table 10.8). Export increases are most pronounced – by far – for *dairy products*, followed by *meats*. This can be explained by the cuts in the relatively high import barriers into the EU as well as the global competitive position of Aus/NZ in that sector. In the long run, export value increases for the Aus/NZ *dairy products* sector even amount to 142 percent. The percentage increases in export value for the other expanding sectors listed in Table 10.8 are also considerable.

Table 10.8 Most impacted sectors (%export change) for AUS/NZ, EU-Aus/NZ FTA, long run

Sector (top 5 positive impact)	Export change (%)	Sector (top 5 negative impact)	Export Change (%)
Dairy products	142.0	Iron and steel	-2.6
Meats, except beef	20.7	Motor vehicles	-2.6
Electrical machinery and equipment	18.2		
Clothing	15.1		
Beverages and tobacco	11.3		

The percentage changes are again weighted by the export shares of the sectors in the total export portfolio of Aus/NZ. The large increase in the *dairy products* sector by far contributes most to the absolute increase in export value. This sector is followed – at a distance – by *other goods* that also make a large contribution. Substantial positive contributions also come from the *chemicals, rubber, and plastics* sector, the *beverages and tobacco* sector and the *other business services* sector. As mentioned, negative

contributions are limited, the contraction in the *motor vehicles* sector being most pronounced also in absolute terms.

Producer prices

In line with the larger output and especially export figures for Aus/NZ as a result of this FTA, price effect for this bloc are slightly larger than the almost negligible effects for the EU26 and the Netherlands. Overall, a downward price effect throughout the economy is observed in Aus/NZ as a result of increased specialisation and improved cost-efficiency as a result of trade liberalisation and expanding trade flows according to comparative advantage. In the goods sectors, there are some examples of slight upward pressure on prices in the contracting sectors *iron and steel* and *motor vehicles*. Also dairy prices show a small increase, as Aus/NZ exporters can increase prices as a result of increased market access. In the *services* sectors, there is also a small downward trend in producer prices observed.

10.2.3 Sectoral impact on third countries: selection of most significant results

Output

Overall, the output effects at sector-level in the third countries, not party to this FTA, are slightly negative, but very small or negligible. For the US, there are hardly any significant changes in output at sector-level. This is in line with the negative but very small macro-economic effects observed for the US. A slight output contraction of -0.1 percent is expected in the *electrical machinery and equipment* sector, where Aus/NZ gains considerably as a result of this FTA with the EU. The US *motor vehicles* sector is expected to expand by 0.3 percent, benefiting slightly from the contraction in that sector for Aus/NZ. *Clothing* will also increase somewhat. For the BRICs the sectoral output changes are all very small, showing a very slight downward trend, most notably in *textiles* and *clothing*, reflecting a trade diversion effect as a result of this FTA. For ROW, the *motor vehicles* is also benefitting slightly (+0.2 percent), while the *other machinery and equipment* sector contracts slightly (-0.3 percent). For Japan, the output changes are slightly larger than for the other third countries, due to relatively closer linkages with the Aus/NZ economy, but still small. *Motor vehicles* will decline slightly, just as the Australian /New Zealand automotive sector, as the EU slightly strengthens its position. In contrast, Japan will strengthen its output slightly in *other transport equipment* and *other machinery and equipment*, i.e. in more intermediate products like parts and components.

Exports

The changes in export values for the third countries are slightly more pronounced than the output changes, but for all third countries / blocs they are still very small or negligible, Japan again showing relatively most changes. The most pronounced export changes are observed in the sectors discussed above under output changes, which are the ones in which changes in trade flows indeed result in sector output effects.

Producer prices

Changes in producer prices for the third countries / blocs as a result of this EU-Aus/NZ FTA are very small or negligible. Overall, in line with the small negative macro-economic third country effects due to trade diversion, a small downward pressure on

prices across sectors is observed for the US, Japan, the BRICS and ROW. For Japan this downward pressure is relatively largest, in line with the observation of Japan relatively experiencing the largest negative third country effects (national income) following this FTA.

11 Synthesis and Conclusions

Chapters 8 to 10 analysed the impact of the different three FTAs. This chapter compares and analyses the results of the three FTAs for the Netherlands and the EU and concludes.

11.1 Synthesis of findings: macro results

11.1.1 Macro results for the Netherlands and the EU

Table 11.1 below compares the results of the three FTAs for the Netherlands and the EU at macro level.

Table 11.1 Impact of EU-US, EU-Japan and EU-Aus/NZ on the Netherlands and EU, macro effects

	EU-US FTA		EU-Japan FTA		EU-Aus/NZ FTA	
	NL	EU26	NL	EU26	NL	EU26
Short Run (SR)						
National income, million Euros	246	15,261	176	-10,949	60	3,394
Value of exports, %	1.1	1.4	0.7	0.5	0.1	0.2
Value of imports, %	1.1	1.4	0.7	0.5	0.1	0.2
Real wages %, unskilled workers	0.2	0.3	0.1	-0.1	0.0	0.0
Real wages %, skilled workers	0.2	0.3	0.1	-0.0	0.0	0.0
Long Run (LR)						
National income, million Euros	1,375	34,927	458	-13,997	214	7,482
Value of exports, %	1.3	1.6	0.7	0.4	0.2	0.3
Value of imports, %	1.4	1.6	0.8	0.4	0.2	0.3
Real wages %, unskilled workers	0.5	0.5	0.1	-0.1	0.1	0.1
Real wages %, skilled workers	0.5	0.5	0.1	-0.1	0.1	0.1

National income

Table 11.1 shows that the largest gains as measured by the increase in national income are foreseen from an EU-US FTA. This was to be expected, given the size of the US economy and the fact that trade and investment flows with the US are much larger than with Japan or Aus/NZ, the partner countries for the other two FTA analyses. The EU-US FTA also shows the largest dynamic investment effects, with the long term national income gain being more than 5 times larger in the long run than in the short run for the Netherlands. Most striking are the results of the EU-Japan FTA, which show a loss in national income in the EU26, while the Netherlands still gains. This loss in national income is due to the effect of large tariff reductions, resulting in significant losses in tariff

revenues, that are not compensated by the positive effects of services barriers and non-tariff measure reductions. The losses in tariff revenues for the EU are not compensated for by gains in producer surplus (market access to Japan increases, but NTMs remain to some extent) or by gains in consumer surplus (lower prices for import products). In the long run these negative effects are larger as the size of the tariff loss is larger due to larger trade flows. The Netherlands still gains from an EU-Japan FTA, as a result of two main reasons: 1) an increase in trade flows in the EU from which the Netherlands benefits disproportionally, due to the Mainport of Rotterdam; and 2) increased market access for meat and processed food products, which is relatively more important for the Netherlands than for the EU26. Compared with the other two FTAs, the EU-Aus/NZ FTA results in only very small national income gains in percentage terms (around 0.05 percent for the Netherlands, and 0.08 for the EU).

Trade

The effect on trade flows is significant and positive for the participating partners in all three FTAs (the trade creation effect clearly dominates the trade diversion effect inside the FTAs), and again the largest effects originate from the EU-US FTA, followed by the EU-Japan FTA and finally the EU-Aus/NZ FTA. There are no significant effects of the FTAs on the trade balances of the Netherlands or the EU. However, the FTAs do not affect Dutch and EU26 trade flows in the same way. The effect on trade flows from the EU-US FTA and EU-Aus/NZ FTA are relatively smaller for the Netherlands compared to the EU26, while for the EU-Japan FTA the impact on trade flows is relatively larger for the Netherlands than for the EU26. These differences can mainly be explained by differences in comparative advantages across sectors *(processed foods, meat products and automotives)*.

Wages

Real wages follow the same pattern as national income, resulting in the highest real wage increases under the EU-US FTA. Developments in real wages are similar for unskilled and skilled labour. The effects for the Netherlands and the EU26 are equal under all FTAs, except for the EU-Japan FTA, where wages move in opposite directions even though the changes are very small. The observed overall increase in wage levels due to the FTAs are important because they indicate that at the aggregate level, workers move from one sector to another because of the prospect of earning higher wages, not because they are shed by the sector they have been working in previously. Only for the EU-Japan FTA, the opposite is true for the EU26.

11.1.2 Macro results for FTA partner countries and third countries

The countries that are part of the FTA show an increase in national income in all three FTAs. Third countries often loose out due to trade diversion effects. This is also reflected in the Table below, which shows the impact on national income for the FTA partner countries and countries outside the FTA. In some cases third countries may gain, for example as a result of integrated regional supply chains. Only under the EU-Japan FTA we see positive third country effects. It should be kept in mind that in reality more countries could gain, but these gains would not always show up for individual countries because of the country groupings selected.

Table 11.2 Impact of EU-US FTA, EU-Japan FTA and EU-Aus/NZ FTA on national income of FTA partners and third countries (millions of Euros)

	EU-US FTA		EU-Japan FTA		EU-Aus/NZ FTA	
	SR	LR	SR	LR	SR	LR
US	17,959	24,062	-1,321	-3.,04	-294	-118
Japan	-930	-1,889	22,663	45,276	-687	-1,352
Australia/New Zealand	-84	-116	304	203	1,557	2,,61
Brazil, Russia, India, China (BRIC)	-1,307	-4,403	208	911	-452	-1,124
Rest of World (ROW)	-3,427	-8,807	-563	-7,516	-273	-1,564

The EU-US FTA shows the largest negative third country effects because of the strong trade creation effects inside the EU-US FTA and strong trade diversion effects outside the FTA.[28] In the long run, the loss in national income for third countries more than doubles, as compared to the short run, although it should be noted that in percentage terms, the effects are still relatively small.

The EU-Japan FTA has some positive effects on third countries: the BRICs and Australia/New Zealand experience increases in national income. This is due to the strong trade and FDI inter-linkages in the region, that spill the Japanese benefits over to the rest of the region due to integrated international production networks. What is striking is that in the long run, the positive national income effect for Australia/New Zealand decreases, while for the BRICs it shows a more than four-fold increase. This implies that the dynamic investment effect following the direct (short-run) gains for the Japanese – and therefore the linked Asian economies – are much larger for the BRIC countries (mainly China and to a lesser extent India) than for Aus/NZ. The US and Rest of World see marginal decreases in national income as a result of this FTA.

The third country national income effects of the EU-Aus/NZ FTA are negative but smaller in magnitude than for the other FTAs.

11.2 Synthesis of findings: sectoral results

The three FTAs have a different effect across sectors, depending on initial levels of protection, and differences in comparative advantages between and within trading blocs. Because different pull and push factors are at play in the three FTAs, there is no one clear sectoral pattern across FTAs and the *relative nature* of comparative advantage is very important. To illustrate this by an example: in the EU-US FTA, the EU26 sector of electrical machinery and equipment loses output while the sector in the US increases output. However, in the EU-Japan FTA the EU26 sector increases output while the Japanese sector shrinks. In other words: relative to the US, taking into account other sectors' relative comparative advantages, the EU26 sector of electrical machinery and

[28] Even though in the long run, the negative national income effect following the EU-US FTA for Rest of World is only slightly larger than the negative national income effect following the EU-Japan FTA.

equipment has a comparative disadvantage while compared to Japan that same sector has a comparative advantage, relative to other comparative advantages in other sectors.

11.2.1 Sectoral results for the Netherlands and the EU

Table 11.2 presents the projected output changes in the long run for the Netherlands and the EU as a result of these three FTAs. The cells which show an effect larger than +0.5 percent or smaller than -0.5 percent are in bold, to quickly identify the largest effects.

Table 11.3 Effect on output by sectors on the Netherlands and the EU of the three FTAs, long run

	EU – US FTA		EU – Japan FTA		EU – Aus/NZ FTA	
	NL	EU26	NL	EU26	NL	EU26
Chemicals, rubber, and plastics	0.2	0.2	-0.3	0.3	0.1	0.1
Other machinery and equipment	0.1	**0.7**	-0.3	0.7	0.1	0.2
Petro-chemicals	**1.7**	**0.5**	0.2	0.1	0.1	0.1
Electrical machinery and equipment	-0.1	**-1.3**	**-3.4**	**0.7**	-0.1	**-0.5**
Processed food, n.e.c.	-0.1	0.2	**1.2**	0.3	-0.0	-0.0
Iron and steel	**5.6**	0.2	**-0.5**	**-0.8**	**0.5**	0.2
Motor vehicles	**-2.9**	**1.2**	**2.0**	**-8.3**	-0.4	**0.6**
Crops, n.e.c. (except grains)	**-1.3**	**-1.5**	0.1	0.2	-0.0	-0.1
Vegetables and fruits	**1.1**	-0.1	-0.0	0.1	-0.1	-0.1
Fabricated metals	**0.7**	0.4	-0.3	**-0.5**	0.3	0.2
Beverages and tobacco	**2.1**	0.2	-0.4	0.4	-0.2	-0.1
Non-ferrous metals	0.1	-0.1	0.0	0.1	0.1	0.0
Vegetables oils	**0.7**	0.3	0.2	0.4	0.1	0.0
Paper, pulp, and publishing	0.4	0.2	-0.0	0.1	0.1	0.1
Textiles	**1.1**	**1.1**	-0.3	**1.8**	0.3	0.3
Dairy products	**2.5**	**1.6**	**-8.1**	**0.6**	**-2.4**	**-2.1**
Manufactures, n.e.c.	**-0.6**	**0.6**	-0.0	0.4	0.2	0.1
Meats, except beef	**-2.4**	**-3.8**	**9.9**	**13.1**	0.2	-0.0
Other transport equipment	**-3.6**	**-3.1**	**-0.5**	**1.2**	0.1	-0.1
Clothing	0.2	0.1	**0.7**	2.2	0.2	0.4
Oil, gas, and coal	0.0	0.0	0.0	0.0	0.0	0.0
Wood products	0.4	0.4	0.2	0.4	0.1	0.1
Other goods	0.3	0.2	0.4	**0.6**	-0.1	-0.1
Utilities	0.4	0.2	-0.0	-0.0	0.0	0.0
Construction	**0.5**	0.4	0.2	-0.0	0.1	0.1
Retail/wholesale trade & warehousing	0.2	0.3	0.1	0.0	-0.0	0.0
Transport services	**0.7**	0.3	**0.5**	0.3	0.0	0.0
Communications	0.3	0.1	0.1	0.1	0.4	0.1
Other financial services	0.4	**0.5**	0.1	0.1	0.1	0.1
Insurance	0.3	**1.7**	0.1	0.1	0.0	0.0
Other business services	0.4	0.1	0.1	-0.1	0.1	0.1
Recreational and consumer services	0.4	0.1	0.1	0.0	0.2	0.1
Other services (public health, education, residential)	0.1	0.1	0.1	-0.1	0.0	0.0

This shows that, in line with changes in national income, the sectoral output effects are generally larger for the EU-US FTA, and relatively small for the EU-Aus/NZ FTA. In the Netherlands, 15 sectors are affected significantly[29] as a result of the EU-US FTA, while this is true for 9 sectors under the EU-Japan FTA and only 2 sectors under the EU-Aus/NZ FTA. If we analyse the results across the FTAs for the Netherlands, a number of sectors show most significant results across FTAs in terms of output in the long run:

- The *iron and steel* sector experiences a large output increase under the EU-US FTA (+5.6 percent), a smaller increase under the EU-Aus/NZ FTA (+0.5 percent), but a decline under the EU-Japan FTA (-0.5 percent);
- The *motor vehicles* sector contracts under the EU-US and EU-Aus/NZ FTAs (-2.9 percent and -0.4 percent respectively), while its output increases under the EU-Japan FTA (+2.0 percent);
- The *dairy* sector shows large effects in all three FTAs, with an expansion under the EU-US FTA, but a large contraction under the EU-Japan and EU-Aus/NZ FTAs (-8.1 and -2.4 percent respectively);
- For *meats (except beef)*, the EU-Japan has most profound effect, with an output increase of 9.9 percent. The effect of an EU-Aus/NZ FTA on the sector is very marginal (+0.2 percent), and of the EU-US FTA even significantly negative (-2.4 percent);
- *Other transport equipment* experiences an output decline under the EU-US and EU-Japan FTAs (-3.6 percent and -0.5 percent respectively), and a marginal increase under the EU-Aus/NZ FTA (+0.1 percent).

It also worth mentioning that there is significant output expansion under the EU-US FTA for the sectors *petro-chemicals* (+1.7 percent), *vegetables and fruits* (+1.1 percent), *beverages and tobacco* (+2.1 percent), and *textiles* (+1.1 percent). In contrast, the sectors *other crops* (-1.3 percent) and *other manufactures* (-0.6 percent) show a significant contraction as a result of this FTA. Under the EU-Japan FTA other sectors with significant output effects are *electrical machinery and equipment* (-3.4 percent), *processed foods* (+1.2 percent) and *clothing* (+0.7 percent).

It should be noted that the above focuses on relative increases in output. If we take the value added of different sectors into account and hence look at changes in absolute changes, the picture changes somewhat, and especially some of the services sector show a large increase in absolute terms, notably the *other business services* sector. When looking at the results of the services sectors, it is also important to keep in mind that the model only includes the cross-border modes of services trade. FDI in services is thus not included, and therefore we expect the gains from the FTA to be underestimated by the model.

11.2.2 Sectoral results for the FTA partners and third countries

For third countries, also significant sectoral effects occur following the FTAs. The sectors most affected are motor vehicles, electrical machinery and equipment, and other machinery and equipment. Other sectors that report relatively large effects are other transport equipment, clothing, textiles and the meats sector. Below we summarise the

[29] Defined here as a contraction or expansion of the output by more than 0.5 percent.

main effects on output by sector for the FTA partners and third countries as a result of each FTA in the long run:

United States

- EU-US FTA: the largest output gains are in *clothing* (+16.7 percent), *electrical machinery and equipment* (+6.3 percent), *meat* (+4.0 percent), *crops* (+3.4 percent) and *other transport equipment* (+3.3 percent), while the sectors *dairy products* (-3.6 percent), *insurance services* (-1.4 percent) and *other machinery and equipment* (-1.1 percent) contract;
- EU-Japan FTA: Some sectors are significantly affected in the US as a result of this FTA. Output increase in percentage terms are largest in *clothing* (+4.2 percent), *electrical machinery and equipment* (+3.2 percent), followed at some distance by *other machinery and equipment* (+0.9 percent), *other transport equipment* (+0.8 percent) and *other manufactures* (+0.7 percent). *Motor vehicles* show the largest contraction (-5.5 percent), followed by *meats* (-1.6 percent);
- EU- Aus/NZ FTA: in line with the limited macro economic results, this FTA has limited effects on sectoral output as well, with the impact for most sectors being 0.0 percent. The largest increase takes place in the *motor vehicles* section (+0.3 percent), while the largest decrease is recorded in the *electrical machinery and equipment* sector (-0.2 percent).

Japan

- EU-US FTA: For many sectors the effects are small but positive. The largest percentage gains are expected for *other machinery and equipment* (+0.5 percent) and *electrical machinery and equipment* (+0.5 percent). These overall small but positive gains are in contrast to the *motor vehicles* sectors, which is expected to decrease by 2.2 percent;
- EU-Japan FTA: this has profound effects on Japan's sectoral composition. The effect is dominated by the large increase of output in the *motor vehicles* sector, by 53.4 percent. Due to the fact that this sector draws in resources from other sectors in the Japanese economy, most other sectors show a decline, especially the *meats* sector (-84.5 percent), *other machinery and equipment* (-15.0 percent) and *textiles* (-14.8 percent). Other sectors that show a significant growth (although small when compared to motor vehicles) are *construction* (+1.4 percent) and *iron and steel* (+1.2 percent);
- EU-Aus/NZ FTA: this FTA has an impact on several sectors in Japan. The *motor vehicles* sector contracts (-1.9 percent), but most other sectors show no or small positive effects, with the largest positive effects in the sectors *other machinery and equipment* (+0.6 percent), *textiles* (+0.5 percent), *electrical machinery and equipment* (+0.4 percent) and *transport equipment* (+0.4 percent).

Australia/New Zealand:

- EU-US FTA: the largest positive impact in percentage terms in expected in the *motor vehicles* sector (+1.4 percent), with smaller positive effects in the *iron and steel* sector (+0.3 percent). The largest decrease is in the *textile* sector (-0.5 percent), *crops except grains* (-0.4 percent) and *clothing* (-0.3 percent);
- EU-Japan FTA: this has a more profound effect on the sectoral output of Australia/New Zealand. A number of sectors show an expansion of output: *electrical*

machinery and equipment (+3.5 percent), *other transport equipment* (+3.2 percent), *textiles* (+3.0 percent), *other machinery and equipment* (+2.9 percent) and *clothing* (+2.4 percent). The sector showing the most significant decrease in relative terms in *motor vehicles* (-32.1 percent), followed at a large distance by *iron and steel* (-4.8 percent);

- EU-Aus/NZ FTA: the *dairy* sector increases considerably (+38.7 percent in the long run). *Electrical machinery and equipment* also grows considerably (+11.7). Decreases in output are expected for *other machinery and equipment* (-9.0 percent), *motor vehicles* (-6.9 percent) and *clothing* (-6.4 percent).

BRIC:

- EU-US FTA: this FTA causes limited sectoral shifts, with most sectors reporting an impact in the range of -0.1 and 0.1 percent. *Electrical machinery and equipment* sees the largest decrease in output (-0.7 percent), followed by *clothing* (-0.2 percent) and *wood products* (-0.2 percent);
- EU-Japan FTA: this FTA has a more significant impact on the sectoral output of the BRICs. *Motor vehicles* and *meat* show the largest decrease (-2.9 percent and -1.6 percent respectively), followed by *clothing* and *transport equipment* (both -0.4 percent). The largest gains are reported for *other machinery and equipment* (+0.8 percent);
- EU-Aus/NZ FTA: Again most sectors record a change of output in the range of -0.1 and 0.1 percent, the only exception being *clothing*, with -0.2 percent.

ROW

- EU-US FTA: the sectors experiencing the largest losses are *motor vehicles* (-1.3 percent), *other transport equipment* (-0.9 percent), and *electrical machinery and equipment* (-0.7 percent). Small gains are reported for *wood products* (+0.3 percent), *paper, pulp and publishing* (+0.2 percent) and *meat* (+0.2 percent);
- EU-Japan FTA: the impact of this FTA on sectoral output is relatively large, looking at the number of sectors with significant effects and the size of these effects in percentage terms. There are four sectors with a large increase in output: *other machinery and equipment* (+3.6 percent), *electrical machinery and equipment* (+2.3 percent), *iron and steel* (+0.6 percent), and *non-ferrous metals* (+0.5 percent). The largest contraction takes place in *motor vehicles* (-10.9 percent), *other transport equipment* (-3.2 percent) and *meat* (-1.5 percent);
- EU-Aus/NZ FTA: this FTA has the smallest effect on ROW sectoral output. No sectors report changes larger than 0.5 percent, positive or negative. *Other machinery and equipment* shows the largest decrease (-0.3 percent), while the largest output increase is in *motor vehicles* (+0.2 percent).

11.3 Conclusions

The study shows national income gains for the Netherlands of all three FTAs, with the largest impact stemming from the EU-US FTA. For the EU26, the EU-US FTA and EU-Aus/NZ FTA also show positive national income effects. However, in contrast, the EU-Japan FTA has a negative income effect for the EU-26. For both the EU-Japan and EU-

Aus/NZ FTA, tariff reductions dominate the national welfare effects, while for the EU-US FTA, reductions in non tariff measures are more important.

It should be kept in mind that the baseline does not include the assumption of a successful completion of the Doha Development Round (DDA). In case this assumption would be included in the baseline, the results would change significantly, especially for the EU-Japan FTA, as this would reduce existing tariff barriers significantly, making services barriers and non-tariff measures relatively much more important for these FTAs and tariffs relatively much less important, than they are now.

Annex

Annex A Terms of Trade effects

Table 0.1 Terms of trade effects

	short-run effects			long-run effects		
	EU-USA FTA	EU-JAPAN FTA	EU-AUS/NZ FTA	EU-USA FTA	EU-JAPAN FTA	EU-AUS/NZ FTA
Netherlands	-0.2	-0.1	0.0	-0.2	-0.1	0.0
EU26	0.0	0.0	0.0	0.0	0.0	0.0
United States	0.1	0.1	-0.0	0.1	0.1	-0.0
Japan	0.0	-1.0	0.0	0.0	-1.1	0.0
Australia, NZ	-0.1	0.5	0.0	-0.1	0.5	-0.0
BRICs	-0.0	0.0	-0.0	-0.0	0.0	-0.0
ROW	-0.0	0.1	0.0	-0.0	0.1	0.0

Annex B Impact of an EU-US FTA

Table 0.2 Output effects of EU-US FTA on all Industries, % change

		NL		EU26		US		JP		AUS/NZ		BRIC		ROW	
	sectors	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR
1	Chemicals, rubber, and plastics	0.0	0.2	0.0	0.2	0.0	0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2
2	Other machinery and equipment	-0.5	0.1	0.4	0.7	-1.3	-1.1	0.5	0.5	0.0	0.1	0.0	0.0	0.0	-0.2
3	Petro-chemicals	1.6	1.7	0.4	0.5	-0.3	-0.2	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	-0.1
4	Electrical machinery and equipment	-2.1	-0.1	-2.4	-1.3	4.8	6.3	0.4	0.5	-0.5	0.0	-0.3	-0.7	-0.6	-0.7
5	Processed foods, n.e.c.	-0.3	-0.1	0.0	0.2	0.2	0.2	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0
6	Iron and steel	4.2	5.6	-0.1	0.2	-1.1	-0.8	-0.1	-0.1	0.2	0.3	0.1	0.0	0.1	-0.1
7	Motor vehicles	-4.0	-2.9	0.9	1.2	0.9	1.2	-2.0	-2.2	1.2	1.4	0.2	0.1	-1.0	-1.3
8	Crops, n.e.c. (except grains)	-1.3	-1.3	-1.5	-1.5	3.3	3.4	0.1	0.0	-0.4	-0.4	-0.2	-0.1	-0.2	-0.2
9	Vegetables and fruits	1.2	1.1	-0.1	-0.1	-0.2	-0.3	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0
10	Fabricated metals	0.3	0.7	0.1	0.4	-0.4	-0.2	0.1	0.1	0.0	0.0	0.1	0.1	0.2	0.1
11	Beverages and tobacco	1.7	2.1	0.1	0.2	-0.1	0.0	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	-0.1
12	Non-ferrous metals	-0.2	0.2	-0.4	-0.1	0.4	0.6	0.0	0.0	-0.2	-0.2	0.0	0.0	0.0	0.0
13	Vegetables oils	0.5	0.7	0.1	0.3	-0.6	-0.6	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0
14	Paper, pulp, and publishing	0.2	0.4	-0.1	0.2	-0.2	-0.1	0.1	0.1	0.0	0.0	0.1	0.0	0.2	0.2
15	Textiles	0.7	1.1	0.8	1.1	0.0	0.1	0.4	0.3	-0.4	-0.5	-0.2	-0.1	-0.2	-0.4
16	Dairy products	2.2	2.5	1.5	1.6	-3.7	-3.6	0.1	0.0	-0.2	-0.2	0.0	0.0	0.0	0.0
17	Manufactures, n.e.c.	-0.6	-0.6	0.3	0.6	0.2	0.1	0.1	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2
18	Meats, except beef	-2.6	-2.4	-3.9	-3.8	4.0	4.0	0.2	0.2	-0.1	-0.1	0.1	0.1	0.2	0.2
19	Other transport equipment	-4.1	-3.6	-3.5	-3.1	3.2	3.3	-0.2	-0.1	0.2	0.2	0.1	0.1	-0.7	-0.9
20	Clothing	-0.2	0.2	-0.2	0.1	17.5	16.7	0.2	0.1	-0.2	-0.3	-0.4	-0.3	-0.1	-0.3
21	Oil, gas, and coal	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

		NL		EU26		US		JP		AUS/NZ		BRIC		ROW	
	sectors	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR
22	Wood products	0.1	0.4	0.1	0.4	-0.5	-0.3	0.2	0.2	0.0	0.0	0.2	0.2	0.3	0.3
23	Other goods	0.1	0.3	0.1	0.2	-0.7	-0.6	0.1	0.0	-0.1	-0.1	0.1	0.1	0.1	0.0
24	Utilities	0.1	0.4	0.0	0.2	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1
25	Construction	0.0	0.5	0.0	0.4	0.1	0.3	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	-0.1
26	Retail and wholesale trade and warehousing	-0.1	0.2	0.0	0.3	0.1	0.2	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	-0.1
27	Transport services	0.6	0.7	0.1	0.3	0.0	0.1	0.2	0.1	0.0	0.0	0.1	0.0	0.2	0.2
28	Communications	0.0	0.3	-0.1	0.1	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
29	Other financial services	0.1	0.4	0.3	0.5	-0.2	-0.1	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	0.0
30	Insurance	0.1	0.3	1.6	1.7	-1.5	-1.4	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.0
31	Other business services	0.1	0.4	-0.1	0.1	0.1	0.2	0.1	0.0	0.0	0.0	0.1	0.0	0.1	0.1
32	Recreational and consumer services	0.0	0.4	-0.1	0.1	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
33	Other services (public health, education, residential)	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1

Table 0.3 Export Effects of an EU-US FTA on all Industries, % change

		NL		EU26		US		JP		AUS/NZ		BRIC		ROW	
	sectors	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR
1	Chemicals, rubber, and plastics	1.4	1.6	1.3	1.5	7.5	7.6	-0.3	-0.3	-0.6	-0.6	-0.5	-0.5	-0.5	-0.5
2	Other machinery and equipment	1.0	1.7	2.1	2.4	4.4	4.6	0.6	0.6	-0.4	-0.3	-0.1	-0.1	-0.2	-0.4
3	Petro-chemicals	2.9	3.1	2.6	2.7	3.0	3.1	-0.2	-0.2	-0.1	-0.1	-0.2	-0.1	-0.2	-0.2
4	Electrical machinery and equipment	-2.0	-0.1	-1.9	-0.8	9.5	11.1	0.6	0.7	-0.8	-0.4	-0.6	-1.1	-0.7	-0.7
5	Processed foods, n.e.c.	1.0	1.2	1.3	1.4	9.4	9.4	0.1	0.0	-0.2	-0.3	-0.1	0.0	0.0	-0.1
6	Iron and steel	4.8	6.1	0.2	0.5	-0.4	-0.2	-0.1	0.0	-0.1	0.1	0.1	0.2	0.2	0.0
7	Motor vehicles	-4.4	-3.3	2.1	2.5	8.3	8.6	-3.7	-4.1	1.1	1.2	0.2	0.2	-1.8	-2.1
8	Crops, n.e.c. (except grains)	2.7	2.6	7.5	7.3	53.7	53.9	-1.3	-1.3	-1.3	-1.3	-1.3	-1.2	-1.5	-1.4

		NL		EU26		US		JP		AUS/NZ		BRIC		ROW	
	sectors	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR
9	Vegetables and fruits	0.9	0.9	-0.1	-0.1	0.6	0.5	0.0	-0.1	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1
10	Fabricated metals	1.6	1.9	1.9	2.1	5.8	5.7	0.5	0.6	-0.1	0.1	0.4	0.6	0.4	0.5
11	Beverages and tobacco	2.3	2.7	0.9	1.0	7.0	7.0	-0.1	-0.1	-0.3	-0.4	-0.1	-0.2	-0.2	-0.2
12	Non-ferrous metals	0.0	0.3	0.6	0.9	7.5	7.5	0.1	0.1	-0.4	-0.4	-0.2	-0.1	-0.1	-0.1
13	Vegetables oils	0.8	0.9	1.5	1.6	2.3	2.2	-0.6	-0.5	-0.3	-0.3	0.0	0.1	-0.1	-0.1
14	Paper, pulp, and publishing	0.8	0.9	0.3	0.5	1.0	1.0	0.4	0.4	0.0	0.0	0.5	0.5	0.4	0.5
15	Textiles	2.6	3.1	2.7	3.0	6.2	6.2	0.4	0.3	-0.8	-0.8	-0.4	-0.2	-0.4	-0.6
16	Dairy products	6.3	6.5	11.4	11.5	45.2	45.3	*	*	-0.6	-0.6	-0.5	-0.5	-0.4	-0.4
17	Manufactures, n.e.c.	0.5	0.2	4.1	4.5	9.5	9.3	0.0	0.0	-0.6	-0.6	-0.5	-0.4	-0.6	-0.7
18	Meats, except beef	-2.7	-2.5	-2.9	-2.8	35.8	35.5	-1.8	-1.8	-1.4	-1.4	-0.4	-0.3	0.0	0.0
19	Other transport equipment	-3.2	-2.7	-1.7	-1.3	12.5	12.5	-0.6	-0.4	-0.8	-0.6	-0.4	-0.3	-1.5	-1.5
20	Clothing	0.5	0.9	1.0	1.3	32.3	31.4	0.5	0.4	-0.4	-0.4	-0.7	-0.6	0.1	-0.2
21	Oil, gas, and coal	-0.3	-0.2	3.7	3.7	5.3	5.3	*	*	-0.1	0.0	0.1	0.4	-0.1	0.0
22	Wood products	0.9	1.1	1.0	1.2	2.5	2.4	0.4	0.5	-0.1	-0.1	0.4	0.7	0.4	0.6
23	Other goods	0.8	0.9	1.3	1.3	1.4	1.3	0.1	0.0	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1
24	Utilities	0.3	0.6	-0.3	-0.1	-1.0	-0.8	0.4	0.4	0.1	0.1	0.5	0.4	0.3	0.3
25	Construction	0.3	0.4	-0.1	0.0	1.1	1.0	0.3	0.4	-0.2	-0.2	0.2	0.4	0.2	0.3
26	Retail and wholesale trade and warehousing	0.2	0.3	0.0	0.1	1.5	1.5	0.4	0.5	0.1	0.1	0.4	0.5	0.3	0.3
27	Transport services	0.8	0.9	0.6	0.7	1.3	1.3	0.7	0.7	0.2	0.3	0.5	0.6	0.5	0.6
28	Communications	0.4	0.6	0.3	0.4	7.1	7.3	0.4	0.4	0.1	0.1	0.5	0.5	0.5	0.5
29	Other financial services	2.5	2.5	5.8	5.9	10.1	10.1	0.5	0.7	0.1	0.2	0.3	0.5	0.4	0.5
30	Insurance	1.6	1.7	7.5	7.6	2.8	2.7	-0.1	0.0	-0.6	-0.5	-0.1	0.0	-0.4	-0.3
31	Other business services	0.8	0.9	0.5	0.7	7.6	7.4	0.6	0.6	0.1	0.2	0.4	0.5	0.4	0.4
32	Recreational and consumer services	0.4	0.6	0.0	0.1	1.7	1.7	0.4	0.3	0.1	0.1	0.3	0.4	0.3	0.4
33	Other services (public health, education, residential)	0.3	0.2	-0.3	-0.4	-0.9	-0.9	0.6	0.6	0.1	0.2	0.5	0.6	0.5	0.6

Table 0.4 Producer Price Effects of an EU-US FTA on all Industries, % change

		NL		EU26		US		JP		AUS/NZ		BRIC		ROW	
	sectors	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR
1	Chemicals, rubber, and plastics	-0.2	-0.2	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0	0.0	-0.1	-0.1	-0.1	-0.1
2	Other machinery and equipment	0.0	-0.1	0.0	0.0	0.3	0.3	-0.2	-0.2	0.0	0.0	-0.1	-0.1	-0.1	0.0
3	Petro-chemicals	-0.2	-0.2	-0.1	0.0	-0.1	-0.1	-0.1	0.0	-0.1	0.0	-0.1	0.0	-0.1	0.0
4	Electrical machinery and equipment	0.2	0.0	0.3	0.2	-0.5	-0.7	-0.2	-0.2	0.0	0.0	0.0	0.1	0.0	0.0
5	Processed foods, n.e.c.	-0.1	-0.2	0.0	0.0	0.1	0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.1	-0.1	-0.1
6	Iron and steel	-0.9	-1.2	0.1	0.0	0.3	0.3	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	0.0
7	Motor vehicles	0.8	0.6	-0.2	-0.3	-0.1	-0.2	0.4	0.5	-0.3	-0.3	-0.1	-0.1	0.2	0.3
8	Crops, n.e.c. (except grains)	-1.0	-0.9	-0.5	-0.5	1.6	1.7	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
9	Vegetables and fruits	-0.5	-0.5	-0.2	-0.1	0.4	0.4	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
10	Fabricated metals	-0.1	-0.1	0.1	0.1	0.2	0.2	-0.1	-0.1	0.0	0.0	-0.1	-0.1	-0.1	-0.1
11	Beverages and tobacco	-1.6	-1.9	-0.1	-0.2	0.2	0.2	-0.1	-0.1	0.0	0.1	-0.1	-0.1	-0.1	0.0
12	Non-ferrous metals	-0.1	0.0	0.0	0.0	0.1	0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.1	-0.1	-0.1
13	Vegetables oils	-0.1	-0.1	0.0	0.1	0.1	0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.1	-0.1	-0.1
14	Paper, pulp, and publishing	0.0	0.0	0.1	0.1	0.2	0.2	-0.1	-0.1	0.0	0.0	-0.1	-0.1	-0.1	-0.1
15	Textiles	-0.2	-0.3	-0.1	-0.1	0.1	0.1	-0.2	-0.2	0.0	0.0	-0.1	-0.1	-0.1	0.0
16	Dairy products	-0.1	-0.1	0.1	0.1	-0.2	-0.2	-0.1	-0.1	0.0	0.0	-0.1	-0.1	-0.1	-0.1
17	Manufactures, n.e.c.	0.0	0.1	0.0	0.0	0.1	0.2	-0.1	-0.1	0.0	0.0	-0.1	-0.1	-0.1	0.0
18	Meats, except beef	-0.2	-0.2	0.0	0.0	0.3	0.3	-0.1	-0.1	0.0	0.0	-0.1	-0.1	-0.1	-0.1
19	Other transport equipment	0.4	0.4	0.4	0.4	-0.2	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.1	0.0	0.1
20	Clothing	0.0	0.0	0.1	0.1	-2.0	-1.9	-0.2	-0.1	0.0	0.0	0.0	0.0	-0.1	0.0
21	Oil, gas, and coal	0.0	0.1	0.1	0.2	-0.1	0.0	-0.1	0.0	-0.1	0.0	-0.1	0.0	-0.1	0.0
22	Wood products	0.0	0.0	0.1	0.1	0.1	0.2	-0.1	-0.1	0.0	0.0	-0.1	-0.1	-0.1	-0.1
23	Other goods	-0.2	-0.1	0.0	0.1	0.1	0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1

		NL		EU26		US		JP		AUS/NZ		BRIC		ROW	
	sectors	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR
24	Utilities	0.0	-0.1	0.1	0.1	0.2	0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.1	-0.1	-0.1
25	Construction	-0.1	0.0	0.1	0.1	0.2	0.3	-0.1	-0.1	0.0	0.0	-0.1	-0.1	-0.1	-0.1
26	Retail and wholesale trade and warehousing	0.0	0.0	0.1	0.1	0.3	0.3	-0.1	-0.1	0.0	0.0	-0.1	-0.1	-0.1	-0.1
27	Transport services	-0.1	-0.1	0.1	0.1	0.1	0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.1	-0.1	-0.1
28	Communications	0.1	0.0	0.2	0.2	0.3	0.2	-0.1	-0.1	0.0	0.0	-0.1	-0.1	-0.1	-0.1
29	Other financial services	0.0	0.1	0.1	0.2	0.2	0.3	-0.1	-0.1	0.0	0.0	-0.1	-0.1	-0.1	-0.1
30	Insurance	0.1	0.1	0.2	0.2	0.1	0.2	-0.1	-0.1	0.0	0.0	-0.1	-0.1	-0.1	-0.1
31	Other business services	0.1	0.0	0.2	0.1	0.3	0.3	-0.1	-0.1	0.0	0.0	-0.1	-0.1	-0.1	-0.1
32	Recreational and consumer services	0.0	0.0	0.1	0.1	0.2	0.2	-0.1	-0.1	0.0	0.0	-0.1	-0.1	-0.1	-0.1
33	Other services (public health, education, residential)	0.0	0.1	0.2	0.3	0.3	0.3	-0.1	-0.1	0.0	0.0	-0.1	-0.1	-0.1	-0.1

Table 0.5 Skilled labour employment, % change

		NL		EU26		US		JP		AUS/NZ		BRIC		ROW	
	sectors	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR
1	Chemicals, rubber, and plastics	0.0	-0.1	-0.1	-0.1	0.1	0.1	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
2	Other machinery and equipment	-0.5	-0.2	0.4	0.5	-1.2	-1.1	0.5	0.5	0.0	0.1	0.0	0.0	0.1	-0.1
3	Petro-chemicals	1.4	1.1	0.3	0.1	-0.2	-0.3	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
4	Electrical machinery and equipment	-2.1	-0.4	-2.2	-1.4	4.3	5.6	0.4	0.5	-0.5	-0.1	-0.2	-0.5	-0.5	-0.6
5	Processed foods, n.e.c.	-0.3	-0.3	0.0	-0.1	0.2	0.1	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0
6	Iron and steel	3.9	5.0	-0.1	0.0	-1.0	-0.8	-0.1	-0.1	0.1	0.2	0.0	0.1	0.1	0.0
7	Motor vehicles	-3.8	-3.0	0.8	1.0	0.9	1.1	-1.9	-2.0	1.1	1.3	0.1	0.1	-0.9	-1.1
8	Crops, n.e.c. (except grains)	-1.6	-1.7	-1.8	-1.8	3.9	3.9	0.1	0.1	-0.5	-0.4	-0.2	-0.1	-0.3	-0.2
9	Vegetables and fruits	1.1	0.9	-0.2	-0.3	-0.2	-0.3	0.1	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0
10	Fabricated metals	0.3	0.5	0.1	0.2	-0.3	-0.2	0.1	0.1	0.0	0.0	0.1	0.1	0.1	0.1

		NL		EU26		US		JP		AUS/NZ		BRIC		ROW	
	sectors	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR
11	Beverages and tobacco	1.6	1.5	0.1	-0.1	0.0	-0.2	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0
12	Non-ferrous metals	-0.2	-0.1	-0.4	-0.3	0.4	0.5	0.0	0.0	-0.2	-0.2	0.0	0.0	0.0	0.0
13	Vegetables oils	0.5	0.4	0.1	0.1	-0.6	-0.7	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0
14	Paper, pulp, and publishing	0.2	0.1	-0.1	-0.1	-0.2	-0.2	0.1	0.1	0.0	0.0	0.1	0.1	0.2	0.2
15	Textiles	0.6	0.7	0.7	0.8	0.9	0.8	0.5	0.4	-0.4	-0.4	-0.2	-0.1	-0.3	-0.4
16	Dairy products	2.2	2.1	1.4	1.4	-3.6	-3.7	0.1	0.1	-0.2	-0.2	0.0	0.0	0.0	0.0
17	Manufactures, n.e.c.	-0.6	-0.8	0.2	0.3	0.3	0.3	0.1	0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2
18	Meats, except beef	-2.2	-2.3	-3.4	-3.5	3.7	3.6	0.2	0.2	-0.1	-0.1	0.1	0.1	0.2	0.2
19	Other transport equipment	-3.8	-3.5	-3.3	-3.1	3.1	3.1	-0.2	-0.1	0.1	0.2	0.1	0.1	-0.7	-0.8
20	Clothing	-0.2	-0.1	-0.3	-0.2	20.7	19.7	0.2	0.2	-0.1	-0.2	-0.6	-0.5	-0.3	-0.4
21	Oil, gas, and coal	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
22	Wood products	0.1	0.2	0.1	0.1	-0.5	-0.4	0.2	0.2	0.0	0.0	0.1	0.2	0.2	0.4
23	Other goods	0.0	0.1	0.0	0.1	-0.7	-0.7	0.1	0.1	-0.1	-0.1	0.1	0.1	0.1	0.1
24	Utilities	0.1	-0.1	0.0	-0.1	0.1	-0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
25	Construction	0.0	0.2	0.0	0.1	0.1	0.3	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1
26	Retail and wholesale trade and warehousing	-0.1	-0.2	0.0	-0.1	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
27	Transport services	0.5	0.3	0.1	-0.1	0.1	0.0	0.1	0.2	0.0	0.0	0.0	0.1	0.2	0.2
28	Communications	0.1	0.0	-0.1	-0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
29	Other financial services	0.1	0.2	0.3	0.3	-0.2	-0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
30	Insurance	0.1	0.0	1.5	1.5	-1.4	-1.4	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1
31	Other business services	0.1	0.1	-0.2	-0.2	0.1	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.1	0.1
32	Recreational and consumer services	0.0	0.0	-0.1	-0.2	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
33	Other services (public health, education, residential)	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Share of labor force displaced across sectors	0.1	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Table 0.6 Unskilled labour employment, % change

		NL		EU26		US		JP		AUS/NZ		BRIC		ROW	
	sectors	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR
1	Chemicals, rubber, and plastics	0.1	-0.1	0.0	-0.1	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
2	Other machinery and equipment	-0.5	-0.1	0.4	0.5	-1.3	-1.2	0.5	0.5	0.0	0.1	0.0	0.0	0.1	-0.1
3	Petro-chemicals	1.5	1.2	0.3	0.2	-0.2	-0.4	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1
4	Electrical machinery and equipment	-2.1	-0.4	-2.2	-1.4	4.2	5.5	0.4	0.5	-0.5	-0.1	-0.2	-0.5	-0.5	-0.6
5	Processed foods, n.e.c.	-0.2	-0.3	0.0	-0.1	0.1	0.0	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0
6	Iron and steel	4.0	5.0	-0.1	0.0	-1.1	-0.9	-0.1	-0.1	0.1	0.2	0.1	0.1	0.1	0.0
7	Motor vehicles	-3.7	-3.0	0.9	1.0	0.8	1.0	-1.9	-2.0	1.1	1.3	0.1	0.1	-0.9	-1.1
8	Crops, n.e.c. (except grains)	-1.6	-1.7	-1.8	-1.8	3.8	3.9	0.1	0.1	-0.5	-0.4	-0.2	-0.1	-0.3	-0.2
9	Vegetables and fruits	1.1	0.9	-0.2	-0.3	-0.2	-0.3	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0
10	Fabricated metals	0.3	0.5	0.1	0.2	-0.4	-0.3	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1
11	Beverages and tobacco	1.6	1.5	0.1	-0.1	-0.1	-0.2	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0
12	Non-ferrous metals	-0.2	-0.1	-0.4	-0.3	0.4	0.4	0.0	0.0	-0.2	-0.2	0.0	0.0	0.0	0.0
13	Vegetables oils	0.5	0.4	0.1	0.1	-0.7	-0.8	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1
14	Paper, pulp, and publishing	0.2	0.2	-0.1	-0.1	-0.2	-0.3	0.1	0.1	0.0	0.1	0.1	0.1	0.2	0.2
15	Textiles	0.6	0.8	0.7	0.8	0.9	0.8	0.5	0.4	-0.4	-0.4	-0.2	-0.1	-0.3	-0.4
16	Dairy products	2.2	2.1	1.4	1.4	-3.6	-3.7	0.1	0.1	-0.1	-0.1	0.0	0.0	0.0	0.0
17	Manufactures, n.e.c.	-0.5	-0.7	0.2	0.3	0.3	0.2	0.1	0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
18	Meats, except beef	-2.1	-2.2	-3.4	-3.5	3.6	3.6	0.2	0.2	-0.1	-0.1	0.1	0.1	0.2	0.2
19	Other transport equipment	-3.8	-3.5	-3.3	-3.1	3.1	3.0	-0.2	-0.1	0.1	0.2	0.1	0.1	-0.6	-0.7
20	Clothing	-0.1	-0.1	-0.2	-0.2	20.6	19.6	0.2	0.2	-0.1	-0.2	-0.6	-0.5	-0.3	-0.4
21	Oil, gas, and coal	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
22	Wood products	0.2	0.2	0.1	0.1	-0.5	-0.4	0.2	0.2	0.0	0.0	0.1	0.2	0.3	0.4
23	Other goods	0.0	0.1	0.0	0.1	-0.7	-0.8	0.1	0.1	-0.1	-0.1	0.1	0.1	0.1	0.1

		NL		EU26		US		JP		AUS/NZ		BRIC		ROW	
	sectors	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR
24	Utilities	0.2	0.0	0.0	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
25	Construction	0.1	0.3	0.0	0.1	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
26	Retail and wholesale trade and warehousing	-0.1	-0.1	0.0	-0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
27	Transport services	0.6	0.3	0.1	0.0	0.0	-0.1	0.1	0.1	0.0	0.1	0.0	0.1	0.2	0.2
28	Communications	0.1	0.0	-0.1	-0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
29	Other financial services	0.2	0.2	0.3	0.4	-0.2	-0.2	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
30	Insurance	0.1	0.0	1.5	1.5	-1.5	-1.5	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1
31	Other business services	0.2	0.1	-0.1	-0.2	0.1	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.1	0.1
32	Recreational and consumer services	0.1	0.1	-0.1	-0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
33	Other services (public health, education, residential)	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Share of labor force displaced across sectors	0.1	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Annex C Impact of an EU-Japan FTA

Table 0.7 Output effects of EU-Japan FTA on all Industries, % change

		NL		EU26		JP		US		AUS/NZ		BRIC		ROW	
	sectors	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR
1	Chemicals, rubber, and plastics	-0.4	-0.3	0.3	0.3	-1.1	-0.6	0.2	0.1	0.8	0.7	0.1	0.1	0.0	-0.1
2	Other machinery and equipment	-0.4	-0.3	0.6	0.7	-15.4	-15.0	0.8	0.9	3.4	2.9	0.7	0.8	3.9	3.6
3	Petro-chemicals	0.1	0.2	0.1	0.1	-0.6	0.0	0.0	0.0	0.2	0.1	0.0	0.0	0.1	0.0
4	Electrical machinery and equipment	-3.7	-3.4	0.7	0.7	-8.2	-7.2	3.2	3.2	4.2	3.5	0.3	0.3	2.6	2.3
5	Processed foods, n.e.c.	1.1	1.2	0.3	0.3	-1.2	-0.6	0.0	0.0	0.5	0.4	0.0	0.0	0.0	-0.1
6	Iron and steel	-1.2	-0.5	-0.8	-0.8	0.3	1.2	-0.3	-0.3	-4.2	-4.8	0.0	0.0	1.1	0.6
7	Motor vehicles	1.5	2.0	-8.0	-8.3	50.9	53.4	-5.4	-5.5	-30.0	-32.0	-2.8	-2.9	-10.1	-10.9
8	Crops, n.e.c. (except grains)	0.1	0.1	0.2	0.2	-1.7	-1.5	0.1	0.1	0.2	0.3	0.0	0.0	0.1	0.1
9	Vegetables and fruits	0.0	0.0	0.1	0.1	-0.6	-0.5	0.1	0.0	0.2	0.2	0.0	0.0	0.0	0.0
10	Fabricated metals	-0.4	-0.3	-0.4	-0.5	-1.8	-1.0	-0.4	-0.4	0.1	-0.2	0.0	0.0	0.1	-0.1
11	Beverages and tobacco	-0.5	-0.4	0.4	0.4	-0.4	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0	-0.1
12	Non-ferrous metals	0.0	0.0	0.2	0.1	-1.9	-1.2	0.0	0.0	1.7	1.4	0.2	0.2	0.5	0.5
13	Vegetables oils	0.2	0.2	0.5	0.4	-1.0	-0.4	0.0	0.0	0.5	0.5	-0.2	-0.2	-0.1	-0.1
14	Paper, pulp, and publishing	-0.1	0.0	0.2	0.1	-1.5	-0.9	0.1	0.1	0.4	0.3	0.0	0.0	0.3	0.2
15	Textiles	-0.4	-0.3	1.8	1.8	-14.3	-14.8	0.5	0.4	3.0	3.0	0.1	0.2	-0.8	-0.8
16	Dairy products	-8.1	-8.1	0.6	0.6	-0.6	0.0	-0.1	-0.1	-0.5	-0.6	-0.1	-0.1	-0.1	-0.2
17	Manufactures, n.e.c.	-0.1	0.0	0.4	0.4	-2.5	-1.8	0.6	0.7	1.0	0.7	-0.1	-0.1	0.1	0.0
18	Meats, except beef	9.8	9.9	13.1	13.1	-84.5	-84.5	-1.5	-1.6	-0.4	-0.4	-1.6	-1.6	-1.5	-1.5
19	Other transport equipment	-0.6	-0.5	1.1	1.2	-0.9	-1.0	0.8	0.8	3.2	3.2	-0.4	-0.4	-2.8	-3.2
20	Clothing	0.6	0.7	2.2	2.2	-7.2	-6.9	4.2	4.2	2.4	2.4	-0.4	-0.4	-0.7	-0.7
21	Oil, gas, and coal	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

		NL		EU26		JP		US		AUS/NZ		BRIC		ROW	
	sectors	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR
22	Wood products	0.1	0.2	0.4	0.4	-4.7	-4.0	0.0	0.0	1.0	0.8	-0.2	-0.2	0.0	-0.0
23	Other goods	0.3	0.4	0.6	0.6	-3.2	-2.7	-0.1	-0.1	0.5	0.4	0.0	-0.1	0.0	-0.0
24	Utilities	-0.1	0.0	0.0	0.0	-0.9	-0.2	0.0	0.0	0.2	0.1	0.0	0.0	0.1	-0.0
25	Construction	0.1	0.2	0.0	0.0	0.2	1.4	0.0	0.0	0.1	-0.2	0.0	0.0	0.0	-0.2
26	Retail and wholesale trade and warehousing	0.0	0.1	0.0	0.0	0.1	0.8	0.0	0.0	0.1	0.0	0.0	0.0	0.0	-0.1
27	Transport services	0.4	0.5	0.3	0.3	-0.6	-0.1	0.0	0.0	0.3	0.3	0.0	0.0	0.2	0.1
28	Communications	0.0	0.1	0.1	0.1	-0.3	0.4	0.0	0.0	0.1	0.0	0.0	0.0	0.0	-0.1
29	Other financial services	0.1	0.1	0.1	0.1	-0.5	0.2	0.0	0.0	0.1	0.0	0.0	0.0	0.0	-0.1
30	Insurance	0.0	0.1	0.2	0.1	-0.3	0.2	0.0	0.0	0.2	0.1	-0.1	-0.1	0.0	-0.0
31	Other business services	0.0	0.1	0.0	-0.1	-0.5	0.2	0.1	0.1	0.1	-0.1	-0.1	-0.1	0.0	-0.1
32	Recreational and consumer services	0.0	0.1	0.0	0.0	-0.1	0.6	0.0	0.0	0.3	0.2	0.0	0.0	0.0	-0.1
33	Other services (public health, education, residential)	0.0	0.1	0.0	-0.1	0.3	1.0	0.0	0.0	0.1	0.1	0.0	0.0	0.0	-0.1

Table 0.8 Export Effects of an EU-Japan FTA on all Industries, % change

		NL		EU26		JP		US		AUS/NZ		BRIC		ROW	
	sectors	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR
1	Chemicals, rubber, and plastics	0.0	0.0	1.0	1.0	-1.8	-1.9	0.7	0.7	1.8	1.8	0.2	0.2	0.3	0.3
2	Other machinery and equipment	-0.1	0.1	1.6	1.6	-19.6	-19.6	1.8	1.9	4.0	3.6	1.4	1.5	4.1	3.9
3	Petro-chemicals	0.5	0.5	0.6	0.5	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.4
4	Electrical machinery and equipment	-4.0	-3.7	1.3	1.3	-11.0	-10.4	4.5	4.5	5.1	4.5	0.6	0.7	3.2	2.9
5	Processed foods, n.e.c.	3.0	3.1	2.0	2.0	-0.7	-0.3	0.5	0.4	1.5	1.4	0.5	0.5	0.2	0.2
6	Iron and steel	-1.2	-0.6	-0.6	-0.6	-6.0	-4.6	-0.1	0.1	-2.7	-3.3	-0.1	-0.1	1.4	0.9
7	Motor vehicles	0.3	0.8	-8.3	-8.5	92.6	96.6	-6.4	-6.6	-27.7	-29.7	-5.4	-5.5	-10.6	-11.5
8	Crops, n.e.c. (except grains)	0.4	0.3	0.5	0.5	1.2	-0.3	0.4	0.4	0.2	0.3	0.1	0.0	0.3	0.4

		NL		EU26		JP		US		AUS/NZ		BRIC		ROW	
	sectors	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR
9	Vegetables and fruits	0.2	0.1	0.2	0.2	-1.1	-1.8	0.3	0.3	0.4	0.4	0.2	0.2	0.2	0.2
10	Fabricated metals	-0.6	-0.7	0.3	0.3	-4.5	-5.0	0.6	0.5	0.8	0.6	-0.1	-0.1	0.5	0.4
11	Beverages and tobacco	-0.6	-0.4	2.0	1.9	-1.6	-1.0	0.8	0.8	0.2	0.1	0.3	0.2	0.1	0.0
12	Non-ferrous metals	0.0	0.0	1.2	1.2	-4.8	-5.0	0.9	0.8	2.9	2.7	0.4	0.4	0.6	0.6
13	Vegetables oils	0.4	0.4	0.9	0.9	12.0	11.9	0.3	0.2	1.0	1.0	-0.3	-0.4	0.0	0.0
14	Paper, pulp, and publishing	0.1	0.1	0.5	0.5	-6.4	-6.8	0.7	0.7	1.2	1.2	0.1	0.1	0.3	0.3
15	Textiles	-0.4	-0.3	3.0	3.0	-13.1	-14.3	1.1	1.0	4.1	4.1	-0.1	-0.1	-0.9	-0.9
16	Dairy products	6.2	6.2	4.0	4.0	*	*	-1.8	-2.0	-2.1	-2.3	-1.1	-1.3	-0.5	-0.5
17	Manufactures, n.e.c.	-0.1	-0.1	2.3	2.3	-5.8	-5.7	0.9	1.0	2.7	2.5	-0.2	-0.2	0.2	0.1
18	Meats, except beef	12.6	12.7	48.9	49.1	88.6	87.8	-13.2	-13.3	-9.0	-9.0	-13.9	-14.0	-17.0	-16.9
19	Other transport equipment	-0.5	-0.4	2.0	2.2	4.1	3.4	1.2	1.3	6.1	6.2	-0.3	-0.2	-2.6	-3.0
20	Clothing	0.7	0.8	5.7	5.7	-0.1	-0.6	4.6	4.5	3.5	3.6	-0.3	-0.3	-1.3	-1.3
21	Oil, gas, and coal	0.4	0.4	0.4	0.4	*	*	0.4	0.5	0.3	0.4	0.4	0.4	0.4	0.4
22	Wood products	0.1	0.1	0.9	0.9	-3.6	-4.2	0.3	0.3	2.0	2.4	-0.4	-0.3	0.0	0.2
23	Other goods	0.8	0.7	1.3	1.3	-3.3	-3.7	0.3	0.2	0.8	0.8	0.0	-0.1	0.2	0.2
24	Utilities	0.2	0.3	0.5	0.5	-7.2	-6.4	0.7	0.6	2.0	1.8	-0.2	-0.3	0.2	0.1
25	Construction	0.8	0.9	1.5	1.7	-3.0	-3.7	1.5	1.8	3.8	4.6	0.8	1.1	1.0	1.3
26	Retail and wholesale trade and warehousing	0.7	0.7	0.7	0.8	-2.7	-3.3	1.0	1.1	1.5	1.6	0.1	0.1	0.6	0.7
27	Transport services	0.9	1.0	0.9	0.9	-0.3	-0.4	0.8	0.8	1.3	1.4	0.6	0.6	0.8	0.8
28	Communications	0.1	0.1	0.8	0.8	-3.0	-2.9	0.5	0.4	1.1	1.0	-0.3	-0.3	0.1	0.1
29	Other financial services	1.3	1.2	1.0	1.0	5.2	5.5	0.2	0.2	1.1	1.0	-0.2	-0.2	0.1	0.1
30	Insurance	0.6	0.6	0.8	0.8	-2.7	-3.1	0.5	0.5	1.3	1.3	-0.1	-0.1	0.3	0.4
31	Other business services	0.3	0.3	0.8	0.7	1.8	1.6	0.8	0.8	1.6	1.6	-0.1	-0.1	0.3	0.3
32	Recreational and consumer services	0.2	0.2	0.6	0.6	-4.9	-4.9	0.7	0.7	1.3	1.2	0.0	0.0	0.4	0.4
33	Other services (public health, education, residential)	0.3	0.2	0.7	0.7	-5.7	-5.8	0.7	0.6	1.5	1.4	0.1	0.0	0.4	0.5

Table 0.9 Producer Price Effects of an EU-Japan FTA on all Industries, % change

		NL		EU26		JP		US		AUS/NZ		BRIC		ROW	
	sectors	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR
1	Chemicals, rubber, and plastics	0.2	0.2	0.1	0.1	1.7	1.7	0.2	0.2	0.0	0.0	0.3	0.3	0.3	0.3
2	Other machinery and equipment	0.2	0.1	-0.1	-0.1	4.2	4.2	0.1	0.1	-0.4	-0.3	0.2	0.2	-0.3	-0.3
3	Petro-chemicals	0.4	0.4	0.4	0.4	0.5	0.5	0.4	0.4	0.3	0.4	0.4	0.4	0.4	0.4
4	Electrical machinery and equipment	0.6	0.5	-0.1	-0.1	2.9	2.9	-0.3	-0.3	-0.4	-0.3	0.2	0.2	-0.1	-0.1
5	Processed foods, n.e.c.	-0.5	-0.5	-0.1	0.0	1.7	1.5	0.1	0.2	-0.2	-0.2	0.2	0.2	0.2	0.2
6	Iron and steel	0.4	0.3	0.3	0.3	1.7	1.4	0.2	0.2	0.9	1.1	0.3	0.3	0.0	0.1
7	Motor vehicles	-0.1	-0.3	1.8	1.9	-11.6	-12.0	1.2	1.3	7.0	7.6	0.9	1.0	2.5	2.7
8	Crops, n.e.c. (except grains)	0.2	0.2	0.2	0.2	0.9	1.1	0.2	0.2	0.1	0.1	0.2	0.2	0.2	0.2
9	Vegetables and fruits	0.2	0.2	0.2	0.2	1.2	1.4	0.2	0.1	0.1	0.1	0.2	0.2	0.2	0.1
10	Fabricated metals	0.1	0.1	0.0	0.0	2.1	2.1	0.1	0.1	0.1	0.1	0.3	0.3	0.2	0.2
11	Beverages and tobacco	0.5	0.4	-0.3	-0.3	2.3	1.8	0.1	0.2	-0.1	-0.1	0.3	0.3	0.2	0.2
12	Non-ferrous metals	0.1	0.1	0.1	0.1	1.4	1.4	0.2	0.2	0.0	0.0	0.3	0.3	0.2	0.2
13	Vegetables oils	0.1	0.1	0.1	0.1	0.3	0.3	0.2	0.2	0.0	0.0	0.2	0.3	0.2	0.2
14	Paper, pulp, and publishing	0.1	0.1	0.0	0.0	2.1	2.1	0.2	0.2	-0.1	-0.1	0.3	0.3	0.2	0.2
15	Textiles	0.1	0.1	-0.3	-0.2	3.8	4.0	0.1	0.1	-0.5	-0.5	0.3	0.3	0.3	0.3
16	Dairy products	-0.4	-0.4	0.0	0.0	1.0	1.0	0.1	0.1	-0.1	-0.1	0.3	0.3	0.2	0.2
17	Manufactures, n.e.c.	0.1	0.1	0.0	0.0	2.4	2.3	0.1	0.1	-0.2	-0.1	0.3	0.3	0.2	0.2
18	Meats, except beef	0.2	0.2	0.2	0.2	-2.3	-2.2	0.1	0.1	-0.1	-0.1	0.2	0.2	0.2	0.1
19	Other transport equipment	0.2	0.2	-0.1	-0.2	1.8	1.9	0.1	0.1	-0.5	-0.5	0.3	0.3	0.6	0.7
20	Clothing	0.0	0.0	-0.3	-0.3	3.0	3.1	-0.4	-0.3	-0.4	-0.4	0.3	0.3	0.3	0.3
21	Oil, gas, and coal	0.4	0.4	0.4	0.4	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
22	Wood products	0.1	0.1	0.1	0.1	1.7	1.8	0.2	0.2	0.0	0.0	0.3	0.3	0.2	0.2

		NL		EU26		JP		US		AUS/NZ		BRIC		ROW	
	sectors	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR
23	Other goods	0.1	0.1	0.1	0.1	1.5	1.6	0.1	0.1	0.0	0.0	0.2	0.2	0.2	0.2
24	Utilities	0.2	0.2	0.1	0.1	1.9	1.7	0.2	0.2	-0.1	0.0	0.3	0.3	0.3	0.3
25	Construction	0.1	0.1	0.0	0.0	2.2	2.5	0.1	0.1	-0.1	-0.1	0.3	0.3	0.2	0.2
26	Retail and wholesale trade and warehousing	0.1	0.1	0.0	0.0	2.2	2.4	0.1	0.1	-0.1	-0.1	0.3	0.3	0.2	0.2
27	Transport services	0.2	0.2	0.1	0.1	2.0	2.1	0.2	0.2	0.0	0.0	0.3	0.3	0.2	0.2
28	Communications	0.1	0.1	0.0	0.0	2.3	2.3	0.1	0.1	-0.1	-0.1	0.3	0.3	0.2	0.2
29	Other financial services	0.1	0.1	0.0	0.0	2.3	2.1	0.1	0.1	-0.2	-0.2	0.3	0.3	0.2	0.2
30	Insurance	0.1	0.1	0.0	0.0	2.3	2.5	0.1	0.1	-0.2	-0.2	0.2	0.3	0.2	0.2
31	Other business services	0.1	0.1	0.0	0.0	2.1	2.1	0.1	0.1	-0.1	-0.1	0.3	0.3	0.2	0.2
32	Recreational and consumer services	0.1	0.1	0.0	0.0	2.3	2.3	0.2	0.2	-0.1	-0.1	0.3	0.3	0.2	0.2
33	Other services (public health, education, residential)	0.1	0.1	0.0	0.0	2.4	2.4	0.1	0.1	-0.2	-0.1	0.3	0.3	0.2	0.1

Table 0.10 Skilled labour employment, % change

		NL		EU26		JP		US		AUS/NZ		BRIC		ROW	
	sectors	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR
1	Chemicals, rubber, and plastics	-0.3	-0.4	0.3	0.3	-1.2	-1.5	0.1	0.1	0.7	0.6	0.1	0.1	0.0	0.0
2	Other machinery and equipment	-0.4	-0.3	0.6	0.7	-14.6	-14.7	0.8	0.8	3.0	2.6	0.6	0.7	3.5	3.3
3	Petro-chemicals	0.1	0.0	0.2	0.2	-0.8	-1.4	0.0	0.0	0.1	0.2	0.0	0.0	0.0	0.1
4	Electrical machinery and equipment	-3.7	-3.5	0.6	0.6	-7.8	-7.6	2.9	3.0	3.5	3.0	0.3	0.4	2.3	2.2
5	Processed foods, n.e.c.	1.0	1.0	0.3	0.3	-1.3	-1.5	0.0	0.0	0.4	0.4	0.0	0.0	-0.1	0.0
6	Iron and steel	-1.0	-0.5	-0.8	-0.7	0.1	0.2	-0.3	-0.3	-3.8	-4.4	0.0	0.0	0.9	0.6
7	Motor vehicles	1.4	1.8	-7.5	-7.8	46.8	48.3	-5.1	-5.2	-27.8	-29.5	-2.4	-2.5	-9.0	-9.7
8	Crops, n.e.c. (except grains)	0.2	0.1	0.3	0.3	-2.1	-2.0	0.1	0.1	0.3	0.3	0.0	0.0	0.1	0.1
9	Vegetables and fruits	0.1	0.0	0.2	0.1	-0.9	-0.9	0.1	0.0	0.2	0.2	0.0	0.0	0.0	0.0

		NL		EU26		JP		US		AUS/NZ		BRIC		ROW	
	sectors	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR
10	Fabricated metals	-0.3	-0.3	-0.4	-0.4	-1.9	-1.7	-0.4	-0.4	0.0	-0.2	0.0	0.0	0.0	-0.1
11	Beverages and tobacco	-0.5	-0.4	0.4	0.4	-0.6	-1.1	0.0	0.0	0.0	0.1	0.0	0.0	-0.1	0.0
12	Non-ferrous metals	0.0	0.0	0.2	0.2	-2.0	-2.1	0.0	0.0	1.4	1.3	0.2	0.2	0.4	0.5
13	Vegetables oils	0.2	0.2	0.5	0.5	-1.1	-1.3	0.0	0.0	0.4	0.4	-0.1	-0.2	-0.1	0.0
14	Paper, pulp, and publishing	0.0	-0.1	0.2	0.2	-1.6	-1.7	0.1	0.1	0.2	0.3	0.0	0.0	0.2	0.3
15	Textiles	-0.3	-0.3	1.7	1.8	-13.8	-14.6	0.6	0.5	2.8	2.8	0.1	0.1	-0.7	-0.7
16	Dairy products	-7.7	-7.7	0.6	0.6	-0.6	-1.0	-0.1	-0.1	-0.6	-0.5	-0.1	-0.1	-0.2	-0.1
17	Manufactures, n.e.c.	0.0	0.0	0.4	0.4	-2.5	-2.5	0.6	0.6	0.8	0.6	-0.1	-0.1	0.1	0.1
18	Meats, except beef	9.1	9.1	12.2	12.2	-82.7	-82.8	-1.5	-1.5	-0.4	-0.4	-1.5	-1.5	-1.4	-1.4
19	Other transport equipment	-0.6	-0.5	1.0	1.2	-1.0	-1.5	0.7	0.8	3.0	3.0	-0.3	-0.3	-2.5	-2.8
20	Clothing	0.6	0.6	2.1	2.1	-7.0	-7.1	4.7	4.6	2.2	2.2	-0.4	-0.4	-0.7	-0.7
21	Oil, gas, and coal	0.0	0.0	0.1	0.1	-0.4	-0.4	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0
22	Wood products	0.1	0.1	0.4	0.5	-4.6	-4.6	0.0	0.0	0.8	0.8	-0.2	-0.2	0.0	0.0
23	Other goods	0.4	0.4	0.7	0.7	-3.6	-3.4	-0.1	-0.1	0.5	0.5	-0.1	-0.1	0.0	0.0
24	Utilities	-0.1	-0.1	0.1	0.1	-1.0	-1.6	0.0	0.0	0.1	0.1	0.0	0.0	0.1	0.1
25	Construction	0.1	0.1	0.0	0.1	0.1	0.8	0.0	0.0	0.0	-0.2	0.0	0.0	0.0	-0.1
26	Retail and wholesale trade and warehousing	0.0	0.0	0.1	0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
27	Transport services	0.4	0.4	0.3	0.3	-0.8	-1.0	0.0	0.0	0.2	0.2	0.0	0.0	0.1	0.2
28	Communications	0.0	0.0	0.1	0.1	-0.5	-0.7	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0
29	Other financial services	0.1	0.1	0.1	0.1	-0.7	-1.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0
30	Insurance	0.0	0.0	0.2	0.2	-0.4	-0.5	0.0	0.0	0.1	0.1	-0.1	-0.1	0.0	0.0
31	Other business services	0.0	0.0	0.0	0.0	-0.7	-0.8	0.0	0.0	0.0	-0.1	-0.1	-0.1	0.0	0.0
32	Recreational and consumer services	0.0	0.0	0.1	0.1	-0.3	-0.5	0.0	0.0	0.2	0.2	0.0	0.0	0.0	0.0
33	Other services (public health, education, residential)	0.0	0.0	0.0	0.0	0.0	-0.2	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0
	Share of labor force displaced across sectors	0.1	0.0	0.0	0.0	0.0	0.0	1.1	1.1	0.0	0.0	0.0	0.0	0.1	0.1

Table 0.11 Unskilled labour employment, % change

		NL		EU26		JP		US		AUS/NZ		BRIC		ROW	
	sectors	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR
1	Chemicals, rubber, and plastics	-0.3	-0.4	0.3	0.3	-1.1	-1.3	0.2	0.2	0.7	0.7	0.1	0.1	0.0	0.0
2	Other machinery and equipment	-0.4	-0.3	0.6	0.7	-14.4	-14.5	0.8	0.8	3.0	2.7	0.7	0.7	3.5	3.3
3	Petro-chemicals	0.1	0.0	0.2	0.2	-0.6	-1.2	0.0	0.0	0.1	0.3	0.0	0.0	0.1	0.1
4	Electrical machinery and equipment	-3.7	-3.5	0.5	0.6	-7.6	-7.4	2.9	3.0	3.6	3.1	0.3	0.4	2.3	2.2
5	Processed foods, n.e.c.	1.0	1.0	0.3	0.3	-1.1	-1.3	0.0	0.0	0.4	0.5	0.0	0.0	0.0	0.0
6	Iron and steel	-1.0	-0.5	-0.8	-0.7	0.3	0.4	-0.3	-0.3	-3.8	-4.3	0.0	0.0	1.0	0.6
7	Motor vehicles	1.4	1.8	-7.6	-7.8	47.1	48.6	-5.1	-5.2	-27.7	-29.4	-2.4	-2.5	-9.0	-9.7
8	Crops, n.e.c. (except grains)	0.2	0.1	0.3	0.3	-2.0	-2.0	0.1	0.1	0.3	0.4	0.0	0.0	0.1	0.1
9	Vegetables and fruits	0.1	0.0	0.2	0.1	-0.9	-0.8	0.1	0.0	0.2	0.2	0.0	0.0	0.0	0.0
10	Fabricated metals	-0.4	-0.3	-0.4	-0.4	-1.7	-1.5	-0.4	-0.4	0.0	-0.1	0.0	0.0	0.1	0.0
11	Beverages and tobacco	-0.5	-0.4	0.4	0.4	-0.4	-0.9	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0
12	Non-ferrous metals	0.0	-0.1	0.2	0.2	-1.8	-1.9	0.0	0.0	1.5	1.4	0.2	0.2	0.5	0.5
13	Vegetables oils	0.2	0.2	0.5	0.4	-0.9	-1.1	0.0	0.0	0.5	0.5	-0.1	-0.2	-0.1	0.0
14	Paper, pulp, and publishing	-0.1	-0.1	0.2	0.2	-1.4	-1.5	0.1	0.1	0.3	0.3	0.0	0.0	0.3	0.3
15	Textiles	-0.3	-0.3	1.7	1.7	-13.6	-14.4	0.6	0.6	2.8	2.9	0.1	0.1	-0.7	-0.6
16	Dairy products	-7.7	-7.7	0.6	0.6	-0.5	-0.8	-0.1	-0.1	-0.5	-0.4	-0.1	-0.1	-0.1	-0.1
17	Manufactures, n.e.c.	0.0	0.0	0.4	0.4	-2.4	-2.3	0.6	0.7	0.9	0.7	-0.1	-0.1	0.1	0.1
18	Meats, except beef	9.1	9.1	12.1	12.2	-82.7	-82.7	-1.4	-1.5	-0.4	-0.3	-1.5	-1.5	-1.4	-1.3
19	Other transport equipment	-0.6	-0.5	1.0	1.2	-0.8	-1.3	0.7	0.8	3.0	3.0	-0.3	-0.3	-2.5	-2.8
20	Clothing	0.6	0.6	2.1	2.1	-6.8	-6.9	4.7	4.6	2.2	2.3	-0.4	-0.4	-0.7	-0.6
21	Oil, gas, and coal	0.0	0.0	0.1	0.1	-0.3	-0.4	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0
22	Wood products	0.1	0.1	0.4	0.4	-4.4	-4.4	0.0	0.0	0.9	0.9	-0.1	-0.1	0.0	0.1
23	Other goods	0.4	0.4	0.7	0.7	-3.5	-3.3	-0.1	-0.1	0.6	0.6	-0.1	-0.1	0.0	0.0

		NL		EU26		JP		US		AUS/NZ		BRIC		ROW	
	sectors	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR
24	Utilities	-0.1	-0.1	0.0	0.1	-0.8	-1.4	0.0	0.0	0.1	0.2	0.0	0.0	0.1	0.1
25	Construction	0.0	0.1	0.0	0.0	0.3	1.0	0.0	0.0	0.1	-0.1	0.0	0.0	0.0	0.0
26	Retail and wholesale trade and warehousing	0.0	0.0	0.1	0.1	0.1	0.1	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.1
27	Transport services	0.4	0.3	0.3	0.3	-0.6	-0.8	0.0	0.0	0.3	0.4	0.0	0.0	0.2	0.3
28	Communications	0.0	-0.1	0.1	0.1	-0.3	-0.5	0.0	0.0	0.1	0.2	0.0	0.0	0.0	0.1
29	Other financial services	0.0	0.1	0.1	0.1	-0.5	-0.8	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0
30	Insurance	0.0	0.0	0.2	0.2	-0.2	-0.3	0.0	0.0	0.1	0.2	-0.1	-0.1	0.0	0.1
31	Other business services	0.0	0.0	0.0	0.0	-0.5	-0.6	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
32	Recreational and consumer services	0.0	0.0	0.1	0.0	-0.1	-0.3	0.0	0.0	0.2	0.3	0.0	0.0	0.0	0.1
33	Other services (public health, education, residential)	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.1	0.2	0.0	0.0	0.0	0.1
	Share of labor force displaced across sectors	0.1	0.0	0.0	0.0	0.0	0.0	1.1	1.1	0.0	0.0	0.0	0.0	0.1	0.1

Annex D Impact of an EU-Aus/NZ FTA

Table 0.12 Output effects of EU – Aus/NZ FTA on all Industries, % change

		NL		EU26		Aus/NZ		US		JP		BRIC		ROW	
	sectors	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR
1	Chemicals, rubber, and plastics	0.1	0.1	0.0	0.1	-0.8	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2	Other machinery and equipment	0.0	0.1	0.2	0.2	-10.4	-9.0	-0.1	-0.1	0.6	0.6	0.0	-0.1	-0.2	-0.3
3	Petro-chemicals	0.0	0.1	0.0	0.1	0.3	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4	Electrical machinery and equipment	-0.5	-0.1	-0.7	-0.5	9.2	11.7	-0.3	-0.2	0.4	0.4	0.1	0.1	-0.1	-0.1
5	Processed foods, n.e.c.	-0.1	0.0	-0.1	0.0	1.0	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6	Iron and steel	0.3	0.5	0.1	0.2	-5.9	-4.6	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1
7	Motor vehicles	-0.4	-0.3	0.5	0.6	-8.6	-6.9	0.2	0.3	-1.7	-1.9	0.1	0.1	0.2	0.2
8	Crops, n.e.c. (except grains)	0.0	0.0	0.0	-0.1	0.4	0.4	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
9	Vegetables and fruits	-0.1	-0.1	-0.1	-0.1	1.1	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10	Fabricated metals	0.2	0.3	0.1	0.2	-3.1	-2.5	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0
11	Beverages and tobacco	-0.1	0.0	-0.1	-0.1	1.8	2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12	Non-ferrous metals	0.0	0.1	0.0	0.0	0.7	1.6	0.0	0.0	0.1	0.1	0.0	0.0	-0.1	-0.1
13	Vegetables oils	0.0	0.1	0.0	0.0	0.7	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14	Paper, pulp, and publishing	0.0	0.1	0.0	0.1	-1.4	-1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
15	Textiles	0.3	0.3	0.2	0.3	-4.4	-3.8	0.0	0.0	0.5	0.5	-0.1	-0.1	0.1	0.0
16	Dairy products	-2.4	-2.4	-2.1	-2.1	38.7	39.2	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0
17	Manufactures, n.e.c.	0.2	0.2	0.1	0.1	-2.0	-1.2	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0
18	Meats, except beef	0.2	0.2	-0.1	0.0	0.6	0.8	0.0	0.0	0.2	0.2	0.0	0.0	0.0	0.0
19	Other transport equipment	0.0	0.1	-0.1	-0.1	0.7	1.3	-0.1	-0.1	0.4	0.4	0.0	0.0	0.1	0.1
20	Clothing	0.1	0.2	0.3	0.4	-6.7	-6.4	0.2	0.1	0.2	0.2	-0.2	-0.2	0.1	0.0
21	Oil, gas, and coal	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

		NL		EU26		Aus/NZ		US		JP		BRIC		ROW	
	sectors	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR
22	Wood products	0.1	0.1	0.1	0.1	-1.8	-1.3	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0
23	Other goods	-0.2	-0.1	-0.2	-0.1	1.8	2.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
24	Utilities	0.0	0.0	0.0	0.0	0.2	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
25	Construction	0.0	0.1	0.0	0.1	0.2	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
26	Retail and wholesale trade and warehousing	-0.1	0.0	0.0	0.0	0.1	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
27	Transport services	0.0	0.0	0.0	0.0	0.4	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
28	Communications	0.4	0.4	0.1	0.1	-1.4	-1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
29	Other financial services	0.0	0.1	0.0	0.1	-0.8	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
30	Insurance	0.0	0.0	0.0	0.0	-0.9	-0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
31	Other business services	0.0	0.1	0.0	0.1	-1.0	-0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
32	Recreational and consumer services	0.1	0.2	0.0	0.1	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
33	Other services (public health, education, residential)	0.0	0.0	0.0	0.0	0.1	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Table 0.13 Export Effects of an EU-AUS/NZ FTA on all Industries, % change

		N		EU26		Aus/NZ		US		JP		BRIC		ROW	
	sectors	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR
1	Chemicals, rubber, and plastics	0.2	0.2	0.1	0.2	7.0	7.4	-0.1	-0.1	0.1	0.1	-0.1	-0.1	-0.1	-0.1
2	Other machinery and equipment	0.2	0.3	0.4	0.4	-0.9	0.7	-0.3	-0.3	0.7	0.8	-0.2	-0.2	-0.3	-0.4
3	Petro-chemicals	0.0	0.0	0.1	0.1	1.0	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4	Electrical machinery and equipment	-0.4	-0.1	-0.7	-0.5	15.6	18.2	-0.3	-0.3	0.7	0.7	0.2	0.1	-0.1	-0.1
5	Processed foods, n.e.c.	0.1	0.1	0.0	0.1	6.2	6.5	-0.1	-0.1	0.0	0.0	-0.1	-0.1	-0.1	-0.1
6	Iron and steel	0.3	0.5	0.2	0.3	-4.0	-2.6	0.0	0.0	0.2	0.2	0.0	0.0	-0.1	-0.2
7	Motor vehicles	-0.3	-0.2	0.8	0.9	-4.7	-2.6	0.2	0.2	-3.2	-3.3	0.1	0.1	0.1	0.0
8	Crops, n.e.c. (except grains)	0.0	0.0	0.0	-0.1	3.1	2.8	-0.1	-0.1	0.1	0.1	-0.1	0.0	-0.1	0.0

		N		EU26		Aus/NZ		US		JP		BRIC		ROW	
	sectors	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR
9	Vegetables and fruits	-0.1	-0.1	-0.2	-0.2	2.8	2.7	-0.1	-0.1	0.0	0.0	-0.1	-0.1	-0.1	-0.1
10	Fabricated metals	0.6	0.7	0.6	0.6	3.5	3.9	-0.1	-0.1	0.3	0.3	-0.2	-0.2	-0.1	-0.1
11	Beverages and tobacco	0.0	0.0	0.0	0.0	10.9	11.3	-0.2	-0.2	0.0	0.0	-0.1	-0.1	-0.1	-0.1
12	Non-ferrous metals	0.1	0.1	0.0	0.1	3.0	3.6	-0.1	-0.1	0.2	0.2	-0.1	-0.1	-0.1	-0.1
13	Vegetables oils	0.1	0.1	0.1	0.1	10.3	10.5	-0.1	-0.1	0.0	0.0	-0.1	-0.1	0.0	0.0
14	Paper, pulp, and publishing	0.2	0.2	0.3	0.3	0.7	1.0	-0.1	-0.1	0.0	0.1	-0.1	-0.1	-0.1	-0.1
15	Textiles	0.7	0.8	0.6	0.7	4.3	4.9	-0.1	-0.1	0.6	0.6	-0.3	-0.3	0.0	0.0
16	Dairy products	-1.2	-1.2	-1.2	-1.2	141.2	142.0	-0.9	-0.9	*	*	-0.4	-0.4	-0.2	-0.3
17	Manufactures, n.e.c.	0.5	0.4	0.5	0.5	5.8	6.7	-0.1	-0.1	0.3	0.3	-0.1	-0.1	0.0	-0.1
18	Meats, except beef	0.3	0.3	0.0	0.0	20.7	20.7	-0.1	-0.1	0.3	0.3	0.0	0.0	-0.1	-0.1
19	Other transport equipment	0.0	0.1	0.0	0.0	10.6	11.3	-0.3	-0.3	0.6	0.7	-0.1	-0.1	0.1	0.0
20	Clothing	1.2	1.3	1.4	1.5	14.8	15.1	-0.1	-0.1	0.4	0.4	-0.3	-0.3	0.0	0.0
21	Oil, gas, and coal	-0.1	0.0	0.0	0.0	0.5	0.4	0.0	0.0	*	*	-0.2	-0.2	0.0	0.0
22	Wood products	0.3	0.3	0.3	0.3	1.9	2.1	-0.1	-0.1	0.2	0.2	-0.1	-0.1	-0.1	-0.1
23	Other goods	0.0	0.0	0.0	0.0	1.8	1.9	-0.1	-0.1	0.1	0.1	-0.1	0.0	0.0	-0.1
24	Utilities	0.0	0.0	-0.1	0.0	0.9	1.6	0.0	0.0	0.3	0.2	0.1	0.1	0.0	0.0
25	Construction	0.0	0.0	-0.1	-0.1	1.9	1.8	0.0	0.0	0.2	0.2	0.0	0.0	0.0	0.0
26	Retail and wholesale trade and warehousing	0.1	0.1	0.2	0.2	2.8	2.9	-0.1	-0.1	0.2	0.2	0.1	0.1	0.0	0.0
27	Transport services	0.1	0.1	0.0	0.0	1.4	1.4	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0
28	Communications	1.9	2.0	1.0	1.0	5.0	5.4	-0.1	-0.1	-0.2	-0.2	0.0	0.0	-0.1	-0.1
29	Other financial services	0.1	0.2	0.4	0.4	8.4	8.7	0.0	0.1	0.3	0.3	0.0	0.1	0.1	0.1
30	Insurance	0.1	0.1	0.1	0.1	4.1	4.3	-0.1	-0.1	0.2	0.2	0.0	0.0	0.0	0.0
31	Other business services	0.3	0.3	0.2	0.3	7.8	7.9	0.0	0.0	0.1	0.1	0.1	0.1	0.0	0.0
32	Recreational and consumer services	1.5	1.5	0.2	0.3	2.9	3.1	-0.1	-0.1	0.1	0.1	0.0	0.0	0.0	0.0
33	Other services (public health, education, residential)	-0.1	-0.1	-0.2	-0.2	0.7	0.9	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0

Table 0.14 Producer Price Effects of an EU-AUS/NZ FTA on all Industries, % change

		NL		EU2		Aus/NZ		US		JP		BRIC		ROW	
	sectors	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR
1	Chemicals, rubber, and plastics	0.0	0.0	0.0	0.0	-0.7	-0.7	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0
2	Other machinery and equipment	0.0	0.0	0.0	0.0	0.7	0.5	0.0	0.0	-0.2	-0.2	0.0	0.0	0.0	0.0
3	Petro-chemicals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4	Electrical machinery and equipment	0.0	0.0	0.1	0.1	-1.3	-1.6	0.0	0.0	-0.1	-0.1	-0.1	-0.1	0.0	0.0
5	Processed foods, n.e.c.	0.0	0.0	0.0	0.0	-0.7	-0.8	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0
6	Iron and steel	-0.1	-0.1	0.0	0.0	1.0	0.6	-0.1	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0
7	Motor vehicles	0.1	0.1	-0.1	-0.1	1.6	1.1	-0.1	-0.1	0.4	0.4	-0.1	-0.1	-0.1	-0.1
8	Crops, n.e.c. (except grains)	-0.1	0.0	-0.1	0.0	0.7	0.7	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0
9	Vegetables and fruits	-0.1	-0.1	-0.1	-0.1	0.8	0.8	0.0	0.0	-0.1	-0.1	0.0	-0.1	0.0	0.0
10	Fabricated metals	0.0	0.0	0.0	0.0	-0.4	-0.4	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0
11	Beverages and tobacco	0.0	0.0	0.1	0.1	-1.8	-2.1	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0
12	Non-ferrous metals	0.0	0.0	0.0	0.0	-0.2	-0.3	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0
13	Vegetables oils	0.0	0.0	0.0	0.0	-0.5	-0.5	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0
14	Paper, pulp, and publishing	0.0	0.0	0.0	0.0	-0.6	-0.6	0.0	0.0	-0.1	-0.1	0.0	0.0	-0.1	0.0
15	Textiles	-0.1	-0.1	0.0	0.0	0.1	0.0	0.0	0.0	-0.2	-0.2	0.0	0.0	-0.1	0.0
16	Dairy products	-0.1	-0.1	-0.1	-0.1	0.3	0.3	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0
17	Manufactures, n.e.c.	0.0	0.0	0.0	0.0	-0.2	-0.4	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0
18	Meats, except beef	0.0	0.0	0.0	0.0	-0.2	-0.2	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0
19	Other transport equipment	0.0	0.0	0.0	0.0	-0.7	-0.8	0.0	0.0	-0.1	-0.1	0.0	0.0	-0.1	0.0
20	Clothing	0.0	0.0	0.0	-0.1	0.1	0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	0.0
21	Oil, gas, and coal	0.0	0.0	0.0	0.0	0.2	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
22	Wood products	0.0	0.0	0.0	0.0	-0.5	-0.5	0.0	0.0	-0.1	-0.1	0.0	0.0	-0.1	0.0
23	Other goods	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0

		NL		EU2		Aus/NZ		US		JP		BRIC		ROW	
	sectors	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR
24	Utilities	0.0	0.0	0.0	0.0	-0.2	-0.3	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0
25	Construction	0.0	0.0	0.0	0.0	-0.4	-0.3	0.0	0.0	-0.1	-0.1	0.0	0.0	-0.1	0.0
26	Retail and wholesale trade and warehousing	0.0	0.0	0.0	0.0	-0.4	-0.4	0.0	0.0	-0.1	-0.1	-0.1	0.0	-0.1	-0.1
27	Transport services	0.0	0.0	0.0	0.0	-0.3	-0.3	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0
28	Communications	0.0	0.0	0.0	0.0	-0.5	-0.6	0.0	0.0	-0.1	-0.1	-0.1	0.0	-0.1	0.0
29	Other financial services	0.0	0.0	0.0	0.0	-0.4	-0.5	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
30	Insurance	0.0	0.0	0.0	0.0	-0.4	-0.5	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
31	Other business services	0.0	0.0	0.0	0.0	-0.5	-0.5	0.0	0.0	-0.1	-0.1	-0.1	0.0	-0.1	-0.1
32	Recreational and consumer services	0.0	0.0	0.0	0.0	-0.5	-0.6	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
33	Other services (public health, education, residential)	0.0	0.0	0.0	0.1	-0.3	-0.4	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1

Table 0.15 Skilled labour employment, % change

		N		EU2		Aus/NZ		US		JP		BRIC		ROW	
	sectors	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR
1	Chemicals, rubber, and plastics	0.1	0.1	0.0	0.0	-0.5	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2	Other machinery and equipment	0.0	0.1	0.1	0.2	-9.1	-8.0	0.0	-0.1	0.5	0.6	0.0	0.0	-0.2	-0.2
3	Petro-chemicals	0.0	0.0	0.0	0.0	0.5	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4	Electrical machinery and equipment	-0.4	-0.2	-0.7	-0.5	8.9	10.7	-0.3	-0.2	0.3	0.4	0.1	0.1	-0.1	-0.1
5	Processed foods, n.e.c.	-0.1	-0.1	-0.1	-0.1	1.1	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6	Iron and steel	0.2	0.3	0.1	0.2	-5.1	-4.3	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1
7	Motor vehicles	-0.4	-0.4	0.5	0.5	-7.8	-6.5	0.2	0.2	-1.6	-1.7	0.1	0.1	0.2	0.2
8	Crops, n.e.c. (except grains)	0.0	-0.1	-0.1	-0.1	0.8	0.8	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0
9	Vegetables and fruits	-0.1	-0.1	-0.2	-0.2	1.5	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10	Fabricated metals	0.2	0.2	0.1	0.1	-2.7	-2.3	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0

		N		EU2		Aus/NZ		US		JP		BRIC		ROW	
	sectors	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR
11	Beverages and tobacco	-0.1	-0.1	-0.1	-0.1	1.9	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12	Non-ferrous metals	0.0	0.0	0.0	0.0	1.0	1.4	0.0	0.0	0.1	0.1	0.0	0.0	-0.1	0.0
13	Vegetables oils	0.0	0.0	0.0	-0.1	0.9	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14	Paper, pulp, and publishing	0.0	0.0	0.0	0.0	-1.1	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
15	Textiles	0.2	0.2	0.2	0.2	-3.6	-3.3	0.0	0.0	0.5	0.5	-0.1	-0.1	0.1	0.0
16	Dairy products	-2.2	-2.2	-1.9	-1.9	34.7	34.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
17	Manufactures, n.e.c.	0.2	0.1	0.0	0.1	-1.5	-1.0	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0
18	Meats, except beef	0.2	0.2	-0.1	-0.1	0.7	0.8	0.0	0.0	0.2	0.2	0.0	0.0	0.0	0.0
19	Other transport equipment	0.0	0.0	-0.2	-0.1	1.1	1.4	-0.1	-0.1	0.4	0.4	0.0	0.0	0.1	0.1
20	Clothing	0.1	0.1	0.3	0.3	-6.0	-5.9	0.2	0.1	0.2	0.2	-0.1	-0.1	0.1	0.0
21	Oil, gas, and coal	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
22	Wood products	0.0	0.0	0.1	0.1	-1.4	-1.2	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0
23	Other goods	-0.2	-0.2	-0.2	-0.2	2.3	2.4	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0
24	Utilities	0.0	0.0	0.0	0.0	0.4	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0
25	Construction	0.0	0.0	0.0	0.0	0.4	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
26	Retail and wholesale trade and warehousing	-0.1	-0.1	0.0	0.0	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
27	Transport services	0.0	0.0	0.0	-0.1	0.7	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
28	Communications	0.3	0.3	0.1	0.0	-1.1	-1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
29	Other financial services	0.0	0.0	0.0	0.0	-0.6	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
30	Insurance	0.0	0.0	0.0	0.0	-0.7	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
31	Other business services	0.0	0.0	0.0	0.0	-0.7	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
32	Recreational and consumer services	0.1	0.1	0.0	0.0	-0.1	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
33	Other services (public health, education, residential)	0.0	0.0	0.0	0.0	0.3	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Share of labor force displaced across sectors	0.2	0.2	0.0	0.0	2.8	2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Table 0.16 Unskilled employment, % change

		NL		EU26		Aus/NZ		US		JP		BRIC		ROW	
	sectors	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR
1	Chemicals, rubber, and plastics	0.1	0.1	0.0	0.0	-0.7	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2	Other machinery and equipment	0.1	0.1	0.1	0.2	-9.3	-8.3	-0.1	-0.1	0.5	0.6	0.0	0.0	-0.2	-0.2
3	Petro-chemicals	0.1	0.0	0.0	0.0	0.3	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4	Electrical machinery and equipment	-0.4	-0.2	-0.6	-0.5	8.7	10.3	-0.3	-0.2	0.3	0.4	0.1	0.1	-0.1	-0.1
5	Processed foods, n.e.c.	0.0	0.0	-0.1	-0.1	0.9	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6	Iron and steel	0.3	0.4	0.1	0.2	-5.3	-4.5	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1
7	Motor vehicles	-0.4	-0.4	0.5	0.5	-8.0	-6.7	0.2	0.2	-1.6	-1.7	0.1	0.1	0.2	0.2
8	Crops, n.e.c. (except grains)	0.0	-0.1	-0.1	-0.1	0.8	0.8	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0
9	Vegetables and fruits	-0.1	-0.1	-0.2	-0.2	1.4	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10	Fabricated metals	0.2	0.2	0.1	0.2	-2.9	-2.6	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0
11	Beverages and tobacco	0.0	-0.1	-0.1	-0.1	1.7	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12	Non-ferrous metals	0.0	0.0	0.0	0.0	0.8	1.0	0.0	0.0	0.1	0.1	0.0	0.0	-0.1	0.0
13	Vegetables oils	0.0	0.0	0.0	-0.1	0.6	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14	Paper, pulp, and publishing	0.1	0.0	0.0	0.0	-1.3	-1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
15	Textiles	0.2	0.3	0.2	0.3	-3.9	-3.6	0.0	0.0	0.5	0.5	-0.1	-0.1	0.1	0.0
16	Dairy products	-2.2	-2.2	-1.9	-1.9	34.4	34.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
17	Manufactures, n.e.c.	0.2	0.2	0.1	0.1	-1.7	-1.3	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0
18	Meats, except beef	0.2	0.2	-0.1	-0.1	0.5	0.5	0.0	0.0	0.2	0.2	0.0	0.0	0.0	0.0
19	Other transport equipment	0.0	0.0	-0.1	-0.1	0.8	1.1	-0.1	-0.1	0.4	0.4	0.0	0.0	0.1	0.1
20	Clothing	0.1	0.1	0.3	0.3	-6.2	-6.2	0.2	0.1	0.2	0.2	-0.1	-0.1	0.1	0.0
21	Oil, gas, and coal	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
22	Wood products	0.1	0.1	0.1	0.1	-1.6	-1.5	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0
23	Other goods	-0.2	-0.1	-0.2	-0.2	2.2	2.2	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0

		NL		EU26		Aus/NZ		US		JP		BRIC		ROW	
	sectors	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR	SR	LR
24	Utilities	0.0	0.0	0.0	0.0	0.2	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
25	Construction	0.0	0.0	0.0	0.0	0.2	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
26	Retail and wholesale trade and warehousing	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
27	Transport services	0.0	0.0	0.0	0.0	0.4	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
28	Communications	0.3	0.3	0.1	0.1	-1.3	-1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
29	Other financial services	0.0	0.0	0.0	0.0	-0.8	-1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
30	Insurance	0.0	0.0	0.0	0.0	-0.9	-1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
31	Other business services	0.1	0.0	0.0	0.0	-1.0	-1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
32	Recreational and consumer services	0.1	0.1	0.0	0.0	-0.4	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
33	Other services (public health, education, residential)	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Share of labor force displaced across sectors	0.2	0.2	0.0	0.0	2.8	2.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Annex E The baseline

Table 0.17 Import trade barriers, percentage

	Exports to the Netherlands			Imports from the Netherlands		
	US	JP	Aus/NZ	US	JP	Aus/NZ
Chemicals, rubber, and plastics	1.8	2.7	1.2	1.9	1.9	2.5
Other machinery and equipment	1.0	1.8	1.4	0.7	0.0	2.6
Petro-chemicals	2.1	0.4	0.0	2.1	3.5	0.7
Electrical machinery and equipment	0.1	1.6	0.6	0.5	0.0	0.6
Processed foods, n.e.c.	18.6	11.2	11.8	4.3	18.5	2.6
Iron and steel	1.2	0.1	0.2	0.1	0.5	3.1
Motor vehicles	5.7	6.9	4.9	2.2	0.0	5.4
Crops, n.e.c. (except grains)	40.4	3.9	4.1	2.3	0.1	0.0
Vegetables and fruits	2.6	1.9	2.9	2.9	3.2	0.3
Fabricated metals	2.8	2.9	2.8	2.0	0.4	6.0
Beverages and tobacco	12.9	9.4	7.6	0.2	18.8	1.9
Non-ferrous metals	3.4	3.6	2.7	2.1	0.7	3.9
Vegetables oils	12.6	6.7	1.1	3.3	6.7	1.1
Paper, pulp, and publishing	0.0	0.0	0.0	0.0	0.1	2.6
Textiles	6.0	4.8	6.0	5.2	3.2	7.2
Dairy products	29.7	224.3	46.8	28.7	19.2	7.7
Manufactures, n.e.c.	1.4	2.1	1.7	0.3	2.1	2.7
Meats, except beef	31.2	5.1	7.5	2.1	70.9	4.1
Other transport equipment	1.2	5.0	1.6	0.2	0.0	0.9
Clothing	9.8	9.7	6.0	8.0	10.4	19.2
Oil, gas, and coal	0.0	0.0	0.0	0.3	0.0	0.0

	Exports to the Netherlands			Imports from the Netherlands		
	US	JP	Aus/NZ	US	JP	Aus/NZ
Wood products	0.8	0.8	1.8	0.7	1.0	4.9
Other goods	2.1	3.4	2.7	2.6	3.3	4.5
Utilities	*	*	*	*	*	*
Construction	1.1	2.5	2.5	2.5	2.5	18.5
Retail and wholesale trade and warehousing	1.1	2.5	2.5	2.5	2.5	18.5
Transport services	2.0	2.0	2.0	2.0	2.0	2.0
Communications	1.1	2.5	22.1	2.5	22.1	56.0
Other financial services	3.3	27.5	7.5	27.5	7.5	30.0
Insurance	5.5	17.5	2.5	17.5	2.5	18.5
Other business services	1.1	3.8	6.3	3.8	6.3	21.0
Recreational and consumer services	1.1	2.5	2.5	2.5	2.5	18.5
Other services (public health, education, residential)	*	*	*	*	*	*

Note 1: tariffs are from GTAP data, based on MacMAPS and WTO applied tariff estimates
Note 2: services barriers are based on gravity estimates (see forthcoming EU-US NTM study).

Table 0.18 GDP in baseline secenario (2020)

	GDP (EUR million)
Netherlands	629,865
EU26	13,332,278
United States	13,967,408
Japan	4,748,851
Australia and New Zealand	771,087
Brazil, Russia, India, China	12,897,860
Rest of World	12,220,938

Table 0.19 Export values in baseline scenario (2020)

	Exports (EUR million)
Netherlands	251,083
EU26	4,347,695
United States	1,401,643
Japan	721,662
Australia and New Zealand	178,364
Brazil, Russia, India, China	2,593,728
Rest of World	4,648,066

Table 0.20 Share of sectors in total value added in baseline secenario (2020)

	Value added share						
	NL	EU-26	USA	Japan	AusNZ	BRIC	ROW
Chemicals, rubber, and plastics	1.31	2.76	2.25	2.30	1.26	2.63	1.97
Other machinery and equipment	2.28	3.32	3.24	3.40	0.69	5.18	2.26
Petro-chemicals	0.17	0.06	0.05	0.06	0.11	0.31	0.28
Electrical machinery and equipment	0.14	0.50	0.34	1.95	0.13	3.01	1.75
Processed foods, n.e.c.	1.56	1.59	1.01	1.21	1.07	0.77	1.17
Iron and steel	0.49	0.44	0.35	0.88	0.41	1.56	0.57
Motor vehicles	0.57	1.50	0.96	1.96	0.66	1.18	1.42
Crops, n.e.c. (except grains)	2.15	0.63	0.22	0.29	0.24	0.72	0.80
Vegetables and fruits	0.57	0.73	0.39	0.63	1.09	5.36	2.53
Fabricated metals	0.84	1.51	1.01	1.21	0.81	1.16	0.77
Beverages and tobacco	0.47	0.33	0.34	0.67	0.66	0.35	0.59
Non-ferrous metals	0.12	0.27	0.20	0.34	0.22	0.68	0.47
Vegetables oils	0.07	0.08	0.02	0.02	0.06	0.05	0.19
Paper, pulp, and publishing	1.88	1.62	1.52	1.62	1.78	0.85	1.12
Textiles	0.23	0.39	0.27	0.21	0.22	1.30	0.87
Dairy products	0.64	0.44	0.19	0.14	0.39	0.29	0.30
Manufactures, n.e.c.	0.69	0.70	0.27	0.62	0.37	1.30	0.64
Meats, except beef	0.22	0.17	0.17	0.08	0.19	0.08	0.19
Other transport equipment	0.38	0.40	0.78	0.36	0.19	0.81	0.53
Clothing	0.32	0.38	0.04	0.27	0.17	0.97	0.47
Oil, gas, and coal	2.07	0.93	1.77	0.01	5.97	4.95	13.58
Wood products	0.26	0.58	0.87	0.27	0.45	0.54	0.72
Other goods	2.12	3.48	2.20	2.18	8.43	11.73	7.45
Utilities	1.85	1.85	1.78	2.01	2.18	2.08	2.12
Construction	6.39	5.84	7.22	6.86	6.35	9.22	5.69

	Value added share						
	NL	EU-26	USA	Japan	AusNZ	BRIC	ROW
Retail and wholesale trade and warehousing	11.86	13.26	12.88	15.69	13.24	8.22	11.02
Transport services	4.50	4.83	2.89	5.04	4.79	4.06	4.33
Communications	2.45	2.29	2.04	2.35	3.01	1.23	1.93
Other financial services	2.16	2.79	7.42	3.88	3.71	3.06	3.21
Insurance	1.38	1.00	1.99	1.48	2.08	0.87	0.97
Other business services	21.94	20.08	9.92	10.09	10.70	4.96	6.21
Recreational and consumer services	3.06	3.74	3.39	3.35	2.58	2.00	2.26
Other services (public health, education, residential)	24.84	21.53	32.01	28.55	25.78	18.54	21.62

Table 0.21 Share of sectors in total exports in baseline secenario (2020)

	Export shares						
	NL	EU-26	USA	Japan	AusNZ	BRIC	ROW
Chemicals, rubber, and plastics	11.51	14.32	12.39	11.08	2.86	8.26	6.05
Other machinery and equipment	6.30	14.79	13.93	29.58	2.11	13.56	8.28
Petro-chemicals	11.52	1.58	2.55	0.47	0.67	4.05	4.34
Electrical machinery and equipment	1.55	2.85	6.27	10.68	0.26	26.61	9.53
Processed foods, n.e.c.	5.93	2.20	1.77	0.43	2.22	0.73	1.80
Iron and steel	3.05	2.18	0.86	3.06	0.79	3.21	1.90
Motor vehicles	3.50	10.58	7.15	18.99	1.44	3.07	5.11
Crops, n.e.c. (except grains)	4.88	0.54	0.51	0.19	0.52	0.08	0.63
Vegetables and fruits	2.17	0.95	1.48	0.04	2.32	0.10	1.86
Fabricated metals	2.22	2.10	1.33	1.49	0.34	2.78	1.00
Beverages and tobacco	2.62	1.16	0.41	0.12	1.76	0.12	0.40
Non-ferrous metals	0.99	1.41	1.30	1.27	2.67	3.19	2.33
Vegetables oils	0.30	0.23	0.26	0.01	0.06	0.32	0.79
Paper, pulp, and publishing	2.55	2.56	2.03	0.72	0.95	0.73	1.17
Textiles	0.79	1.71	1.15	1.35	0.58	4.04	2.50
Dairy products	1.95	0.67	0.14	0.00	1.64	0.03	0.14
Manufactures, n.e.c.	1.87	1.28	1.25	1.06	0.33	4.27	1.15
Meats, except beef	1.75	0.54	0.63	0.01	0.22	0.22	0.15
Other transport equipment	1.18	2.50	5.12	2.93	0.39	1.49	1.78
Clothing	0.22	1.05	0.32	0.09	0.16	7.55	1.31
Oil, gas, and coal	3.17	0.96	2.00	0.00	20.37	5.71	26.29
Wood products	0.29	1.77	0.78	0.14	0.80	1.44	1.44
Other goods	4.11	7.88	11.12	3.97	38.26	2.79	7.05
Utilities	0.27	0.58	0.26	0.01	0.08	0.21	0.26
Construction	1.05	0.73	0.39	1.61	0.09	0.19	0.25
Retail and wholesale trade and warehousing	1.92	1.99	1.10	2.20	2.89	1.18	2.49

	Export shares						
	NL	EU-26	USA	Japan	AusNZ	BRIC	ROW
Transport services	4.26	5.13	4.13	3.37	6.11	1.87	4.20
Communications	1.55	0.72	0.61	0.15	0.63	0.22	0.40
Other financial services	0.40	1.76	1.68	0.60	0.64	0.09	0.42
Insurance	0.53	1.68	1.12	0.31	0.70	0.07	0.46
Other business services	12.61	7.90	5.55	2.29	2.34	1.40	2.86
Recreational and consumer services	0.93	1.60	3.03	0.58	2.16	0.16	0.70
Other services (public health, education, residential)	2.06	2.09	7.36	1.20	2.61	0.23	0.97