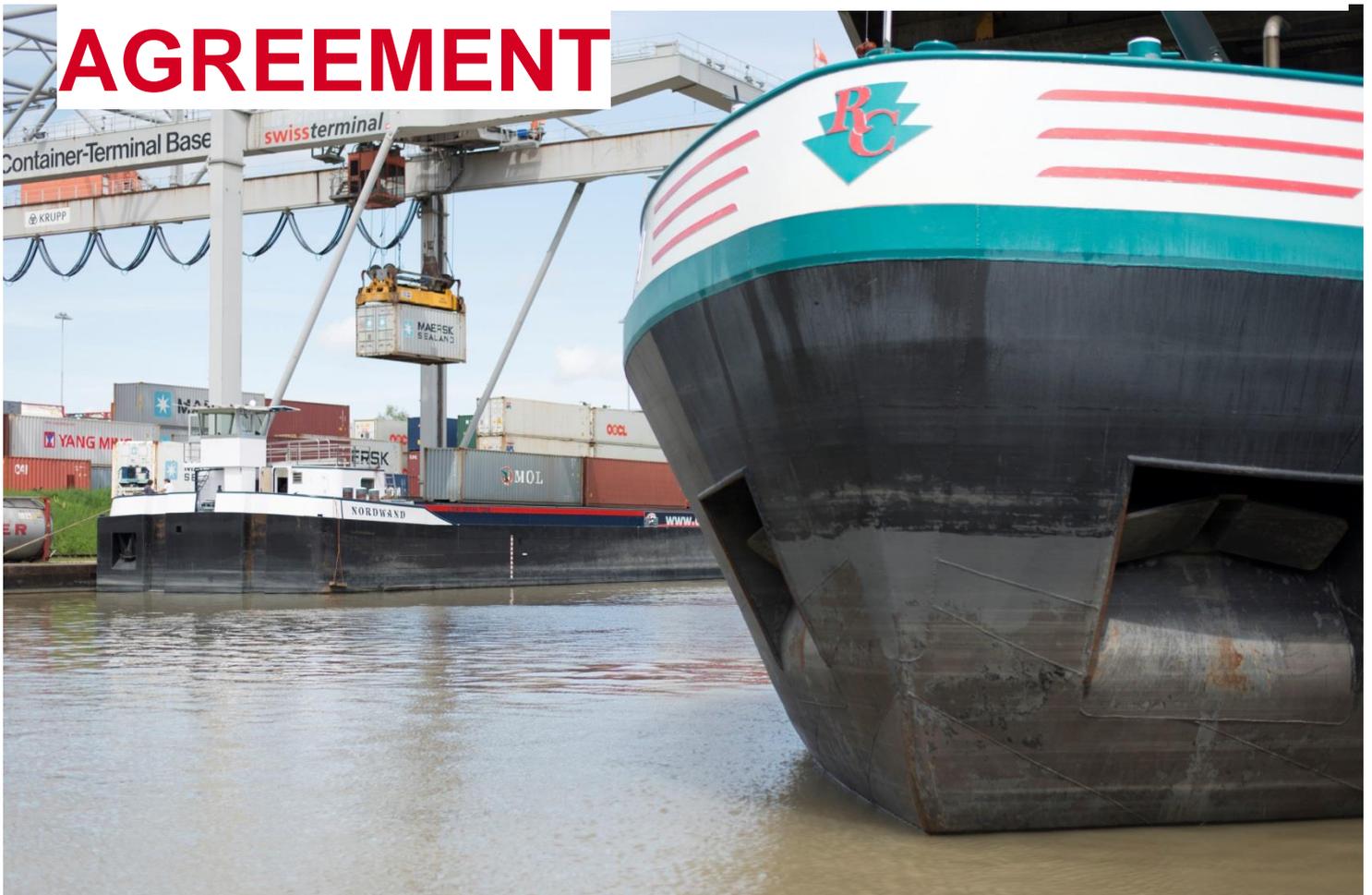


An Analysis of the Tariff Discrimination Potential of a
TTIP-Agreement against Swiss Companies and their Exports

TRANSPACIFIC PARTNERSHIP AGREEMENT



OFFICIAL PROGRAM

**AN ANALYSIS OF THE TARIFF
DISCRIMINATION POTENTIAL OF A TTIP-
AGREEMENT AGAINST SWISS COMPANIES
AND THEIR EXPORTS**

**CONSEQUENCES OF THE TRANSATLANTIC
TRADE AND INVESTMENT PARTNERSHIP
(TTIP) FOR SWISS COMPANIES**

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1. Executive Summary

The Transatlantic Trade and Investment Partnership (TTIP) between the US and the EU (EU-27, without UK) will, as other bilateral and plurilateral preferential trade agreements, have discriminatory consequences for non-participating third countries. This study focuses on the potential effects of *tariff abolishment* as part of a TTIP-Agreement on Swiss exporting companies on the US market, since Switzerland already has tariff-free access to the EU market. TTIP will give preferential access to the EU market also to the US companies and thereby intensify competition for Swiss enterprises in Europe.

The main analytical tool of this study is the *Discrimination Potential Index (DPI)*, based on the (calculated) TTIP-induced savings potential of EU-based competitors to Swiss companies and the (established) Swiss exports positions on the US market. It filters and ranks the cases in which there is TTIP-induced savings potential and actual Swiss exports to the US market. Thanks to sectoral agreements and/or US zero tariffs, 63% of actual Swiss exports to the US are already tariff free, including pharmaceuticals.

This study shows that 1730 Swiss export positions (HS-6 level) are potentially concerned by TTIP. Nine of the thirty most strongly affected Swiss exports goods are chemical products, 12 product groups of the mechanical and electrical engineering industry (MEM) industry. In fact, *no industry sector of the Swiss economy goes unaffected by TTIP*. Of the top 500 TTIP-DPI positions, showing where the TTIP might have the largest impact on Swiss companies, 19 concern agricultural products, 90 chemicals, 48 plastic/rubber products, 26 cases are textiles, 43 instruments, 6 watches, and 44 various products such as footwear, glass, lamps, and sports requisites. By far the most cases concern the MEM-industry (213 cases, incl. 12 of top thirty positions, plus another 11 cases concerning vehicles and parts.

A wide range of EU sectors and locations will experience competitive advantages through TTIP. In several sectors, German companies would benefit most of TTIP in their competition on the US market with Swiss companies (e.g. machinery, vehicles and parts, instruments, food preparations, and industrial textiles). Regarding chemical products, mainly producers in Ireland and Germany (and also in Belgium, the Netherlands, and Italy) would benefit. In case of TTIP-realization, Switzerland as site of production will lose attractiveness since compliance with TTIP rules of origin will favor locations in the EU-27.

2. INTRODUCTION

In 2012, a comprehensive dialogue was initiated between the European Union (EU) and the United States (US), regarding possibilities for deepening of transatlantic trade and investment relations. Both the EU and the US already have relatively low MFN tariffs in place. The various non-tariff barriers (NTB, usually in the form of domestic regulations) on both sides of the Atlantic have been defined as most important impediments to transatlantic trade and investment flows. But, given the magnitude of both trade and investment flows between the trade partners, removing even relatively minor impediments such as tariffs to these flows will have a significant impact, with potential substantive benefits for both economies (CEPR 2013).¹

In June 2013 Presidents Obama, Barroso, and Van Rompuy formally launched negotiations toward an “ambitious and comprehensive” Transatlantic Trade and Investment Partnership (TTIP) Agreement. The negotiations address a wide range of issues. After the 13th TTIP negotiating round in April 2016 248 pages of classified documents leaked and were published by Greenpeace Netherlands.² These documents cover the following topics:

- National Treatment and Market Access for Goods
- Agriculture
- Cross-Border Trade in Services
- Electronic Communications
- Government Procurement
- Customs and Trade and Facilitation
- Regulatory Cooperation
- Technical Barriers to Trade
- Sanitary and Phytosanitary Measures
- Competition
- Small and Medium-sized Enterprise
- State-owned Enterprise
- Dispute Settlement.

In August 2016, none of the TTIP chapters have been fully completed.³ News agencies report that negotiators remain far apart on agriculture and public procurement, digital trade and services, regulatory cooperation and certain rules issues as IPR and geographic indications (GIs) for European food products, as well as the treatment of investment and investor-state dispute settlement (ISDS). Officially both negotiating partners are determined to reach a final deal before US President Obama leaves office in January 2017. Economic Associations and pressure groups on both sides of the Atlantic keep pushing for the conclusion of a TTIP Agreement.⁴

The people of the United Kingdom (UK) voted for an ending of EU membership (“Brexit”) in a historic referendum on June 23, 2016. This process will have consequences for the TTIP negotiations since one of the partners' positions (or both) might change in view of the upcoming separation process. Shortly after the referendum, both US Trade Representative Mike Froman Trade and EU Trade Commissioner Cecilia Malmström emphasized that “the economic and strategic rationale of TTIP remains as strong as it was [before the referendum]”.⁵

The UK has the challenge to conclude new trade agreements with the EU-27 and the rest of the world, including Switzerland, and will not be covered by a future TTIP-Agreement.⁶ We adapt the research setting and refer to the *European Union as the EU-27, without UK*.

1 The CEPR (2013) study estimates that a TTIP limited to tariff liberalisation alone would lead to a 23.7 Bio euro increase in GDP for the EU and a 9.4 Bio euro increase for the US.

2 www.bbc.com/news/world-europe-36185746; www.ttip-leaks.org/

3 *No TTIP Deal This Year*, Handelsblatt August 10, 2016.

4 <http://amcham.no/business-news/ttip-business-news/opinion-ttip-can-done-year-despite-brexit/>

5 De Ville/Siles-Brügge, 2016: *What does Brexit mean for TTIP?*

6 Although the UK might join a future TTIP Agreement, but this option is highly speculative, just like for Switzerland.

TTIP will, as all kinds of bilateral and plurilateral preferential trade agreements, have (intended or not) discriminatory consequences for non-participating third countries. This study focuses on the potential effects of tariff abolishment as part of TTIP-Agreement on Swiss exporting companies on the US market, since Switzerland already has tariff-free access to the EU market.⁷

7 EC Switzerland Free Trade Agreement, 22 July 1972, in: Official journal no. L 300, 31/12/1972.

3. Aim of the Study and Methodology Applied

As Switzerland is not a party to the TTIP process, there is a potential of discrimination against Swiss companies, in particular in form of benefits that their major competitors in EU countries enjoy on the US market. For example, a machine manufacturer in Southern Germany will profit from tariff-free access to the US market, once a TTIP Agreement is implemented, while Swiss machine exporters will continue to pay US duties under (unchanged) WTO MFN-treatment.

The aim of this study is to gain a better understanding for which groups of products the competitiveness of the Swiss companies might change or be affected on the US market, in particular:

- to know the maximum potential of discrimination against Swiss companies when exporting to the US;
- to know which sectors / goods exported by Swiss companies will be primarily affected, and which main competitors in the EU benefit most.

Swiss exports can take place tariff-free, even without a bilateral preferential agreement. This is the case when a country has unilateral zero duties on certain imports or when the goods are traded under specific plurilateral liberalization schemes such as the Information Technology Agreement or the Pharma Agreement. Therefore, the cases of Swiss exports have to be filtered which are

- not covered by preferential agreements, bi- or plurilateral
- not unilaterally set for zero duties by the importing country.

What remains is the theoretical universe in which the TTIP might create discrimination potential against Swiss exporters. However, in many cases, this might be irrelevant for Swiss companies, especially when there no Swiss exports to the US in the tariff line concerned. Hence the TTIP's potential effects have to be weighted against established Swiss export positions.

The formula used to estimate TTIP's discrimination potential against Swiss companies is composed of two elements:

- The savings potential for export position of EU country 1: $C_{exp1TTIP} SAV POT$, calculated as the multiplication of the export volume of country 1 ($EXP VOL C_{exp1}$) with the applied tariff rates of importing country, in this case the US (US ATR).

$$C_{exp1TTIP} SAV POT = EXP VOL C_{exp1} \times US ATR$$

- The discrimination potential against Swiss companies, defined as the multiplication of the Swiss export position in the US with competing EU country 1 TTIP-induced savings potential in the exports to the US.

$$DPV = CH EXP VOL \times C_{exp1TTIP} SAV POT$$

In two cases, the discrimination potential value equals zero:

1. In the case when there is no TTIP-induced savings potential for competing exporting EU country 1, Swiss positions are not affected by the TTIP.
2. In the case when there is TTIP-induced savings potential, but there are no Swiss exports in this tariff line.

The calculation of the TTIP discrimination potential value for every Swiss export position makes possible rankings of the positions affected, according to export market, sector or product group. This is a useful 'early warning' instrument for companies, business associations, chambers of commerce as well as trade diplomats and consultants in preparing for the TTIP-related changes.

4. Results

4.1. THE TTIP DISCRIMINATION POTENTIAL INDEX (TTIP-DPI)

The main result of this study is the *TTIP Discrimination Potential Index (TTIP-DPI)*, a ranking of trade flows according to its Discrimination Potential Value (DPV). Table 1 shows the top thirty positions. The *import ID* identifies the specific trade flow for importer (e.g. first position **USA293359EU**), HS Code (**USA293359EU**) and exporter (**USA293359EU**). This means that the most relevant case for Switzerland of a TTIP-induced discrimination effect affects the exports of certain organic chemicals to the US market. The highest DPV is a consequence from a high savings potential for EU producers thanks to the TTIP on one side, and strong Swiss export positions in the US on the other.

The complete TTIP-DPI, too voluminous to be printed, reveals that 1730 Swiss export positions (HS-6 level) are affected by the TTIP, albeit to different degrees. In this section, we focus on the thirty most thirty positions with the highest DPI value, the following section 4.2 analyses the top 500 positions, while section 4.3 has look at the products not concerned by tariff abolishment though TTIP.

Table 1 reveals that nine of the thirty most strongly affected Swiss exports goods are chemical products. Many product groups of the mechanical and electrical engineering industry (MEM) industry will be disadvantaged by TTIP (twelve positions among the top thirty), certain electrical machines and appliances, machine-tools, motors, turbines, and vehicles parts. Instruments are also strongly affected in three cases (HS 902290, 902790, 903180), microtomes among others, which are tools in microscopy used to cut extremely thin slices of material (“sections”). Three types of food exports are strongly affected by TTIP: Swiss cheese exports to the US are under competition by EU producers (DPI rank 3), but also the exports of certain food preparations (HS210690) and sugar confectionery (including white chocolate, HS170490).

Table 1: TTIP-DPI Top Thirty Positions:

Import ID	DPI	Description
USA293359EU	38'688'288'627'340'700	Organic chemicals // Compounds containing a pyrimidine ring or piperazine ring in the structure
USA293499EU	14'372'931'987'122'500	Organic chemicals // Nucleic acids and their salts,; other heterocyclic compounds
USA040690EU	8'710'502'323'830'930	Dairy produce; Cheese and curd. // -Other cheese
USA848180EU	6'973'171'384'443'070	Taps, cocks, valves and similar appliances for pipes, boiler shells,.... // -Other appliances
USA293500EU	5'690'758'414'799'850	Organic chemicals // Sulphonamides. // Sulphonamides.
USA853710EU	2'343'338'121'453'510	Electrical machinery // Boards, panels..., for electric control or the distribution of electricity, <1,000 V
USA293410EU	2'092'589'864'719'760	Organic chemicals // Nucleic acids and their salts; other heterocyclic compounds.
USA848190EU	1'704'416'291'556'110	Taps, cocks, valves and similar appliances for pipes, boiler shells, tanks, vats or the like // -Parts
USA293399EU	1'639'710'012'845'630	Organic chemicals // Heterocyclic compounds with nitrogen hetero-atom(s) only. // - Other : // - Other
USA847989EU	1'561'737'051'035'960	Machines and mechanical appliances – Other
USA210690EU	1'512'531'612'343'540	Food preparations not elsewhere specified or included. // -Other
USA392690EU	1'450'829'609'505'510	Articles of plastics and articles of other materials of headings 39.01 to 39.14. // -Other
USA850110EU	1'257'623'628'230'470	Electric motors and generators (excluding generating sets). // -Motors not exceeding 37.5 W
USA382490EU	1'231'012'403'713'130	Prepared binders for foundry moulds or cores; chemical products // -Other
USA853890EU	1'154'918'657'066'310	Electrical machinery; Parts for the apparatus of heading 85.35, 85.36 or 85.37. // -Other
USA870829EU	1'052'042'577'058'830	Parts and accessories of the motor vehicles of headings 87.01 to 87.05. //
USA293339EU	953'498'277'932'764	Organic chemicals // Compounds containing an unfused pyridine ring : // – Other
USA170490EU	666'950'565'726'157	Sugar confectionery (including white chocolate), not containing cocoa. // -Other
USA902790EU	563'505'308'930'901	Instruments // -Microtomes; parts and accessories
USA293299EU	581'516'743'824'248	Organic chemicals // Heterocyclic compounds // - Other : // – Other
USA841199EU	572'698'763'931'107	Turbo-jets, turbo-propellers and other gas turbines. // - Parts : // – Other
USA292429EU	533'856'482'216'803	Organic chemicals // Cyclic amides and their derivatives; salts thereof : // – Other
USA271019EU	513'308'487'205'941	Petroleum oils and oils obtained from bituminous minerals // – Other
USA902290EU	501'688'971'454'300	Apparatus based on the use of X-rays or of alpha, beta or gamma radiations // -Other, incl. Parts
USA854370EU	428'176'126'114'943	Electrical machines and apparatus // -Other machines and apparatus
USA903180EU	404'624'496'292'867	Measuring or checking instruments // -Other instruments, appliances and machines
USA870894EU	403'606'235'525'111	Parts and accessories of motor vehicles; Steering wheels, steering columns and steering boxes
USA845610EU	396'465'382'191'796	Machine-tools -Operated by laser or other light or photon beam processes
USA293090EU	374'381'455'495'963	Organic chemicals // Organo-sulphur compounds. // -Other
USA846693EU	351'029'453'638'232	Parts for machines of headings 84.56 to 84.61

Source: Author's calculations based on UNCOMTRADE data for 2015.

4.2. TTIP-DPI: TOP 500 POSITIONS

Of the top 500 TTIP-DPI positions, showing where the TTIP might have the largest impact on Swiss companies:

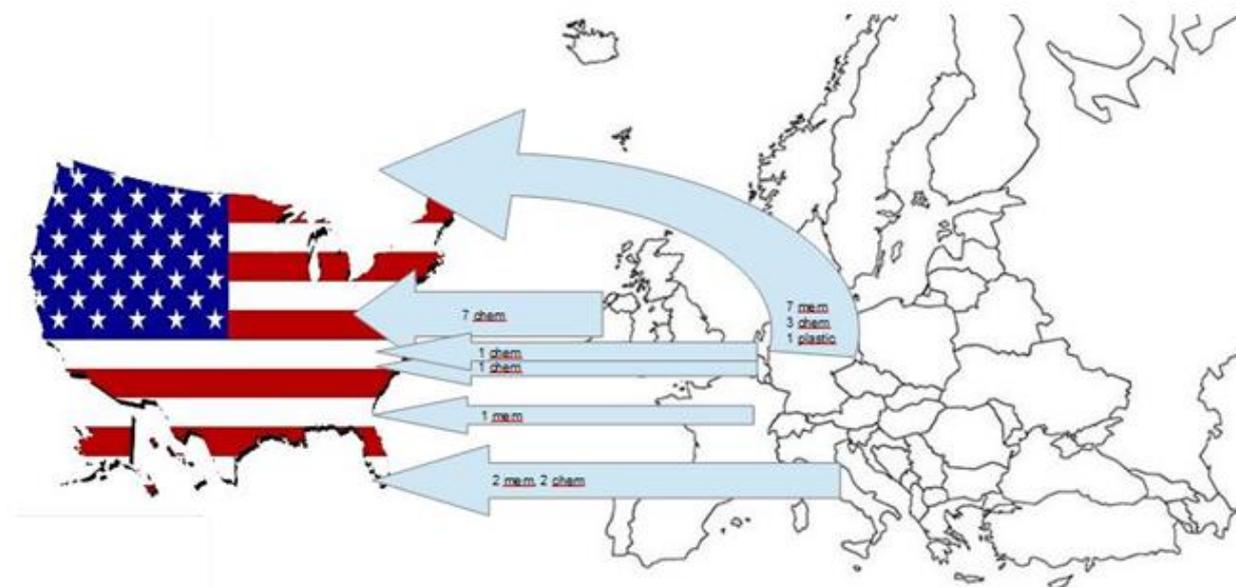
- 5 concern agricultural products,
- 14 processed agricultural products (PAPs),
- 90 chemicals (without pharmaceuticals, since the US is a member of the Pharma Agreement⁸),
- 48 concern plastic/rubber products,
- 26 cases are textiles,
- 43 instruments,
- 6 watches, and
- 44 various products such as footwear, glass, lamps, and sports requisites.
- By far the most cases concern the MEM-industry (213 cases, incl. 12 of top thirty positions, cf. Table 1), to which 11 cases concerning vehicles and parts can be added.

Regarding the number of cases concerned, MEM is Switzerland's industry most affected by TTIP. With fewer cases, but also heavily affected is the chemical industry. However, it is fair to say that no sector of the Swiss economy goes unaffected by TTIP. Therefore each sector is analyzed individually regarding the top positions affected on the US market: section 4.4 on food exports, 4.5 on textiles, 4.6 on machinery, 4.7 on vehicles, 4.8 on instruments, and 4.9 on watches.

Up to now, we have treated the EU as a homogeneous bloc. In a next step we disaggregate the EU into its 27 member states (UK excluded), apply the same analytical methods, and find out where the main competitors of Swiss companies come from. Again, this DPI is weighted according to the Swiss export position and the US tariffs applied.

We find that regarding chemical products, mainly producers in Ireland and Germany (and also in Belgium, the Netherlands, and Italy) would benefit, in relation to their competitors in Switzerland. The main competitors regarding machinery are located in Germany, France, and Italy.

Map 1: TTIP-DPI EU Countries: Main Competitors



8 During the Uruguay Round of the WTO negotiations, the United States and several other major trading partners agreed to reciprocal tariff elimination, a so-called "zero-for-zero initiative," for pharmaceutical products and for chemical intermediates used in the production of pharmaceuticals. Signatories to the WTO Pharmaceutical Agreement are Canada, the European Union and its Member States, Japan, Norway, Switzerland, the United States, and Macao (China). Source: ustr.gov/issue-areas/industry-manufacturing/industry-initiatives/pharmaceuticals, August 12, 2016.

Chem: Chemical exports, MEM: mechanical and electrical engineering exports. Source: Author.

4.3. POSITIONS NOT AFFECTED BY TTIP

The DPI reveals the Swiss export positions affected by the TTIP, and vice versa also those irrelevant for Swiss companies for the time being. This is the case for 2991 import positions of the US (63.3% of total 4725 cases): there is either simply no TTIP-induced savings potential or there are no established Swiss export interests – the DPV is zero.

First, the share of exports which is already conducted without US tariffs has to be determined. Basically, this can take place in the case (A) that US MFN tariffs are (unilaterally) zero or (B) in the case the US has signed a sectoral agreement such as the WTO Pharmaceutical Agreement (cf. fn. 8). Similarly the Information Technology Agreement (ITA), concluded by 29 participants at the Singapore WTO Ministerial Conference in December 1996, will free certain product groups from duties.⁹ This is highly relevant for Switzerland since the definition of 'Information Technology' is rather wide and covers some core export products of Swiss companies. An analysis of the discriminatory effect of TTIP would not be adequate without taking into account the coverage of the ITA. Consequently the sectoral analyses (4.4 – 4.9) will apply the ITA list to the DPI, where necessary.

Table 2 reveals that 63% of Swiss exports to the US are (or will soon be) tariff-free, mainly because of the high percentage of pharma exports, but also because of US tariffs being zero. The ITA will increase the percentage significantly. Compared with the EU, Switzerland has a significantly higher share of tariff-free exports to the US (63% vs 51.5%).

Table 2: Swiss and EU Exports to the US, Tariff Treatment

	CH		EU27*	
	Bio USD	%	Bio USD	%
Total exports to US 2015	25.3	100	344.6	100
... of which pharmaceutical (HS30) tariff-free	9.5	37.4	48.2	14
... tariff-free (US MFN=0)	5.3	21	115.1	33.4
... subject to tariffs	6.4	25.4	158	45.9
... expected tariff-free through ITA	1.2	4.6	14	4.1
Total tariff-free (lines 2, 3, 5)	15.9	63	177.3	51.5
<i>undefined</i>	2.9	11.6	9.3	2.7

* without UK. Source: Author's calculations based on UNCOMTRADE data 2015.

4.4. TTIP-DPI: SWISS FOOD EXPORTS

Regarding agricultural products, the results of the DPI calculation are not as precise as for the products of other sectors but rather approximating estimations. In many cases, TTIP measures implemented in this area might not correspond to complete liberalization, but take the form of (new or extended) tariff-rate quotas (TRQs). Therefore, TTIP-induced impacts on these items have to be studied qualitatively, one by one, after the negotiations result will be known.

Looking at the TTIP-DPI for food products (HS 01-24) affected, we found that cheese, certain food preparations, and sugar confectionery (including white chocolate) are among the most affected Swiss exports (table 1). The list of the food exports' top ten positions (table 3) reveals that chocolate is also concerned (2 positions), as well as bakers' wares, animal feeding stuff, sauces, and dried vegetables. Another cheese product is potentially affected, namely processed cheese (HS040630).

9 Since 1996, the number of ITA participants has grown to 82, representing about 97% of world trade in IT products. The participants are committed to completely eliminating tariffs on IT products covered by the Agreement. At the Nairobi Ministerial Conference in December 2015, over 50 members concluded the expansion of the Agreement, which now covers an additional 201 products valued at over \$1.3 trillion per year. Source: www.wto.org/english/tratop_e/inftec_e/inftec_e.htm, August 13, 2016.

Table 3: TTIP-DPI Top Ten Swiss Food Positions

Import ID	DPI	Description
USA040690EU	8'710'502'323'830'930	Dairy produce; Cheese and curd. // -Other cheese
USA210690EU	1'512'531'612'343'540	Food preparations not elsewhere specified or included. // -Other
USA170490EU	666'950'565'726'157	Sugar confectionery (including white chocolate), not containing cocoa. // -Other
USA180632EU	211'441'056'844'489	Chocolate// - Other, in blocks, slabs or bars : // – Not filled
USA190590EU	72'083'626'520'977	Bread, pastry, cakes, biscuits and other bakers' wares // -Other
USA230990EU	56'385'238'968'362	Preparations of a kind used in animal feeding. // -Other
USA180620EU	14'472'784'573'495	Chocolate // -Other preparations, of a content exceeding 2 kg
USA210390EU	11'103'646'290'181	Sauces and preparations therefor // -Other
USA040630EU	4'154'980'871'340	Processed cheese, not grated or powdered
USA071290EU	4'079'400'293'327	Dried vegetables // -Other vegetables; mixtures of vegetables

Source: Author's calculations based on UNCOMTRADE data for 2015.

The analysis with the EU disaggregated to country level shows that the main competitors of Swiss companies regarding food preparations are in Germany and Denmark, regarding chocolate from Germany and Belgium, sugar confectionery (incl. white chocolate) from Germany, Spain, Netherlands, Italy, and France. Major cheese exporters to the US are Italy, France, Netherlands, Spain, Ireland, Germany, and Denmark. The EU currently has (as well as Switzerland) annual US import quotas for different cheese types. It is likely that TTIP will not only abolish US tariffs (currently between 8% and 20%) but also quota for EU exporters. Again, German producers emerge as main competitors benefiting from TTIP.

4.5. TTIP-DPI: SWISS TEXTILE EXPORTS

Applied tariffs on textiles are usually comparatively high, e.g. in the case of the US up to 15% and more on special items. Looking at the TTIP-DPI for the textile positions (HS 50-63) affected, we find textiles made of wool or fine animal hair or cotton, but also carpets and industrial textiles.

Table 4: TTIP-DPI Top Ten Swiss Textiles Positions

Import ID	DPI	Description
USA620311EU	190'397'721'595'186	Men's or boys' suits // – Of wool or fine animal hair
USA620331EU	118'901'901'621'933	Men's or boys' suits // - Jackets and blazers : // – Of wool or fine animal hair
USA620520EU	30'710'366'575'663	Men's or boys' shirts. // -Of cotton
USA570231EU	10'936'110'838'518	Carpets and other textile floor coverings // Of wool or fine animal hair
USA511219EU	10'223'293'466'814	Woven fabrics of combed wool or of combed fine animal hair // – Other
USA620341EU	9'362'887'073'463	Trousers, bib and brace overalls, breeches and shorts : // – Of wool or fine animal hair
USA590390EU	8'329'599'243'640	Textile articles for industrial use //... // -Other
USA590320EU	6'961'259'905'625	Textile articles for industrial use //... // -With polyurethane
USA600410EU	5'406'230'583'534	Knitted or crocheted fabrics-Containing 5 % or more of elastomeric yarn
USA620431EU	5'201'248'166'503	Women's or girls' Jackets and blazers : // – Of wool or fine animal hair

Source: Author's calculations based on UNCOMTRADE data for 2015.

Even if some of these exports from the EU to the US profiting from TTIP tariff abolishment do not compete directly with products of Swiss origin, TTIP will increase the attractiveness of the EU as a location for the textile industry, to the disadvantage of Switzerland.

4.5.2 The EU disaggregated country analysis shows that the main competitors regarding men's suits (HS6203) come from Italy, Bulgaria, and Portugal. Ireland and Portugal export the same kind of carpets (HS570231) to the US as Switzerland. Concerning industrial textiles (HS5903), the main competitors sit in Germany and Italy.

4.6. TTIP-DPI: SWISS MACHINERY EXPORTS

As mentioned under “4.2 Top 500 Positions” the mechanical and electrical engineering (MEM) industry is Switzerland's most strongly affected economic sector, mainly machinery (and parts thereof, HS84-85). Table 5 depicts the top forty cases in which EU competitors will get advantages on the US market due to TTIP tariff abolishment.

Table 5: TTIP-DPI Top Forty Swiss MEM Positions

Import ID	DPI	ITA	Description
USA848180EU	6'973'171'384'443'070		- Taps, cocks, valves // -Other appliances
USA853710EU	2'343'338'121'453'510		- Boards, panels, consoles, ... for electric control or the distribution of electricity // <1,000 V
USA848190EU	1'704'416'291'556'110		- Taps, cocks, valves // -Parts
USA847989EU	1'561'737'051'035'960	1	Machines and mechanical appliances : // – Other
USA850110EU	1'257'623'628'230'470		- Electric motors and generators // -Motors of an output not exceeding 37.5 W
USA853890EU	1'154'918'657'066'310		- Electrical machinery // Parts // -Other
USA841199EU	572'698'763'931'107		- Turbo-jets, turbo-propellers and other gas turbines. // - Parts
USA854370EU	428'176'126'114'943	1	Electrical machinery // -Other machines and apparatus
USA845610EU	396'465'382'191'798	1	Machine-tools // -Operated by laser or other light or photon beam processes
USA846693EU	351'029'453'638'232	1	Parts and accessories // For machines of headings 84.56 to 84.61
USA853669EU	329'250'106'262'816		- Electrical machinery// - Lamp-holders, plugs and sockets : // – Other
USA853690EU	304'593'117'846'831	1	Electrical apparatus for switching/protecting electrical circuits // -Other apparatus
USA847790EU	285'462'029'010'530		- Machinery for working rubber or plastics. // -Parts
USA732690EU	277'733'426'321'180		- Articles of iron or steel // -Other
USA848340EU	271'121'629'516'991		- Transmission shafts and cranks
USA760612EU	246'838'204'830'458		- Aluminium plates, sheets and strip // – Of aluminium alloys
USA853650EU	243'738'041'710'202	1	Electrical apparatus for switching/protecting electrical circuits. // -Other switches
USA841990EU	240'368'112'584'818		- Machinery, plant or laboratory equipment// -Parts
USA840999EU	239'733'936'552'252		- Parts suitable for use with the engines of heading 84.07 or 84.08. // - Other
USA848390EU	224'094'545'972'308		- Transmission shafts and cranks;; parts
USA850440EU	223'676'028'596'711	1	Electrical transformers // -Static converters
USA846021EU	214'835'954'746'635		- Grinding machines // – Numerically controlled
USA841480EU	209'715'841'535'905		- Air or vacuum pumps, air or other gas compressors and fans // -Other
USA731815EU	204'912'978'252'609		- Screws and bolts, whether or not with their nuts or washers
USA846610EU	204'083'090'365'385		- Tool holders and self-opening dieheads
USA853649EU	191'347'887'938'416		- Electrical apparatus for switching / protecting electrical circuits // - Relays
USA848120EU	178'047'368'153'732		- Valves for oleohydraulic or pneumatic transmissions
USA841490EU	175'122'258'546'263		- Air or vacuum pumps, air or other gas compressors and fans // -Parts
USA845710EU	154'341'552'946'497		- Machining centres, for working metal. // -Machining centres
USA846694EU	140'178'024'200'365		- Parts and accessories : // – For machines of heading 84.62 or 84.63
USA851671EU	137'185'228'383'126		- Coffee or tea makers
USA850300EU	134'406'769'601'461		- Parts suitable for use with the machines of heading 85.01 or 85.02.
USA853720EU	132'828'514'795'433		- Boards, panels, ... for electric control or the distribution of electricity // >1,000 V
USA848210EU	116'107'660'613'138		- Ball bearings
USA853620EU	98'203'857'273'674		- Electrical apparatus // -Automatic circuit breakers
USA820750EU	89'353'918'883'450		- Tools for drilling, other than for rock drilling
USA841391EU	80'538'447'011'027		- Parts : // – Of pumps
USA846140EU	79'388'177'845'520		- Gear cutting, gear grinding or gear finishing machines
USA820900EU	77'123'337'609'734		- Plates, sticks, tips and the like for tools, unmounted, of cermets.
USA845931EU	63'948'809'625'125		- Machine-tools for drilling, boring, milling // – Numerically controlled

Source: Author's calculations based on UNCOMTRADE data for 2015. ITA list: WTO 2016.

A bright spot for the MEM industry: 7 positions on the top forty list will be (totally or partially) covered by the ITA. In total, the ITA will remove almost 60 positions completely or partially from the DPI - which means products of these categories will be exempted from US duties also for Swiss exporters. It is fair to say that the ITA considerably mitigates the negative impact of TTIP for the Swiss MEM industry.

The 10 main competitors regarding machinery have been identified as being located in Germany (7), Italy (2), and France (1) (Map 1). The analysis of the top forty (excluding products covered by the ITA) confirms the significance of German MEM companies as competitors for Swiss companies on the US market: 15 of them rank among the top forty, followed by five each in Italy and France, three each in Hungary and the Czech Republic, two each in Austria and Sweden and one in Spain, Poland, Romania, Denmark, and the Netherlands.

4.7. TTIP-DPI: SWISS VEHICLES EXPORTS

Access to the US market is also decisive in the vehicles' and vehicles' parts business. The TTIP will improve market access for EU exporters, very likely to the disadvantage of their Swiss competitors.

Table 6 reveals that the top ten positions concern car and bus parts exports from Switzerland, rank 11 and 12 show that also the tram- and railway business is affected, even bicycles exports (rank 14).

The ITA has no impact on this sector, except on some air- and spacecraft parts as well as ground flying trainers – products which Switzerland does not export to the US (yet).

Table 6: TTIP-DPI Fourteen Swiss Vehicles Positions

Import ID	DPI	Description
USA870829EU	1'052'042'577'058'830	Parts and accessories of the motor vehicles of headings 87.01 to 87.05
USA870894EU	403'606'235'525'111	Steering wheels, steering columns and steering boxes; parts thereof
USA870899EU	118'476'045'552'956	Parts and accessories of the motor vehicles of headings 87.01 to 87.05: // – Other
USA870830EU	45'879'427'530'540	Brakes and servo-brakes; parts thereof
USA870880EU	17'098'249'474'753	Suspension systems and parts thereof (including shock-absorbers)
USA870840EU	16'304'293'310'528	Gear boxes and parts thereof
USA870323EU	8'658'405'397'234	Motor vehicles principally designed for the transport of persons
USA870870EU	2'960'625'425'419	Road wheels and parts and accessories thereof
USA870850EU	2'490'780'761'881	Drive-axles with differential; parts thereof
USA870895EU	1'158'454'266'502	Safety airbags with inflater system; parts thereof
USA860799EU	787'409'546'223	Parts of railway or tramway locomotives or rolling-stock. // - Other
USA860719EU	638'133'823'186	Parts of railway or tramway locomotives or rolling-stock. // Bogies, bissel-bogies, axles and wheels
USA871492EU	518'375'688'776	Wheel rims and spokes
USA871200EU	479'515'244'572	Bicycles and other cycles, not motorised.

Source: Author's calculations based on UNCOMTRADE data for 2015.

The main producers of the first position (vehicles parts, HS870829) are mainly German, but also Czech, Hungarian, Romanian and Spanish companies. Behind the second, third, and fourth position are again mainly German, but to a lesser degree also French and Italian producers. Parts of rail- and tramways are also exported to the US from the Czech Republic, Italy, Spain, and Germany.

4.8. TTIP-DPI: SWISS INSTRUMENT EXPORTS

Swiss companies will have to face tougher price competition as soon the US tariffs will be probably completely abolished for EU competitors. US applied tariffs are in most categories affected as low as 1% or 2%, but the export values are often extraordinarily high.

Table 7: TTIP-DPI Top Ten Swiss Instruments Positions

Import ID	DPI	ITA	Description
USA902790EU	583'505'308'930'901		1 Microtomes; parts and accessories
USA902290EU	501'688'971'454'300		1 Apparatus based on the use of radiations // -Other
USA903180EU	404'624'496'292'867		1 Measuring or checking instruments, appliances and machines // -Other
USA903289EU	210'641'112'264'552		- Automatic regulating or controlling instruments and apparatus. // Other
USA903190EU	191'262'811'242'858		1 Measuring or checking instruments, appliances and machines // -Parts and accessories
USA903149EU	98'435'779'573'804		1 Optical instruments and appliances : // – Other
USA901320EU	81'938'185'878'288		1 Lasers, other than laser diodes
USA902920EU	59'706'481'248'514		- Speed indicators and tachometers; stroboscopes
USA902710EU	53'115'551'954'484		1 Gas or smoke analysis apparatus
USA902750EU	51'639'117'819'844		- Instruments and apparatus using optical radiations (UV, visible, IR)

Source: Author's calculations based on UNCOMTRADE data for 2015. ITA list: WTO 2016.

As in the case of the MEM industry, the impact of the ITA is highly relevant: 47 instrument positions on the DPI (of 81) will be freed from duties, including seven of the top ten positions. It is fair to say that the ITA saves at least a part of the Swiss instruments industry from the negative impact of TTIP.

Of the remaining positions on the DPI, the country analysis indicates that the main competitors com from Germany (HS903289, 902750) and from Hungary (HS902920).

4.9. TTIP-DPI: SWISS WATCHES EXPORTS

Again, TTIP will affect Swiss companies on the US market where competitors from the EU will profit from tariff abolishment. Many categories of watch imports are already duty free, but as the DPI shows, this applies not to all categories relevant for the Swiss watch industry. Certain wrist watches are concerned, but also watch cases, straps and bands. The ITA has no impact on this sector.

Table 8: TTIP-DPI Top Ten Swiss Watches Positions

Import ID	DPI	Description
USA910121EU	255'502'017'240'371	Wrist-watches // – With automatic winding
USA910129EU	119'651'219'099'012	Other wrist-watches
USA910229EU	46'294'068'761'249	Other wrist-watches
USA911390EU	5'264'769'858'127	Watch straps, watch bands and watch bracelets, and parts thereof. // -Other
USA911490EU	1'724'820'605'518	Other clock or watch parts. // -Other
USA911320EU	913'820'951'598	Watch straps, bands ... // -Of base metal, whether or not gold- or silver-plated
USA911310EU	500'122'817'492	Watch straps, bands... // -Of precious metal or of metal clad with precious metal
USA910690EU	96'985'174'969	Time of day recording apparatus // -Other
USA911190EU	37'081'587'911	Watch cases and parts thereof. // -Parts
USA911430EU	25'168'557'263	Other clock or watch parts. // -Dials

Source: Author's calculations based on UNCOMTRADE data for 2015.

The EU country analysis shows that the main competitors regarding wrist watches with automatic winding (HS910121) come from Italy and Germany, but also France and Portugal. Wrist watches of the type HS910129 and 910229 are also made mainly in Germany and Sweden. Watch straps, bands, bracelets, and parts (HS9113) mostly come from France, Italy, and Austria.

5. Conclusion

TTIP as a mega-regional preferential trade agreement between the US and EU-27 will have discriminatory effects on companies in third countries. The aim of this study was to gain a better understanding for which groups of products the competitiveness of the Swiss companies might be negatively affected by TTIP. The analytic tool used in this study is the *Discrimination Potential Index (DPI)*, a ranking of trade flows according to their Discrimination Potential Value (DPV). The TTIP-DPI revealed which Swiss export positions are potentially affected in a negative way by the tariff abolishment as core element of TTIP, but also those which are not.

To summarize the main finding in one sentence: TTIP will bring significant competitive advantages to EU-27 competitors of Swiss companies on the US-market through preferential tariff treatment. Initially, Switzerland (as well as the UK) will not be part of the deal, and Swiss exporters to the US will consequently continue paying MFN-duties as all those WTO-members' companies not having an FTA with the US.

The study shows that a wide range of Swiss sectors and positions will be affected by the impact of a TTIP Agreement, No. 1 being the mechanical and electrical engineering industry (MEM), closely followed by the chemical industry, but also also certain food, watch and textile exports. E.g. Swiss cheese exports to the US: The Trans-Pacific Partnership (TPP) Agreement will give preferential treatment to producers in New Zealand (the world's fourth biggest exporter of cheese) and Australia, TTIP to the EU, the world's biggest exporter of cheese (3.9 Mio tonnes, 72% of world export).¹⁰ In a world of TPP and TTIP, Switzerland would be the last major producer of cheese without preferential US market access. Some predict hard times for Swiss cheese exports (Luzius Wasescha 2016: "Schweizer Käse hätte keine Chance mehr").

In several sectors, German companies would benefit most of TTIP in their competition on the US market with Swiss companies (e.g. machinery, vehicles and parts, instruments, food preparations, and industrial textiles). But, again, it is a wide range of EU sectors and locations which will experience competitive advantages through TTIP. Switzerland as a site of production will lose attractiveness since compliance with rules of origin will favor locations in the EU-27.

The ITA will significantly mitigate the impact of TTIP for the exporters of instruments and certain MEM products. The WTO Pharma Agreement has freed pharmaceutical from US tariffs already. Furthermore, these two Agreements and some unilateral US tariffs equaling zero make 63% of Swiss exports to the world's biggest market duty free. This is good news for Switzerland and its export-oriented companies, but does not compensate for the expected negative impact of TTIP.

For the time being, a conclusion of TTIP negotiations seems not very likely. Many issues are unresolved, and imminent political changes (new administrations in the US and some EU member countries, Brexit etc.) might further delay the process. On behalf of political actors and companies in Switzerland, more detailed studies have to be conducted for specific products of interest. They may as a starting point for the development of long-term strategies to ensure competitiveness.

¹⁰ Germany is the world's most significant cheese exporter with the average export of 1 Mio tonnes (18.6% of total world export), followed by France (2), the Netherlands (3), Italy (5) (Vlahović et al. 2014).

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