# Bordeaux 2016 Abstract Submission

## Title
The Impact of the Transatlantic Trade and Investment Partnership (TTIP) on Wine Trade for the US

## I want to submit an abstract for:
Conference Presentation

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## Keywords
TTIP, spatial equilibrium model, ad valorem tariff simulation

## Research Question
What is the impact of the Transatlantic Trade and Investment Partnership (TTIP) on Wine Trade for the United States?

## Methods
A spatial equilibrium model of the wine industry is constructed and empirically specified in GAMS, and the impact of tariff reductions on trade is simulated.

## Results
Preliminary analysis shows that past bilateral trade values influence the current trade values and we can simulate the future possibilities using the latest trade data.

## Abstract
The Impact of the Transatlantic Trade and Investment Partnership (TTIP) on Wine Trade for the U.S.

The Transatlantic Trade and Investment Partnership (TTIP) is a proposed comprehensive free trade and investment agreement between the United States (US) and European Union (EU). The negotiations for TTIP began on June 2013 and it is expected to be finalized in 2016. It aims to create the world’s largest Free Trade Area, remove trade barriers, and promote strong relationship which are expected to boost economic growth and add to the more than 13 million jobs in the partner countries (United States Trade Representative, 2015). The economic relationship between the US and EU is the largest in the world, and together they generate over...
$15.6 trillion in GDP which accounts for the half the world's total output (World Bank, 2015). The US is the largest export destination for EU product, and the EU is the second largest export destination for the US. In 2014, the EU accounted for $202.4 billion of total U.S. exports (or 17.1%) and for $305.3 billion of total US imports (or 17.8%) (World Bank-COMTRADE, 2015). It is anticipated that such a partnership will not only increase trade/investment flow between the partners but also have a spill-over effects for third countries (Fontagne et al., 2013; EU Commission, 2014). However, progress still needs to be achieved in some important areas of the negotiations such as social and environmental protection energy and raw materials trade, and the guarantee for selected European food and beverages geographical indicators (EU Commission, 2014).

Wine trade is one of the sensitive issues in the TTIP negotiations. Although subsidies and tariffs are relaxed in wine trade between these two partners, the EU will protect their wine products registered under geographical indication (as of 2012, 1561 wine products are registered with geographical indication in the EU). It is expected that the inclusion of protection for wine brands will improve the wine exports from the EU. A few studies have analyzed the impact of tariff and domestic regulations on production and consumption of wine in these two regions, however, these studies do not examine the potential impacts of the proposed TTIP on wine industry. This paper develops an empirical trade simulation model focusing on US wine trade to analyze the impact of different negotiation outcome scenarios in the TTIP on US and EU wine trade.

Wine exports from the US to the EU tripled in quantity in the last two decades. The US exported $450 million wine to the EU and imported $2.9 billion wine from the EU in 2014. This represents 60% of United States total wine trade value (World Bank-COMTRADE, 2015). The total wine trade value of the US and EU accounted for $12 billion in 2014 where the total value is composed of wine products exports, $8.2 billion, and the imports by TTIP countries, $3.8 billion (World Bank-COMTRADE, 2015).

There are a number of empirical economic studies focused on the impacts of free trade agreements on the US and EU wine industries. These studies generally examine the EU policies on wine grape production (Critz et al., 1999; Deconinck and Swinnen, 2015; Anderson et al., 2008). A few studies focus on the impact of free-trade agreements on the U.S. wine industry. Most recently a study analyzed the impact of TTIP by developing tariffs and domestic regulations parameters that affect production and consumption of wine (Rickard et al., 2014). However, these studies did not attempt to simulate the impact of the TTIP on wine trade.

In this paper, the potential impacts of the TTIP on the U.S. wine industry are reviewed. A spatial equilibrium model of the wine industry is constructed and empirically specified in GAMS (Samuelson, 1952; Takayama and Judge, 1971). Bilateral trade amongst important wine exporting and importing EU countries are selected for the analysis (the United States, Italy, France, Spain, Rest of the EU, Rest of the World). The model uses the data from 2010-2014 period and simulate the impact of the TTIP on the U.S. wine industry by analyzing the industry before and after alternative outcome scenarios. The trade values and quantities are collected from the World Bank - COMTRADE (World Bank-COMTRADE, 2015). Import tariff rates are obtained from the World Bank - TRAINS dataset (World Bank-TRAINS, 2015).

Preliminary analysis shows that past bilateral trade values influences the current trade values and we can simulate the future possibilities using the latest trade data. While we expect that California and the pacific west coast wine industry will benefit from this partnership, we do not focus on regional impact in this paper. Rather a comprehensive sector specific economic analyses of the potential impact of the TTIP helps to quantify the effects of alternative outcomes for negotiators of those issues of greatest importance to for the U.S. wine industry.

References
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