

What will be the impact of the Transatlantic Trade and Investment Partnership (TTIP) on the Dutch agricultural sector?

Bachelor thesis European Public Administration | Lars de Groot

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Abstract

What will be the impact of the Transatlantic Trade and Investment Partnership (TTIP) on the Dutch agricultural sector?

The current negotiations of the TTIP treaty could bring welfare benefits to the European Union, the creation of a free trade area in which tariffs and other barriers are removed is a positive development for transatlantic trade. The Netherlands, with its open economy and big international trading hubs should see the advantages of such a treaty. The Dutch agricultural sector is analyzed and the effects are estimated by looking at the effects the Single Market has had on the production volume. Across the chosen sectors the production volume rose, pointing in the direction of direct influence of European economic integration and policy on production volume. As the treaty searches to remove barriers in trade between the nations, there will be a change in the legal framework. One aspect of the treaty is to remove all tariffs, which is good news for Dutch farmers and exporters, as on some specific products there are high import tariffs. But the main focus of the TTIP lies on removal the non-tariff barriers, many of which are of administrative nature. By removing these bureaucratic barriers, both time and money can be saved. As the US currently has the competitive advantage due to cheaper materials and lower cost of capital it will be interesting to see what the TTIP will do to this competitive advantage and what the new equilibrium between the EU and the US will be.

Keywords: TTIP, Dutch Agricultural sector, European economic integration

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List of Abbreviations

CAP	Common Agricultural Policy
CBS	Netherlands Bureau for Statistical Data
GDP	Gross Domestic Product
CPB	Netherlands Bureau for Economic Policy Analysis
DG	Directorate General
EC	European Community
EEA	European Economic Area
EEC	European Economic Community
ECSC	European Coal and Steel Community
EU	European Union
FTA	Free Trade Area
GMO	Genetically Modified Organics
HLWG	High Level Working Group
MS	Member States
NATO	North Atlantic Treaty Organization
NTB's	Non-tariff barriers
NTM's	Non-tariff measures
SM	Single Market
TABD	Transatlantic Business Dialogue
TAFTA	Transatlantic Atlantic Free Trade Area
TEC	Transatlantic Economic Council
TTIP	Transatlantic Trade and Investment Partnership
US	United States of America
USA	United States of America
USDA	United States Department of Agriculture
WTO	World Trade Organization

1. Creating the biggest free trade area in the world, an introduction.

Europe and the United states have been trade partners for centuries and now that the EU has the power to negotiate bilateral trade agreements, the final step in transatlantic trade policy is made. The creation of a free trade area that stretches from Hawaii in the West all the way to the Baltic States in the East, a huge undertaking that will affect hundreds of millions of Americans and Europeans.

The Netherlands will certainly see some effects when the TTIP is ratified. When markets open a new equilibrium is created, the only question is which barriers will be removed and how they affect international trade. In this paper the effects of this new treaty on the Dutch agricultural sector will be analyzed. The main question that will be answered in this paper then is: **What will be the impact of the Transatlantic Trade and Investment Partnership (TTIP) on the Dutch agricultural sector?**

1.1 The Transatlantic Trade and Investment Partnership

The TTIP is the result of decades of negotiating treaties to regulate transatlantic trade. After the fall of communism in 1989, the EU, back then the EC, and the US signed the Transatlantic Declaration. Initially this declaration was meant to keep the NATO alive. Yearly summits were organized where the ministers of the EU states and the US would discuss all sorts of matters, including trade between their nations. Since then more and more organizations and committees were founded to encourage and promote trade. Not only the public, but also the private sector is interested in removing trade barriers. In 1995 both governments formed an advisory board, the Transatlantic Business Dialogue (TABD). Still active today, the TABD meets twice per year, bringing together the CEO's in order to discuss new policies and to give advice on how to proceed. Nowadays the TEC is the main platform for transatlantic trade, the transatlantic economic council is chaired by the Commissioner of the DG Trade and the US trade representative to the EU. Their goal is harmonization of the regulations and to help both sides to keep up their part of this economic partnership. And now they are ready to create their ultimate goal, the creation of a transatlantic free trade area (TAFTA).

These attempts to combine markets are not a surprise. After all the Europeans and the Americans are in many ways the same, they for example share the same ancestors. The Western culture is one that binds both sides of the Atlantic. An Atlantic agreement might be the best move to create an economic bloc, because other great civilizations, mostly in Asia, are ready to join the big players (Hamilton, 2014). The US has focused its foreign policy on that part of the world, neglecting the Europeans, this treaty can put the focus back on the EU.

But this treaty is also a response to the failure of the multilateralism. After the failure of the Doha negotiation rounds of the WTO, many nations concluded that multilateralism may not be effective at all. Many of them went back to bilateral agreements with their biggest partners. It will take some time for this treaty to be signed, the fifth round of negotiations has just passed, and given to the sheer size of this undertaking, it will take more rounds and time to create a decent treaty. But how big will this treaty actually be? According to a report written for the US Congress: “The two sides account for nearly half the world’s GDP and 30% of the world’s trade” (CSR, 2013).

The position paper of the European commission was already leaked last June. In it was the initial position of the EU on all trade, also the agricultural part. This document showed the willingness of the EU to establish this treaty but also how difficult it will be. Assumptions made in this paper can be on the basis of that position paper, created after the fifth round of negotiations. Although not very specific it already shows that the EC is looking to find solutions to pressing issues and it is trying to put the agricultural sector in the TTIP. As the EU rarely includes agriculture and now even shows initiative to include it, it would seem likely that agriculture will be in the TTIP.

1.2 The Netherlands and the Dutch agricultural sector.

As one of the founding members of the EU, the Netherlands stands at its center for more than fifty years. With an open economy that focuses on trade, the Dutch benefited from the creation of the Single Market. Their main exports are to their European neighbors, so removing trade barriers and creating a free trade area gave the Dutch economy a boost. The fact that one of the biggest harbors in the world is located there confirms that the Netherlands is an important trading country within the EU. And because the Dutch rely heavily on trade, they will be affected, positively or negatively, by this new treaty with the US.

As a western nation, the Netherlands is a highly developed country that uses innovation to increase efficiency in all sectors. The agricultural sector is no exception, the Dutch farmers use high tech machinery to create their products. The CIA, in their fact book on their website, describes the Dutch agricultural sector as “highly mechanized”. When it comes to farming huge machines move over the field to harvest the products. Looking at the different categories of farming, some sectors focus on the domestic market where others focus on the international market. The arable farming category for example, which cultivates potatoes and cereals, is a big player in the Dutch agricultural sector, but of lesser importance at the international level (Bremmer et.al, 2002). One of the sectors within the agricultural industry that is important for the Dutch in an international context is the horticulture. Flower

bulbs, cut flowers etc. are one of the main export products of the Netherlands. The flower sector is also one of the iconic landmarks of the Netherlands, images of the colorful tulip fields are known around the world. According to the Dutch Bureau for Statistics half of the farming ground in the Netherlands is used to let animals graze, followed by farmers that work the fields for crops (CBS, 2013).

1.3 The European Single Market and EU/US Trade

What began in the 50's as a European Coal and Steel Community, a treaty which allowed the six founding states to intertwine their steel and coal industries, has grown to be the free trade area that it is today. The first important step towards this goal was made, all tariffs and duties between member states were abolished. A decade later the Single Act was signed and ratified which paved the way for the Single Market, which became a reality in 1992 (EC, 2014). In the contemporary European Single Market, all member states enjoy the benefits of the free trade of goods, services, capital and persons. Although not all sectors of the four freedoms are 100% free, it is still a remarkable achievement. A second benefit is the principle of mutual recognition, meaning that all nations acknowledge their product standards. The EFTA and EEA countries also participate in the European Single Market, but they do not implement the EU legislation on fishery and agriculture. Thus in this paper they will not be taken into account.

The EU provides trade reports on the trade between the EU and the US, the US mainly exports basic agricultural products to EU (EC, 2012). Examples of these products are nuts (pistachio's, almonds), soya beans and ethanol. The EU exports to the US are mainly high quality products and are mostly alcohol based. Wine, liquor and beer make up for almost 40 percent of the export to the US (EC, 2012). The US is the number one agricultural export partner for the EU, whilst vice versa the EU is on the fifth place on the American list.

1.4 Trade barriers, tariff barriers and non-tariff barriers (NTB's)

Every nation has its own set of rules regarding goods that may cross their borders. First there are the tariff barriers. These tariffs are to be paid in order for a good to even enter the country. These taxes are set up by the government to restrict import. They have to be cleared by the custom officers and certain duties or tariffs have to be paid. But since the creation of the WTO, these tariff barriers have been significantly reduced (Walter, 2014). The TEC has further decreased these barriers, between the EU and the US it is estimated that the percentage of the market that is affected is between 3 and 4% (Francois, 2013). But this counts for the entire trade between the US and the EU, some specific area's still face high tariffs, such as the cheese sector, that have to be addressed and resolved during the TTIP negotiations. The main

mechanisms that nations use are the non-tariff barriers. NTB's come in a variety of measures to avert a product from a nation's domestic market.

According to the website of the WTO, there are categories of (legal) NTB's that governments can enforce to restrict imports:

- Import licensing
- Rules for the validation of goods at customs
- Pre-ship inspection: further checks on imports
- Rules of origin
- Investment measures.

Import licensing nowadays is used less because the WTO has set some basic rules for these licenses. Licenses have to be simple, clear, and predictable and governments are required to give enough information about these licenses. Most of the licenses are already given automatically. Rules for validation and pre-ship inspection are about the details of the shipment. The size, value etc. are examined to ensure that the content fulfills the standards of the domestic market. The rules of origin measure is meant for the specific regional product, French wine (Champagne) or Gouda cheese, these products need the right paperwork to ensure that it is indeed a high quality product and not a forgery. Investment measures are measures that in some way distort trade. These five categories are the ones that the WTO can control via agreements made in earlier rounds of negotiations. Other options for governments include embargoes, quotas or rejection of a certain goods. Most of the Dutch beef, for example, is banned from the American market because of BSE. Other meat products, like pork, are accepted but as much as a 30% raise in costs is created by the NTB's of the US (Breuer, 2013).

1.5 Putting it into perspective, TTIP and the Netherlands

But what does this all mean for the Netherlands? And especially what does this mean for their agricultural sector and the Dutch farmers? The paper will answer the research question by answering the four sub questions, specified below. The second section will contain the methodology and will specify the research question and the sub-questions. The third section will look at the creation of the European Single Market and look at the effects that process had on the Dutch agricultural sector, and more important if those effects will be relevant today. The fourth section entails the changes in the legal framework, what need to be adjusted and where can this sector benefit from? The fifth section looks at the present state of the markets and makes a competitive analysis to look at the competitiveness of both the Dutch

and the American market. The sixth section will look at the farmers in the Netherlands, the subjects of analysis in this paper. What will they experience when big players from America are given a free pass to venture further into Europe? And what will they do with a market filled with Americans that are eager to buy new European products.

2. Theoretical and methodological aspects.

In this section the theory and methodology will be discussed, how this research will be done and what models will be used. This paper contains a case study of existing literature which will use a cross sectional comparison to identify, analyze and finally, describe several effects that the treaty will have on the sector of industry. Finally, this paper will search for an answer by looking both in the past and in the present in order to present some results. As said before, the sections three until six will try to answer the sub questions in order to give an answer to the main research question of this paper:

“What will be the impact of the Transatlantic Trade and Investment Partnership (TTIP) on the Dutch agricultural sector?”

- 1) *What were the effects of opening up the Dutch agricultural market to the European internal market?*
- 2) *What will happen with the Legal Framework after the TTIP?*
- 3) *How does the competitiveness of the Dutch agricultural sector compare to that of its US counterpart?*
- 4) *What will be the impact on production, tariffs and non-tariffs?*

First the Dutch agricultural sector needs to be further specified. In this paper three main subsectors will be chosen that are able to represent the entire agricultural sector of the Netherlands. In the introduction a description of this sector has already been given and some subsectors where already highlighted. This was done by using a table from the Dutch bureau of Statistics. What is interesting to see is that in

50 years the number of Dutch agricultural companies has significantly decreased, this likely due to economic circumstances and takeovers/mergers etc. Some may argue that the horticulture sector is also an important sector within the Netherlands. And it is an important sector, the Dutch tulips are famous all around the world. But much of the literature, the CBS and the EU, see this as a different category, complementing agriculture but not part of agriculture. In this research, for that reason, horticulture will not be taken into account.

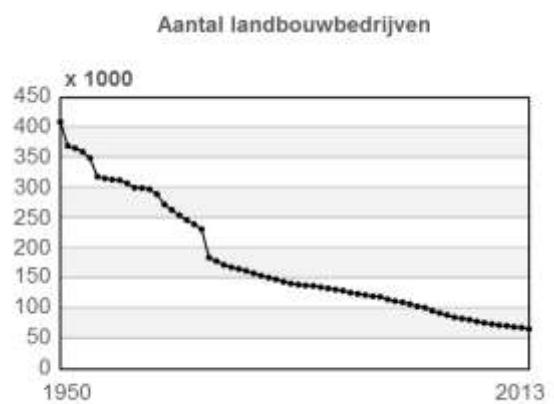


Figure 1: Number of Dutch Agricultural companies, from 1950-2013.
Source: CBS 2014 Database

The final question that remains is which part of the agricultural sector should be taken into account. It is preferable to use sectors on which the data is accessible and with products

that are understandable. Fruits and vegetables for example, are, in the literature and in the datasets, always mentioned as a whole. And although these products are also exports to and from the US, the sector contains a lot of variance in produce. Produce like pears, drapes, cucumbers, tomatoes, etc. If this paper wants to address to the average farmer, who likely will not be producing all categories of vegetables, some more understandable products are to be chosen as the units of analysis. Three other sections are used that speak more directly and are more transparent. The three sections that are used are the milk sector, the dairy sector (condensed milk, milk powder, cheese and butter) and the meat sector (pork and beef). The last point that needs to be addressed is the exclusion of the arable products. These are also widely spread and grown in the Netherlands. In order to keep the research small and focused, and because this also is a name for a product category that contains many different sorts of grain product, they are not taken into account. And also, as stated in the introduction, this sector is of little significance for the Dutch export (Bremmer et.al, 2002).

Now that the main question is further specified, the first sub question can be addressed. The first concept that has to be specified is the effect that this paper searches for. The volume that farmers produce is one of the most important variables within the agricultural sector, the more they produce, the more they can sell. It is also a sign of economic growth and that could be one of the effects this research is looking for. The volume that is produced can both be seen in quantities and in net worth. So in this research an effect is seen as a change, both negative and positive, in the total volume that is produced by the Dutch agricultural sector. Another option to measure the effects is to look at the GDP, but this will not be used in this research. Although GDP is an excellent measure to check for economic growth, this paper focuses on the farmers. And the level of output then is a more appropriate variable.

The next step is to look if the question is valid, are the effects, shifts in production volume, of the creation of the Single Market comparable with the TTIP? The TTIP is the next big step in the global liberalization process, so when analyzing this new process it seems logical to look back at a previous big step in global liberalization, the creation of the Single Market. So yes, the effects of the SM and the TTIP are comparable.

The second, third and fourth sub questions are based on the present situation. In the second section the fields that change within the legal framework are described and then in the fourth section these will then be put into perspective.

Whilst the third sub question more focusses on the present situation between the markets. The competitive advantage will be analyzed via the literature to see which nation currently has the advantage.

3. What were the effects of opening up the Dutch agricultural market to the European internal market? And are they still relevant?

Identifying criteria's for effects

Since the creation of the European Coal and Steel Community the six founders of the European Community have experienced the effects of opening the borders. The four freedoms, freedom of trade in goods, services, capital and persons, are highly valued by the European politicians. In this section the effect of the economic integration (the freedom of trade in goods) on the production volume of the Dutch agricultural sector will be analyzed to see if they are still relevant in the contemporary market.

According to the CPB (2008), the effects of joining the Internal Market (SM) are positive. The first results show that around a growth of eight percent on all EU countries. For the Netherlands they state that: *“it had a twice as large an effect on trade in goods compared to the results for the EU”* (Straathof et al., 2008). But this is measured for the entire Dutch economy and not only for the agricultural sector. The report states that there are certain peaks in the trade volume when new members join the EC/EU. After this initial peak the growth diminishes and stabilizes itself at a lower growth level (Mendes, 1986). Mendes (1986), like many other authors, refer to these effects a dynamic and static effect. Dynamic effects being long term effects and static effects being short term effects.

3.1 Temporal moments of European economic integration

When looking at the timeline of the European single market, there are several moments in time that can be seen as “joining the Single Market”. One of the moments is the moment that the ECSC was created, but as this paper focuses itself on the agricultural sector and not on the steel, nor the coal sector, this moment will therefore not be taken into account. The treaty of Rome, signed in 1957, created the EEC or the European Economic Community. This treaty can be seen as the start of the European Single Market. The six founding nations created a custom union with the future goal of creating the Single Market. This moment seems appropriate as a starting point to search for possible effects of economic integration. But these effects only count for the six countries, but nowadays we have a lot more member states. It is true that the biggest effects probably will be found by looking at Germany, the biggest trading partner of the Netherlands. But still, more countries that join will result in a bigger free trade area. And to compare with the US, we want to compare effects of a joining a FTA with a similar size. According to the Dutch CPB, around 1970's there was a peak in export because of “a rapid expansion of the effectiveness of a single market” (Straathof et al., 2008).

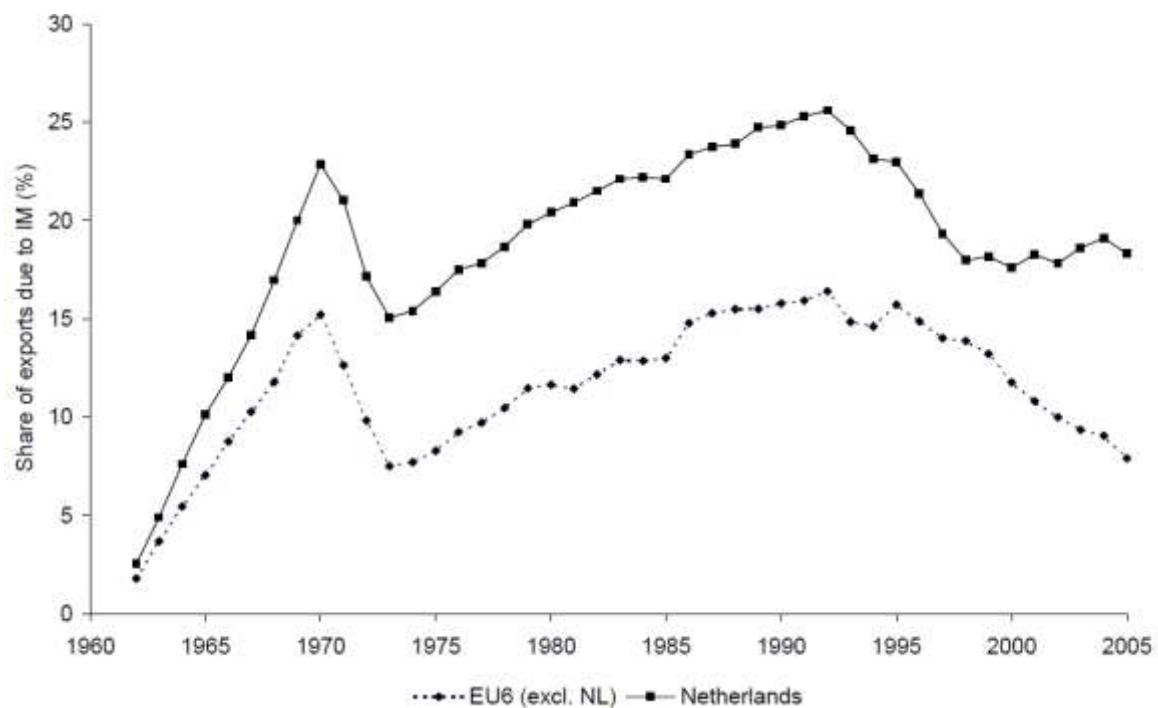


Figure 2: Dutch export compared to EU-6. Source: Straathof et al. (2008)

If we look at figure 2 we see the share of export due to the IM (Internal market, synonym for the Single Market). The aforementioned peak is clearly visible; the newly gained possibilities to trade with the founding nations of the EU gave the Dutch exports a major boost. After the 1973 ascension round, which included the UK, there is a rise again in exports. So it seems that joining the SM has had a direct positive influence on the Dutch export. But it seems that the growth levels are not rising, it more or less seems that they are stabilizing. After the completing of the Single Market program in 1992, the European growth level lowers seems to be stabilizing around the 8% level.

3.2 The static effects

The static effects of economic effects can be divided into two categories, on trade creation and trade diversion (Viner, 1950). Both categories have an immediate effect after a free trade treaty is signed and a FTA is created. Trade diversion is caused by joining a customs union or by creating bilateral, or multilateral, agreements between countries. Where a country normally trades within country A, after joining a custom union, for example it can also be bilateral agreements or a common market etc., they can now trade cheaper with country B. They choose the country which is the most cost-efficient.

When the Dutch joined the EEC area, the consequences were that the tariffs were removed. (figure 3). In this standard model of economy, the price of a product drops. This is caused by the removal of the tariffs on trade with the union that the country ascended to. Area b is important here because it

entails the loss in welfare for the producers. As we can see $P_w(1+t)$ is the current price, the price that is paid before joining.

After this, this model is based on another country that ascended but is used here to show what happens if a country ascends a custom union, or another union with a common external tariff and free trade with the members of that

union, the price drops to P_{CU} . A lower price increases demand whilst lowering supply. In this case the difference between point C and point D is the amount of product that needs to be imported. If the equilibrium was below this point, the product could be exported. This model is very general thus can be seen as a basic model for the changes of the TTIP. This model is also timeless, when tariffs are dropped, prices can be lowered. So this can also apply for any other bi- or multilateral treaty that the Netherlands, or in this case the EU, negotiates with a third party. But in this paper, the focus lies more on the dynamic effects of ascending to the EU and joining the TTIP.

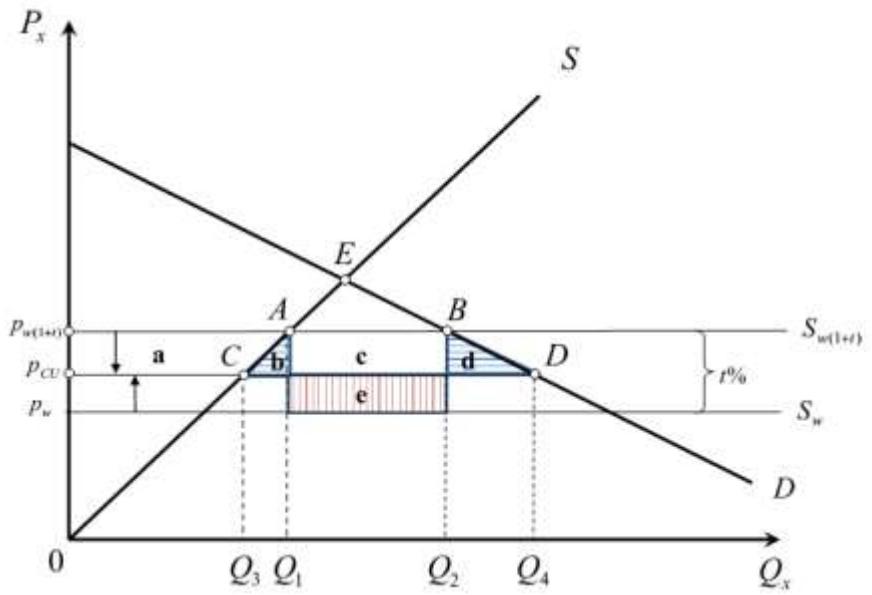


Figure 3: Static effect changes when joining a custom union (Jošić, H, 2013)

3.3 Dynamic effects

In 1986, Mendes explained the dynamic effects by using the original work from Balassa (1961). His theory on economic integration was based completely on dynamic effects. These effects of trade liberalization are based upon the long term. More innovation, faster gains in both productivity and effectiveness and a higher growth rate of output are amongst these dynamic effects (Baldwin, 1989). When markets increase, companies, farmers etc. are able to produce more products and lower the cost per product. This principle is known as economies of scale. The more you produce, the lesser the cost per product will be. Diseconomies of scale are the exact opposite of this, sometimes the entrepreneur cannot produce more due to a

bottleneck in the production or the regions to sell are too far away and the transportation costs are too high. For the Dutch farmers, both these issues are present. Due to seasonal influences output cannot be as high every month. Also the amount of milk and meat gained from the animals are limited. The second obstruction is the transport, but more on this in the section 5 about the competitiveness.

But will the farmers produce more? The Common Agricultural Policy, which is explained in the next section may have some influences. With all its quotas and subsidy rules it is difficult to say if the product volume will grow. By using the data from the CBS some graphs can be made to show the level of production in the last 50 years. As said before the reference point starts in 1957 and two points in time, around 1973 and 1992, are checked.

3.3.1 The milk production in the Netherlands 1950-2013

The first subject this section starts with is the production of milk in the Netherlands. In figure 4, the annual production of milk is given per year in millions of kilograms. Unfortunately the Dutch CBS did not update the last two years, but for this paper it is not relevant as this part looks for changes further in the past. There is a clear increase in production up to the 1980's and after that some minor peaks. Technological advancement in the second half of the last century likely caused an enormous boost for the production levels.

But when looking closer, the rise in production started around 1957. The moment when the Netherlands opened up to the EU-6 countries. According to Mendes (1986),

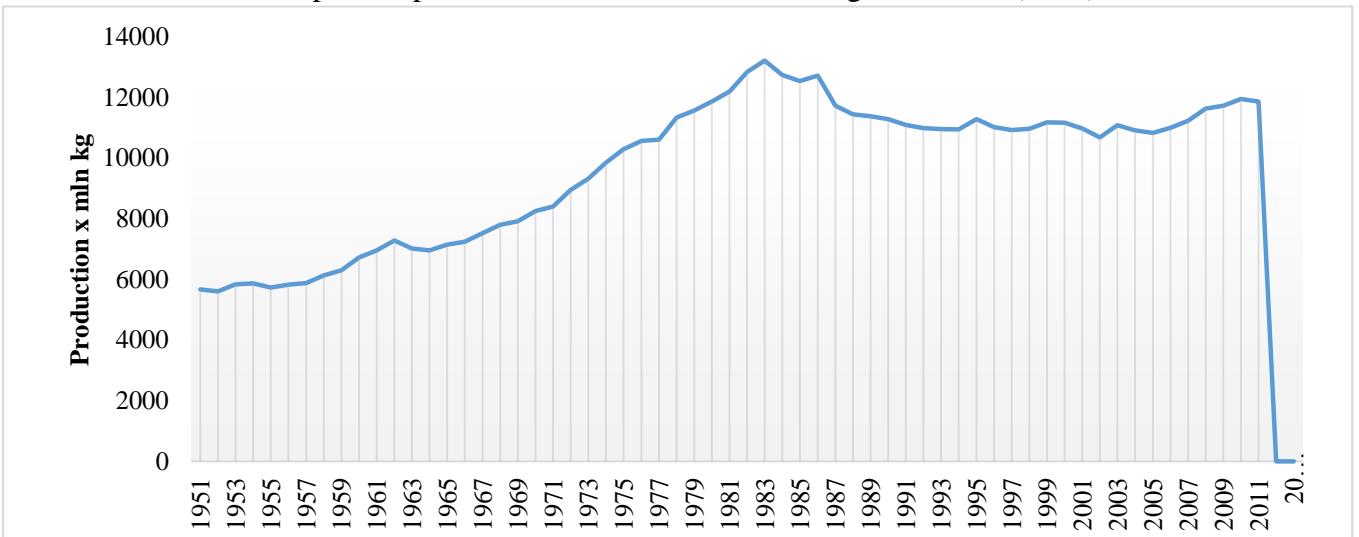


Figure 4: Milk production in the Netherlands 1950-2011, Source: 2014 CBS Database

Baldwin (1986) and Balassa's (1961) principles of dynamic effects an increase in output is the result of long term economic integration. After the initial ascension towards a FTA, the principle of economies of scales will cause a rise in efficiency (Mendes, 1986).

He also states the problem, the calculation of what exactly is caused by joining the EEC. The dynamics of the ascension also decrease the costs of transportation and with it affect the prices of the products. Prices can be lowered, so they increase their competitiveness, and sales should increase. This all increases production in turn. In the case of the Dutch milk production the so called milk quotes of the European CAP also plays its role. In 1984, these quotas were introduced to tackle the rising milk production in the, then, EEC. Farmers had to pay certain levies if they produced more than was allowed. In figure 5, this is clearly visible.

The effect of joining the Single Market then seems positive for the Dutch farmers, an enormous increase since the 50's in the milk production. Even after the intervention of the EU via the CAP, the milk quotas, the level of production is still higher than before. The Netherlands has the majority of their trading part in their immediate surroundings. Germany, Belgium, France etc. all trade heavily with the Dutch. Lowering tariffs and establishing freedom of trade in goods has had a positive impact. But will this also account for the TTIP? Although the American market is bigger, the amount, both in value and in volume, is lesser than with the Germans or any other of the EU-6 nations (CPB, 2008). If it is concluded that the effect of joining the SM is indeed positive, that there is a rise in production, then the same can be said about the effects that the TTIP will have on this sector. Although the rise will be smaller, due to the amount of trade with the EU-6 and the US. But nonetheless a rise can occur.

3.3.2 The production of dairy products in the Netherlands, 1950-2013

After the milk production, the research now focusses on other dairy products, Figure 5 shows the production of four different dairy products in the Netherlands in the last sixty years. The 1984 introduction of the milk quotes is visible with three of the four products. The only sector that is continuously growing is the cheese sector. This is probably because of the special cheeses in the Netherlands and the cheese markets of Gouda etc. that are renowned around the world.

The same question arises here as with the production of milk, what is caused by the lowering of the tariffs and the opening of markets? The impact of the European legislation is present, but the impact of the European economic integration is vague. Yes, after 1957 there is a continuous increase in production. And yes, also in 1973 there is an increase in production. But when looking at the 1992 moment, the year in which the SM was "completed", the production is halted. The Dutch bureau for economic policy analysis has issued a report that has an explanation on this. Straathof (2008) wrote that these sectors of economy are in a market that is saturated and as a consequence the market is marginalized. In

figure 2 the number of agricultural companies is given and there is a clear decline in companies, this can partially explain the decline in production. But what do they mean with saturated? The answer is given in the form of a question: When was the last time the average Dutch citizen went into a supermarket, or another citizen in the western parts of Europe, and

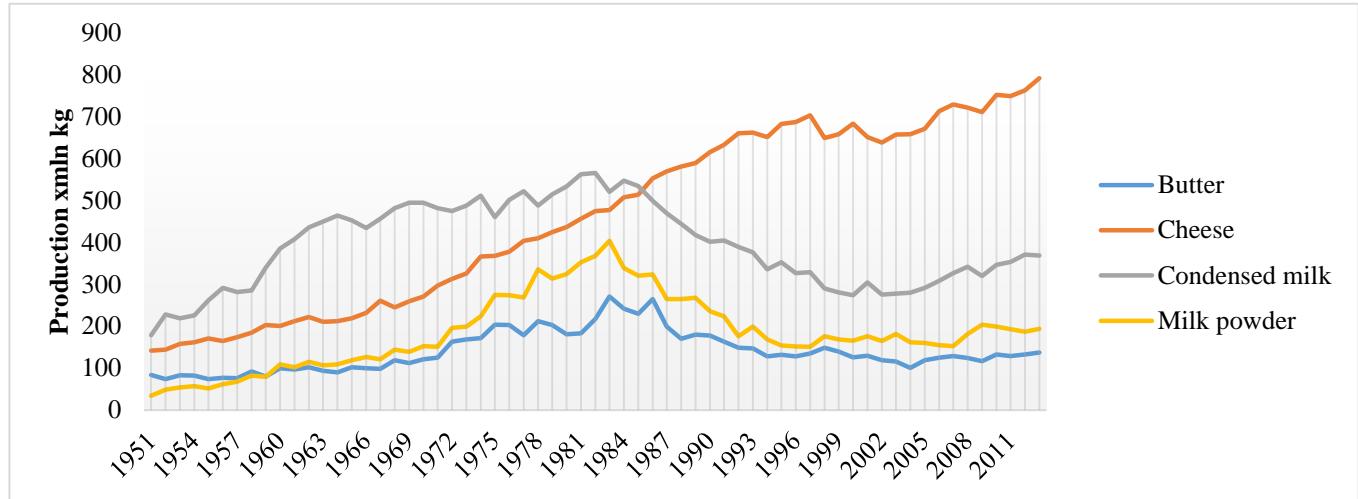


Figure 5: Production of dairy product in the Netherlands, 1950-2013 Source: 2014 CBS Database

they could not buy butter, milk or a pound of beef? The answer is almost always “never”. The Dutch can sustain themselves in these sectors of industry and so can many of their neighbors. And if they cannot, they can easily import those products.

The fact that these products have an expiration date also plays a part, but more on this in the section about the competitiveness of the Dutch agricultural section later on. In this graph, with the exception of the categories “cheese” the SM had a temporarily effect on the production level of dairy products. The increase of cheese might be connected with the milk quotas. Around 1984, when all other dairy production volumes dropped due to the quota, the cheese industry thrived on. This could be a result of an attempt of the farmers to produce more milk than was allowed; they could sell it to the cheese sector in order to evade the levies laid down by the CAP.

Concluding, there is a rise in dairy product production, even before 1957. Some sectors grew faster than others for reasons that are not searched for in this paper. It could very well be that due to the Cold War people preferred to have more condensed milk in their homes, but this is speculating and not within the framework of this paper. What can be said is that the rise of production volume is increasing after 1957, there is an increase in 1973 and after 1984 it all decreases, with the exception of cheese. By 2013 all production volumes are slightly higher, again except for cheese which sees a significant rise in production volume; this contributes to the theory that European integration boosts trade for only a certain amount

of time. After a few years the growth will decrease, but still there will be growth due to joining the EU, and stabilize itself.

3.3.3 Production of beef and pork meat in the Netherlands 1950-2013

The final sector that is addressed in this paper is the meat sector, specifically beef and pork meat. In figure 6 the total production of meat, beef and pork, is given. Apparently the Dutch produce more pork than beef. There are several reasons for this, but when it comes to beef there is one main problem. The mad cow disease, or BSE, which originated in Europe, first case in 1984 in the UK, spread across the world, reaching the US in 2003 (Fox & Peterson, 2004). This disease causes major problems on the international market. When a nation has animals with BSE many trading partners temporarily, or permanently, bans their meat from their domestic markets. For example, since BSE was encountered in the US, Japan and South Korea, to this day, have banned US meat (Coffey, 2013). The same goes for the European markets, which has faced many international bans in beef trade.

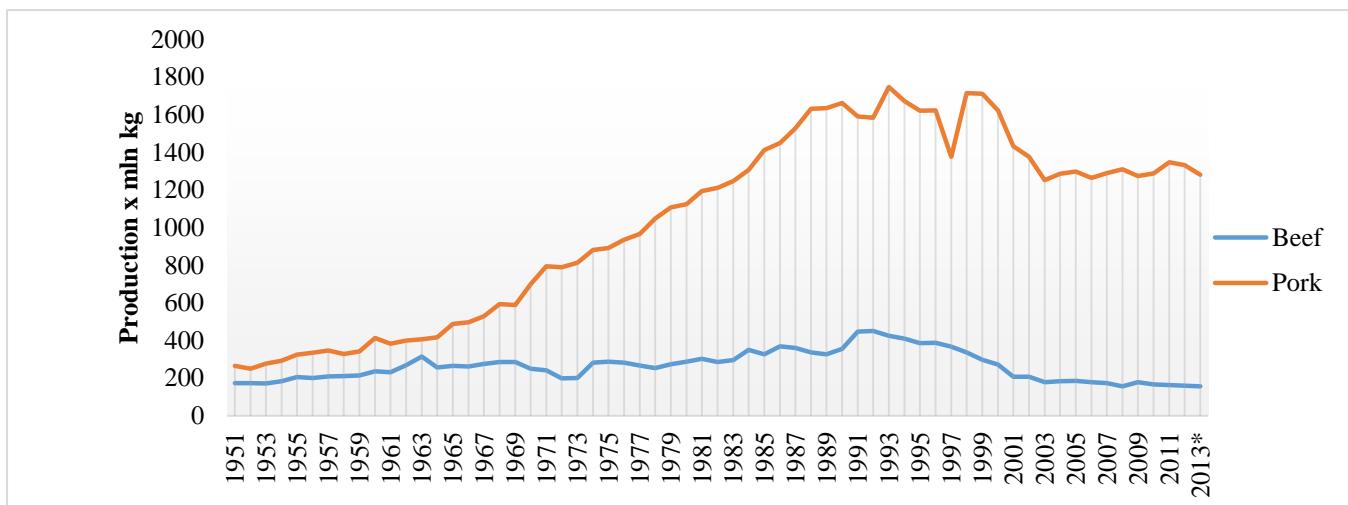


Figure 6: Meat production in the Netherlands, 1950-2013 Source: 2014 CBS Database

The pork producers however are not affected by this, so they can produce and export more freely. That's the first reason of the higher production volume, secondly pork meat is more versatile in its use. Studies show that around 65 -70% of all the meat in the EU is used in further processed foods (Sausages, bacon, pate and spreads), (EFFAT report, 2011).

When looking at figure 7, the increase in pork production resembles the moments in time that were chose in the beginning of this section. From 1957 there is an increase, from 1973 the growth is further boosted and even in 1992 there is a small peak. The beef seems to be stable, with the exception of the peak in 1992. The decline in beef production can be contributed to the BSE outbreaks in the 2000's. Many animals were put to death and that

certainly would have had an influence on the production volume in the Netherlands. It seems that the beef production in the Netherlands is more or less not affected by the EU at all. But when looking at the pork sector, there is a resemblance with the previous agricultural products. That resemblance is a significant increase in the production which, overtime decreases and stabilizes at a certain level. A level that is higher than it was at the start of the increase in production.

3.4 Conclusion

Many authors have already searched for effects of economic integration and the European Union seems the perfect test subject for their theories. Mendes (1986) produced a paper that focused on the dynamic effects of economic integration. Economies of scale, boost in efficiency etc. can boost the effects of, in this case, the production volume. In a more recent paper Erixon and Bauer (2010) also talk about the dynamic effects of trade liberalization. They also conclude that a boost in efficiency is present which makes it easier to produce more, although they see this increase in efficiency as the result of competition. Opening up markets not only gives access to more consumers, it also brings more producers into the domestic market.

In all three subsections of the third part of this section, on dynamic effects, we can see that policy from the EU has an effect on the production volume. Milk quotas and ban on European beef (if one country is affected, it is likely that more are due to the freedom of trade) are two of the examples that have a negative effect on the production volume. But the creation of the market has had some positive effects. In 1973, after the companies in the EU-6 countries were used to the idea of the EEA, they used the ascension round as a means to increase their production and revenue. And this fits with the theory that this paper wants to prove, what the effect of the opening up to the Single Market is for the Dutch agricultural sector. A final note on the period of growth, some may say that it is due to post-war rebuilding, but Maddison (1995) already disproved this and he states that the post-war rebuild era was completed before the creation of the EEA.

But what were the effects of the SM and are they still relevant for the TTIP? After the initial opening of the markets, producers venture into the new markets and thus increasing their production. A new market with consumers that could buy and use their products. The only problem is, of course, that the foreign market also has domestic companies that already produce milk, meat and dairy. After some time the dynamic effects are becoming less, the markets are already saturated and the agricultural sector is marginalized (Straathof, 2008). Lesser companies, some bankrupt due to competitions, others taken over, result in a decrease

in production. Over time the growth, still present, stabilizes. So the effects are mostly positive, resulting in a boost in overall production. This will likely happen again with the TTIP, entrepreneurs/farmers who want to go to the US or the EU and try to sell their “new” products.

4. What will happen with the legal framework after the TTIP?

4.1 The Common Agricultural Policy

The Common Agricultural Policy, or CAP, is one of the oldest and biggest European wide policies. The costs involved in this policy are staggering, 31% of the European budget. This seems strange, because the agricultural sector only accounts for 6% of the European GDP (EC, 2014). But when the policy was made, the percentage of the agricultural sector was far more. To give a comparison; in 1955 the share of agriculture, measured in GDP, in the Netherlands was 11,4% , by 2005 this was 1,3% (Baldwin & Wyplosz, 2012) The EC wanted to increase their competitiveness by providing means, both in money and in supplies/machinery, to farmers to ensure that they can compete with the outside market. And as the EU does not have influence in all areas of policy, they can divert their funds differently than one of the MS could. For example, the EU has no army so the defense budget is very low.

It just so happens that this year the DG of Agricultural and Rural Development completed the changes and renewed the CAP to comply with the EU's 2020 strategy. The CAP has renewed itself for the period of 2014 until 2020, and they have made a few adjustments. The biggest adjustment is the emphasis on the small farmers and not on the big companies (EC, 2014). There already is a maximum amount a company or farmer can receive. The DG of Agriculture and Rural development calls this a new partnership between the "Europe and their farmers". They now focus on three different areas; food, environment and rural areas. Food means food security and high quality for the Europeans, whilst making the farmers more competitive.

As said, the DG wants to focus on the local, regional, market. One of the goals is boosting small farmers so that they can compete with the big companies in supermarkets etc. And finally one aspect that is one the main aims of the EU itself, a sustainable environment. If the farmers receive benefits from the CAP, they can utilize their soil more efficiently and they can maintain it better. This also reassures that the production of food in the long term is secured. When it comes to paying the farmers, the CAP uses two pillars. The first pillar is direct support, which is based on the income (since 2003, before it also was production). The SPS, single payment scheme, is used. It used to be coupled to production, but nowadays it is focused on the amount of acres farmer has. This gives the small farmers more room to breathe. Then there's the second pillar, the landscape pillar. A few incentives are set up to improve quality of the products and support is given to help farmers to meet certain standards.

When looking at the Dutch agricultural sector, it is clear that this sector is not the main beneficiary of the CAP. The Dutch agricultural sector also receives far more from the second pillar than from the first (Baldwin & Wyplosz, 2012). Usually France, Poland and Spain are amongst the main beneficiaries of the CAP. But with these new adjustments this might change. The trend is that money flows from the first pillar to the second. (EC, 2014) So income becomes less important, this can have a positive effect on the Dutch farmers as they have a relatively high income.

4.2 The principle of mutual recognition

This principle is one of the main principles behind the European Single Market. All MS have different product standards and so quality differs between them. To harmonize the markets, a goal which the EU wants to achieve, they would need to create a single European product standard. This would be near impossible because of the differences between the MS, eastern nations versus west nations for example differ a lot. But the EU has found the answer to this pressing issue; they called upon principle of mutual recognition. Schmidt (2007) goes even further; she states that the entire Single Market is built on this principle.

What's this principle all about? The idea behind it is quite straightforward, if a product is made in another country then you accept it as it was made in your own. Milk from Malta complies with the same product standards as the milk right does here in the Netherlands, even if in reality it does not. There are of course many exceptions to these rules. In the EU these are known as cultural exceptions. In the introduction this was referred to as a product that has the "rule of origin". France is the main driving force behind this concept. French wine, cheese, audiovisual products, are all given a unique status. This is to prevent other MS from using the principle of mutual recognition. They cannot use the name and quality of these products whilst selling a fake product. In fact they already stated that these sectors or products are to be excluded from the negotiations (Ikenson, 2013). The Dutch sector also have these kinds of "exclusive" products. The most known one are the "Gouda" cheese and the Dutch tulips. But is this a factor that could delay the negotiations? Probably, the Americans also have products that they want to exclude. High quality, American made products that are qualitative better than the European products, the same story as on this side of the Atlantic. But they both have to make sure that the bulk of agricultural products is mutually recognized, sorting this out and turning it into legislation will take some negotiating of course. If they succeed they could create something truly unique. The biggest economy in the world with its own, mutually recognized, products standards. The other nations in the world would see it easier to comply with these standards than to form economic blocs with other in an effort to adjust these

standards. So in a way, the TTIP can be used to create (agricultural) product standards for the entire world.

4.3 Scientific (proven) approach versus cautionary approach

Both the US and the EU have at the “national” level legislation that overrules the legislation, relatively, of the US states and the MS of the EU. The way that legislation is made and regulation is created also differs between the countries. The Americans base this on scientific evidence, if it is proven that it works than it can be sold and transported. GMO is an example of this, or the ban on BSE infected meat. The Europeans base it on what happens with living standards, labor and especially the environment. The Europeans are more cautious (Hamilton, 2014).

Not to say that the Americans do not care about the environment of course. But the difference is that the EU does not have complete control over all policy. They want to represent the Europeans and create a Europe with a high standard of living and a Europe that is aware of its environment. When looking at the GMO’s, the EU thinks that it has a negative effect on the environment and that it is dangerous for their citizens. Even though the Americans have done a lot of R&D and they are already producing GMO’s, it is still a taboo in the EU. The EU already said that GMO’s are not a subject of negotiation. So the chance of it being included in the TTIP is low. Breurer (2013) describes it as followed: *“The United States and the European Union have drastically different philosophies when it comes to agriculture production and regulation.”*

4.4 Non-tariff barriers

Before analyzing the NTB’s that will change, there are some tariffs that first needs to be mentioned. Although the average tariff on agricultural products is 1.8% (Ecorys, 2012), some products that were analyzed still face heavy tariffs. Cheese for example has a tariff of almost 18% and some kinds of milk over 24% of the total value when imported. With cheese the value of the trade is almost 10 billion dollars, so 18% tariffs on that amount of money is a burden for exporters and importers (Ecorys, 2012).

In the introduction the non –tariff barriers, or NTB’s were already explained. These are the barriers that the TTIP aims to remove. As the NTB’s are a part of national or international regulation, these legal frameworks are also subject to change. In a report on the negotiations of the HLWG, the Dutch economic consultancy bureau of Ecorys published a report on the effect of the TTIP on the Dutch economy. They also dedicated a section on the agricultural and horticultural sector. They analyzed 23 NTB’s or as they call them non-tariff measures (NTM’s). The ones relevant for this research are mentioned below.

The first NTB's that were analyzed were the ones that have something to do with the bureaucracy. Import duties for example, this NTB has a direct effect on the costs and makes the products from the Netherlands more expensive in comparison with the rest of the world. Another one is the procedures at the border, some take some time to complete. And especially with fresh products this can lower the quality of the products.

The Grade A brand of the Dutch products is also of some concern. This is especially meant for the dairy sector as some Dutch products are unique, like Gouda cheese. To get this Grade A brand, a producer will have to go through complex and very lengthy processes. This makes it practically impossible to import or export these products from the Netherlands to the US (Ecorys, 2012). In section 3.3.3 the BSE barrier was already mentioned, the US ban on beef is also something that the negotiators will have to discuss in order to get one step closer to a TAFTA. On the US side, there is also a problem with the different states. The MS of the EU have the principle of mutual recognition, whilst the US does not. All fifty states have different regulation which can cause some delay. In the sixth section the NTB's are explained in more detail and, more important, the effects on the Dutch agricultural sector is also explained.

4.5 Conclusion

With the new reforms in the CAP and the abolishing of the milk quotas in the upcoming years there will be significant changes in the legal framework of the European agricultural policies. If the TTIP includes agriculture in the final draft, the CAP will likely have to reform even more. The CAP can be seen as state aid, although the switch is already made from direct investment into rural development aid. The question is if the Americans can accept these investments of the EU towards the Dutch farmers.

On the US side there are also changes necessarily; state regulation will have to be matched in order to create a standard for the European producers. The ban on beef due to the American fear of BSE outbreak may never be lifted. But if they want to import there genetically modified agricultural products into the EU, they will have to compromise. On the other hand the EU already excluded the GMO's, so maybe the Americans exclude European beef. It would be a logical thing to do, exclude some area's to get a basic document.

Concluding, it is difficult to say what exactly will change with the TTIP, simply because the negotiations process is not finished. In fact it will likely take a few years to work out all the details and to work out all the disputes. The first thing that needs to be done is the establishment of a single, basic treaty. Then we can sort out the area's that cause friction between the EU and the US. Step by step the TAFTA will then be created. After all, Rome also was not built in one day

5. How does the competitiveness of the Dutch agricultural sector compare to that of its US counterpart?"

In this section the competitiveness of both the Dutch and the American sector is analyzed. But what is competitiveness in the first place? The OECD uses a definition given by Hatzichronologou (1996), they say that competitiveness is: "*the ability of companies, industries, regions, nations, and supranational regions to generate, while being and remaining exposed to international competition, relatively high factor income and factor employment levels on a sustainable basis*". The European Union has a slightly different point of view based on their goals of creating a high living standard for all Europeans. The Commission (2009) defines competitiveness as: "*a sustained raise in the standards of living of a nation or region and as low a level of involuntary unemployment as possible*". Two not so different statements that explain what competitiveness entails, a way of creating a higher income and lower unemployment rates whilst being "attractive" or "interesting" enough for companies from other countries to sell your products to them.

5.1 Competitive advantages

The literature on trade suggests that the competitiveness of a nations is based on the concept of competitive advantages (Latruffe, 2010). Latruffe (2010) states that trade flows are the results of change in the costs of production. So a country will specialize more in a product on which it has a cost advantage. There are many indicators for competitiveness; Ball et al. (2010) compared eleven European countries, including the Netherlands, with the United States both on productivity and international competitiveness. The authors describe five main categories for which they compare the prices in the EU with that of the US. These five aspects are: Output, materials, capital, labor and land. Next to this there are the change rates, the influence of the dollar and the euro have on the competitiveness of the different nations.

Beginning with the price of land for the agricultural companies, the simple fact is that the US is much bigger than the Netherlands and thus they have more land at their disposal. The price of land is many times lower than in the Netherlands (Ball, 2010). In the 90's for example, the land price was almost 11 times higher in the Netherlands, nowadays the difference has lowered. But still the Americans have the advantage when it comes to the price you must pay to buy and utilize land.

Labor prices are also an important indicator of competitiveness, if the labor prices are higher the cost of a product will likely be higher. The wages in the US are higher than they are in the EU, including the Netherlands.

Another indicator to see who has the competitive advantage is the costs of the materials. Agricultural companies need heavy machinery, food for their cattle etc. to sustain their level of productivity. Especially with the heavy machinery there is little difference in prices, the market is small and the costs per machine are huge. The only real difference here is that the Americans pay for it with dollars and the Dutch with euros. So in this instance the prices of materials are about the same.

The second to last indicator are the output prices. Simply said, these are the prices in the relative countries. Higher output prices deteriorate competitiveness whilst lower output prices boost the competitiveness of a nation or a company. Overall agriculture products in the EU are well above the US level (Ball et al. 2010). The prices of products in the Netherlands were 15% to 30% higher in the period 1996 – 2002, giving the US the competitive advantage. The last indicator is the capital input price, or the costs of capital. The costs of capital is particularly sensitive to changes in the domestic currency, if the dollar depreciates the costs of capital lower and the US has the competitive advantage. Vice versa with the EU and the euro of course.

When one of the two currencies is stronger, products from that nation will be more expense and will be bought lesser. In one of his articles Ball (2010) explains that, by analyzing the data from 1996 until 2002, in years when the dollar was high, the competitive advantages of the US were lowered. In his article on productivity and international competitiveness in the agricultural sector, Ball (et al. 2010) describes this influence of the exchange rates, but not that of the euro. This because of the simple reason that his data set lasts until 2002, and that the euro was introduced in this year. The euro, having a higher exchange rate compared to the dollar made importing products from the US relatively cheaper for the Europeans and thus deteriorated the Dutch competitiveness.

5.2 Transport costs

One of the biggest differences between trading with the European countries, especially with the direct neighbors of the Netherlands, and with the US is the distance. The Atlantic Ocean lies between the producers and their new free trade area where they can sell their products. Hummels (2007) described in his article the decline in transportation cost in what he calls “the second era of globalization”. He even sees this as a boost, maybe one of the primary causes, for the growth in international trade in that period. Interesting enough he sees the transportation costs as a barrier in trade, with the worldwide tariffs dropping these transportation costs are now becoming a major reason that halts producers in trading.

The EU-US trade is not possible via the land based transportations that the Netherlands use to export products to the European market. To trade with the US there are two options, shipping via either the ocean or via the air. In the second half of the previous century the ocean shipping business has undergone tremendous technological changes that has had a massive impact on the total costs of transportation (Hummel, 2007). The “containerization” of the ocean shipping sector made moving large amounts of products around the world cheap. The only downside here is the total time the ship takes to cross the oceans. Via the air, transporting goods is a lot quicker but also quite expensive. Usually agricultural products are bulk products and exported in huge amounts. This will make the transport by sea a more likely option as it is a lot cheaper and the volume of products that can be transported is several times higher in a ship compared to a plane. The only downside is that agricultural products are fresh products and thus have short shelf life period. It might very well be that once the TTIP has removed the tariffs and the NTB's are sorted out that transportation costs will be the last barrier. But as the cost per product will be small if the agricultural products like milk or cheese, will be transported in big volumes at once.

The consideration that has to be made is between time, money and volume. If the products are transported by air, it is faster but more expensive and the volume that is transported is relatively less. Transport by ship is less expensive and products can be mass transported in containers, but it takes more time to reach its destination. A big plus for the Dutch farmers is that one of the biggest and most efficient trading ports in the world, Rotterdam, is located in the Netherlands. Transport by truck into Eastern Europe also takes a few days, but a truck can only carry one or two containers max, so maybe mass transporting agricultural products to the US could be a cheaper option.

5.3 Conclusion

Overall the prices of land, capital and materials are cheaper in the United States giving them the competitive advantage compared with 11 advanced European countries, including the Netherlands, within the agricultural sector. But what will happen when the markets open, will the prices stabilize? Maybe the Europeans will take advantage of the cheap material in the US to give an example of what can happen with the TTIP. The competitive advantage after the TTIP will probably be based on the costs of labor in the US and the EU.

The transportation costs were called the final barrier, one that is impossible to remove. The products will have to cross the Atlantic to reach the new markets. The products are to be transported by air and or ship. Each has their own advantages and disadvantages, via air is faster and via sea the costs per product are less and more can be transported at once. If the

containers can be cooled and sealed, the freshness of the products can be extended so that they can reach their destination and still can be sold.

4) What will be the impact on production, tariffs and non-tariffs?

Throughout this paper the major changes were mostly analyzed at a macro level, but this also wants to put focus on the micro level, the Dutch farmers to be more specific. What changes will they see? And what do they have to adjust to be prepared for the changes the TTIP brings? This section will try to give an answer to these questions.

5.4 Effects on production

In the third section the conclusion was drawn that joining the European Economic Area, and eventually the Single Market, brought growth to the Dutch Farmers, growth that over time gradually stabilizes. The same can be said, although on a lesser scale for the TTIP. Dutch farmers can expect an increase in production in order to export more to the US. There also is an economic concept known as spillover effects, growth in one sector of economy can cause growth in other sections. An increase in demand for cheese, for example, will create an increase in demand for milk producers. As agricultural products are mainly primary products that are processed further into other products, this is one of the sectors that surely will benefit from the spillover effects that the TTIP creates.

But there are also some negative effects for the Dutch farmers. In his article, Breuer (2013) describes the American pork industry. In America the so called mega stables are legal and their pork industry is massive, highly advanced and strongly competitive. The Americans eat a lot of pork, both basic and processed versions and thus the industry behind it is huge and fierce. As said before the EU and the US have different philosophies when it comes to production and regulation in the agricultural sector, these different views ensured that different bans were put on pork, 8000 metric tons is the maximum that can be imported to the EU. Another result of the differences in philosophies is that the European pork meat costs more than in the US. In comparison that 8000 metric tons less than the US exports to some Central American countries (Breuer, 2013). So when the negotiations are finished there is a chance that this quota is removed. This could result in an increase in American pork exports towards the EU and the Netherlands, as the EU is the world's second to largest pork consumer market. Dutch pork farmers face low cost American pork meat.

6.2. Effects on legislation and regulation

As said in section four, there are some areas that change within the legal framework once the TTIP is signed. The new CAP reforms, the principle of mutual recognition and the difference in philosophies when it comes to production and lastly the regulation and the change, or even the abolishment, of several tariffs and non-tariff barriers.

Beginning with the new reforms in the CAP, this particularly will have a positive effect on the small farmers. More money flows in the second pillar, based on rural development, and this means that the local communities will benefit. This policy is meant to boost the “local products” and to give the local farmers a chance to compete in the supermarkets with the big multinationals. When the TTIP comes, the second pillar of the CAP can be seen as unjustified state aid. But it is unlikely the Commission will change an entire policy, which has just been reformed. In comparison with the previous CAP’s the competitive advantage has already been lowered significantly.

The principle of mutual recognition and the differences in philosophies also have some effect on the average farmer. The principle of mutual recognition will ensure that the farmers will not have to adjust their products in anyway before shipping it to the American market. The differences in production is based on the differences in the views in the eyes of the European and American politicians and this will most likely not change much, even after the TTIP.

Now the most important changes that will affect every farmer in the Netherlands, what will happen with the tariffs, quotas and the non-tariff barriers? In the following tables all of those mentioned in this paper, and more found during the literature review, are mentioned, what will happen with these tariffs in the negotiations, and what effect it will have on the average citizen.

Table 1: Bans on agricultural products between the EU and the US

	Definition and assumed status after the signing of the TTIP.	Effect on the average Dutch farmer.
Bans		
Ban on Beef	Still in place due to fear on BSE. (Also an NTB of course)	No rise in production level, as the American market will remain off limits.
Ban on GMO’s	Still in place, due to the fact that the EU already excluded these from negotiations.	No consequences as American field products are not allowed in the EU.

The bans mentioned in table 1 will probably not be lifted; the GMO was put in to show that the EU already took out one sector of agriculture. The US, who do not want to repeat the BSE disasters they encountered in the past will likely not lift this ban if the Europeans already

excluded some of their product. The effects of the bans will likely be non-existing for the Dutch farmers.

Table 2: Tariffs on EU-US trade.

	Definition and assumed status after the signing of the TTIP.	Effect on the average Dutch farmer.
Tariffs	The first goal of creating an FTA is to create the freedom of trade in goods.	Removal of the tariffs will give lower the import and export costs for the Dutch agricultural companies.
Specific tariffs		
Cheese tariff	<p>-As mentioned before there is a tariff on cheese of 17,8% According to the Ecorys report, the total value of this tariff between the US/NLD is almost 10 mln dollar (Ecorys, 2012).</p> <p>-The main assumption is that all tariffs are removed. (Tariff on “fresh cheese” is even higher, but the total tariff costs are added up with the amount mentioned above.)</p>	<p>-The farmers that export will see their costs per product drop as almost 10 mln dollars’ worth tariff costs will disappear.</p> <p>-The milk producers will see positive spillover effects from increased trade in cheese.</p>
Milk and cream powder tariff. (Unsweetened, exceeding 1,5% aft)	The effect of this tariff is equal to the tariff on cheese. Although the total costs of the tariff is significantly lower, almost 600.000 USD. (Ecorys, 2012)	Same as with the cheese the exporters and importers could lower the price of the products and compete more with the domestic market as the tariff costs are removed

As stated in table 2, the main assumption is that all tariffs will be removed. In the case of this paper the cheese and milk tariff are the most important. If the costs of the total export drop with 17,8%, for example, the price in the US can be dropped and the competitiveness of the Dutch farmers is significantly improved.

As mentioned frequently in this paper, the non-tariff barriers are the main threats to the traded between the US and the EU, and of course the Netherlands. The removal of these NTB's will have many positive effects on the Dutch farmers, as can be seen in table 3. In section four some of those were already briefly mentioned, but in this table they are further analyzed and the assumed effect on the Dutch farmers is described.

Table 3: Non-tariff barriers in EU-US trade.

	Definition and assumed status after the signing of the TTIP.	Effect on the average Dutch farmer.
Custom border procedures	These procedures cause much paperwork and long waiting times. If the TTIP is signed, the creation of a FTA will cancel the “borders” so goods are free to move.	-Less paperwork is always good for business; products can go faster to customs. - A faster process saves money, so the costs will drop.
Difference in US inter state regulation	-EU has national legislation to consider, the US has 50 States that have different rules. -Difficult to achieve the “European” principle of mutual recognition	- Difficult to negotiate. - If not agreed upon, it is impossible to comply with all product standards of all the US states.
Grade A	-Different products that have a high standard and are seen as the best a nation has to offer (Gouda cheese f.e.). -In the TTIP there likely will be rules of origin on several special products.	- If not agreed upon some farmers may see the market flooded with fake imitations of their high quality products

Import duties	Direct costs, making Dutch products more expensive.	Lower costs in exporting to the US. Question is if the costs lower for the farmer or for the exporter. (if they are not the same)
Import licenses	-Bureaucratic or administrative requirements - Likely to be abolished as there is freedom of goods.	Same effect as with import duties and it saves time.
Slow processing of the Product Risk Assessment procedure.	-Long waiting times before customs has checked for diseases etc.	For the average farmer this will not be a problem, as they likely will have sold their product already to an exporter.

As seen in table 3 there are some barriers that could be removed and some that will likely stay in place. The custom border protection, import licenses and duties and the slow processing of the product risk assessment are all unnecessary barriers in a FTA that likely will be removed (Ecorys, 2012). But the question is if the average farmer will see some change. If they sell their product to an exporter, the exporter will see some costs reduction but it is the question if he calculates these changes in prices through to the farmer. As the market is liberal and competitive, this drop in price will occur at some point in time I presume.

The more difficult barrier is the fact that fifty States in the US all have different regulations upon the nationwide US regulation. The EU has tackled this problem by introducing the principle of mutual recognition. But the US will not introduce this new policy which would cancel the effect of their policy that states have their own regulation and the U.S. government issues only policies at the feral level. But because Dutch products are of high quality, the will likely comply with the product standards. The only big difference could occur in the packaging or the way of transport.

6. Conclusion

This paper sought to find the effects of the Single Market on some sectors of the Dutch agricultural sector by looking at changes in the production level. After finding effects of European economic integration, the question was if they were also applicable for the upcoming treaty between the US and the EU, the Trans-Atlantic Trade and Investment Partnership, or TTIP. The found results are that the production levels did rise in certain moments in time that coincided with moments of European integration. The 1957 signing of the Rome Treaty and the establishment of the EEC, the 1973 first ascension round and finally 1992, the moment that the SM was completed. The results saw that the production volume rose across all sectors, some faster than others. But the negative effects of European policy were also shown as the milk quotas have caused the Dutch milk production to decline. Overall the conclusion was drawn that the market was saturated and that the growth levels were stabilizing over time. Meaning that the Dutch producers and exporters went into neighboring countries and saw that the competition was already high. This caused European farmers to specialize on certain products, in an attempt to increase their competitive advantage.

After finding these effects several fields within the legal framework were analyzed and described. The upcoming changes of the Common Agricultural Policy in 2014, which puts more emphasis on the small farmers and which is boosting the local produce and markets. This included the Dutch farmers of course, we already see Dutch supermarkets promoting local products and it is likely that this will increase in the near future. The principle of mutual recognition remains an interesting solution that creates a European wide “product standard”, by saying every product standard is equal to one another the costs of changing a product for every single foreign market are no more. The difference in philosophies between the US and the EU when it comes to agricultural production and regulation can cause a competitive advantage in some sectors. The mighty US pork industry could overflow the European market with their cheap, but good, products (Breuer, 2013).

When it comes to competitiveness, the US agricultural sector has the upper hand. The euro has a higher exchange rate than the dollar, making Dutch products relatively more expensive to buy and American products, vice versa, cheaper to import. The materials, price of capital, income and price of land are all relatively cheaper. But when the markets open, materials, and maybe even land can be more easily bought by Dutch farmers. Next to this there is the distance, to what extent is transportation costs a barrier? This paper states that it might very well be the finale, insuperable barrier in EU-US trade. But with the technological

changes of the 20th century, transportation is becoming cheaper and cheaper. If the TTIP is created, the market will become more competitive and as a result R&D budgets will likely rise. As technology is the apparent answer in lowering the transportation cost barrier, in time the costs will lower and the barrier will become less significant.

The final question and maybe the most important one, is the question stated in the sixth section. What will change for the farmers? The results of the effects of European economic integration, in section three, were a significant increase in production which over time stabilizes. Still a growth in production volume, this can occur with the TTIP but not on such a scale as it did with the European nations. The Dutch trade a lot with their direct neighbors and this is the reason for the rise in production volume. Of course several companies are lining up and increasing production in order to “make” it in the United States. And the removal of tariffs will cut costs, making Dutch products in America less expensive thus more competitive. The NTB’s, that are the main problem, are mostly administrative regulations that cost both time and money. But these paperwork issues are a thing of the past after the TTIP.

All things considered, combining the European and American market is a positive development. A bigger market means a market that competes more with one another, lowering prices for the consumer and creating more demand. Developing technologies with the Americans, in both the agricultural industry and other industries, will be easier if it can be sent easier without the delay at the border with the customers. In the recommendation section the potential of the spillover effects will be described as a possible boost in production within the agricultural industry. Combining the biggest markets in the world into a free trade area could create worldwide product standards. TTIP will create new opportunities for the Dutch farmers and give them the option to export their products cheaper and easier to the US to get a bigger taste of the “American Dream”.

7. Recommendations

7.1 Recommendations based on this paper

All in all the TTIP will bring welfare to the Dutch, the question alone is how much and at what price. The tariffs need to be removed, and this will likely go easy as it is the firsts step in to creating a customs union. But the rule of origin has to be established to protect the “real, high quality” Dutch products, such as Gouda Cheese. The Americans also want to have some products on that list, so it will be a matter of good negotiating.

Then there is the danger of the American pork sector, which could overflow the European markets with cheap pork with a decent quality. Keeping an import quota may not be a bad idea in this case. The problem is how to negotiate it with the Americans, as this will likely be high on their list. The final point is made on the product standards.. Many journalist, researchers etc. on the internet warn for the lowering of the product standards, as the Americans use more chemicals to create, wash and process their foods. It is imperative that the high European standards are to be maintained.

7.2 Recommendations for further research

After conducting the literature study and writing this research there are some recommendations that come to mind. More research on the spillover effect by secondary agriculture products is one of them. The EU sees alcoholic drinks as agricultural products and it happens to be more than 40% of the EU export to the US. As 14% of the Dutch export to the US is agriculture and with beer products take up a large part of that share, producers of basic beer ingredients may see an increase in demand for their products. As beer exporters might want to export more, now that tariffs are gone and freedom of goods is established.

The second sector, one that was excluded from this paper, is the horticulture sector. The Dutch flower business gains admiration worldwide and is one of the Dutch typical export products. Lowering tariffs with the US and decreasing waiting time will probably have an effect on this sector, but more research is needed. The TTIP shows potential for the several sectors within the Dutch agricultural industry, the only question is how they will use that potential.

Last but not least is the effect that TTIP will have on the consumer. Some critics already warn for a lowering of the European standards. Especially the SPS (Sanitary and Phytosanitary) issues raise some questions. Chemically washed poultry for example would be allowed into the EU, according to the position paper of the EU (which was already leaked out in June 2014).

8. References

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