US EU Relations: Redefining Win-Win

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Introductory note: rather than presenting a long paper, the author decided to have a concise paper making essential points, providing important background papers in their original form (see Appendix)

Foreword by Sam Owarish, Ph.D

This studycontains a comprehensive post World War II development of the commercial relationship between the US and the EU (including a brief history of the growth of the EU). It highlights the contention that the new US president has with the status quo, i.e. the current arrangement is not favourable to the US as shown by the large trade deficit between the US and Germany. The new US administration is seeking a new and more balance relationship. Germany has gained tremendously from the low value of the Euro, the large availability of manpower and the larger market of the EU. In effect while the US has been complacent after its spectacular post World War II success, the EU, despite its problems has been catching up. However at this junction, a more balance trade agreement between the US and the EU is what defined the future win/win relationship. Despite Brexit and its other problems the EU will not disappear as its binds countries that have been at war for centuries in their own win/win relationship both commercially and politically.

Introduction

The economicrelationship of US with Europe has evolved over the years in a mostly friendly mode. The US was dominant in terms of its financial and technologicalcapabilities. A helping relationship turned into an adversarial relationship whenin France Jean Jacques Servan-Schreiber wrote about 'The US Challenge'.Meanwhile the countries of Europe entered into a cooperation mode that evolvedfrom a common market to a union and is thus able to deal with the US as a fullfledged partner and the US is no more the dominant partner. Equal partnersstand to benefit by cooperating and also competing. Conflicts are inevitable inany relationship; what matters is that there are adequate procedures to dealwith and resolve them. The WTO has been useful in context. BREXIT does notdiminish the value of the economic union. New members are joining in. The USseemed to have been in a rethinking mode; however VP Pence on a visit to Europestated that President Trump supports a partnership with the EU: "Sotoday it's my privilege, on behalf of President Trump, to express the strongcommitment of the United States to continued cooperation and partnership withthe European Union." (New YorkTimes, Feb 20, 2017). Such a partnership is on solid ground even though itmakes sense from time to time to review and redefine the terms thereof.

History

Over the past decades, US relations have been mostly positive either with the EU and its predecessors or the individual countries of western Europe

US has been the dominant ‘partner’ in terms of its technological and financial capabilities

The American challenge

Jean Jacques Servan-Schreiber in the book called the ‘American Challenge’ (1967) warned against Europe’s becoming merely an economic colony of the United States

Silent economic war

Jean Jacques Servan Schreiber found a collaborator in Michel Albert, one of whose reports struck him particularly; it presented the United States and Europe as engaged in a silent economic war, in which Europe appeared to be completely outclassed on all fronts

Intra-Europe Cooperation

Jean Jacques Servan Schreiber drew attention to the importance of transnational cooperation in Europe

There were other notable advocates also

EU the first steps

- **1951 6 members of coal and steel community**
  - **France, Germany (W.), Italy, Belgium, Netherlands, Luxembourg**
- **1957 Treaty of Rome: European Community**
  - **Common market**
  - **Elimination of internal trade barriers**
  - **Common external tariff**
  - **Free movement of factors of production**
- **1973 1st enlargement: Britain, Ireland, Denmark**
- **1981 2nd enlargement: Greece**
- **1983 3rd enlargement: Portugal, Spain**
- **1992 single European act**
  - **Remove all frontier controls**
  - **Principle of mutual recognition to product standards**
  - **Open public procurement to non-national suppliers**
  - **Lift barriers of competition to banks and insurance**
  - **Remove restrictions on foreign exchange transactions**
  - **Abolish restriction on cabotage (trucking)**
- **1994 Maastricht treaty: European Union**
- **1996 4th enlargement: Austria, Finland, Sweden**
- **2003 5th enlargement: Poland, Hungary, Czech Republic, Lithuania, Estonia, Latvia, Slovenia, Cyprus, Malta, Slovakia**

The Euro

- **Maastricht treaty:**
  - **European common currency adopted 1/1/99**
  - **Common foreign and defense policy**
  - **Common citizenship**
  - **EU parliament with "teeth"**

Note: Sweden, Denmark, Britain opted out of use of Euro
10 new countries have to qualify

Benefits of Euro

- **Lower transaction costs for individuals / business**
- **Prices comparable across the continent; increased competition**
- **Rationalization of production across Europe to reduce cost**
- **Pan-European capital market**
- **Increase range of investment options available to both individuals and institutions**

Euro issues

- **ECB has monetary policy control not nations**
  - **Sets interest rates, monetary policy**
  - **Is independent; instructs national central banks**
- **EU is not an optimal currency area**
  - **Few similarities in structure of economic activity (e.g., Finland vs Portugal)**
  - **Interest rates too high in depressed regions or too low for economically booming regions**
  - **May need fiscal transfers from prosperous to depressed regions**
- **Economic and political issues may conflict**

EU issues

Norway opted out
UK: BREXIT
Turkey membership pending
The PIGS issues

EU growth path

Nonetheless EU is on a growth path despite the so-called 'growing pains'

Currently made up of 28 countries

US EU relation

Typical format among ‘friendly’ states/groups:

Cooperation
Competition
Conflict

New US Administration in 2017: new tone

Donald Trump became the President of the US
He advocates America First with rather negative ideas about EU
He pinpointed trade imbalance with Germany
He expressed support for BREXIT

2017 G20 Act1

The ‘drama’ played out at the 2017 G20 where the US representative while agreeing that free trade was important pinpointed US stance for ‘fair trade’

2017 G20 Act2

The United States broke with other large industrial nations over trade as the Trump administration rejected concerns among allies about spreading protectionism and made clear that it would seek new approaches to managing global commerce (NYT 03192017)

2017 G20 Act3

Trade imbalance with Germany: the United States is the biggest purchaser of German goods, buying 107 billion euros, or $115 billion, worth last year (2016). Germany imported goods from the United States worth 58 billion euros

2017 G20 Act4

“We are going to look to our counterparts to continue to trade, but to look to have more balanced trade,” Mr. Mnuchin (US) said. “That means over time reducing our trade deficits. I think we can do that in a way that’s good for the American worker, that’s good for our companies and that’s good for our counterparties.”

2017 G20 Act5

Mnuchin (US): “We believe in free trade,” adding “We want to re-examine certain agreements.” “Balanced trade has to be what’s good for us and what’s good for other people…It has to be a win-win situation.”

US-NAFTA; US-China

The US is taking a similar stance with NAFTA as well as with China

Comparison US EU: fact often overlooked

The adjusted GDP of the 28 EU member nations is bigger than both China and the US, the traditional list of world's economic super powers

Consumer spending
The EU, plus periphery nations, accounted for 28.5% of all consumer spending in 2014, above both the 26.6% spent by US consumers and the 15.6% spent by the emerging economies of the Brazil, Russia, India and China combined. This attracts global companies to the region.

US Companies in Europe
"Gaining access to wealthy consumers is among the primary reasons that US companies venture overseas, and hence the continued attraction of Europe to US firms," by Joseph P. Quinlan, chief market strategist for US Trust who pinpointed just how important the EU's economy is to the world.
Source: http://www.businessinsider.com/charts-eu-economy-is-bigger-than-the-us-2015-6

Cross Investment
The investment between the EU and the United States is the real driver of the transatlantic relationship, contributing to growth and jobs on both sides of the Atlantic. Moreover, it influences trade figures positively, as it is estimated that a third of the trade between the EU and the United States actually consists of intra-company transfers.
Note: there is an important point here which may have been overlooked at the recent G20
Source: http://ec.europa.eu/eurostat/statistics-explained/index.php/USA-EU_-_international_trade_and_investment_statistics

More on important point
Trades among countries or economic entities are not in terms of exports and imports alone given the increasing importance of intra-company trades

Total EU-27 FDI outflows to the United States increased to EUR 163.4 billion in 2011 and dropped again in 2012, down to EUR 62.9 billion. Inward flows, i.e. the flows from the United States to the EU-27, also decreased in 2012 by more than a half from the previous year, down to EUR 98.8 billion.
Source: http://ec.europa.eu/eurostat/statistics-explained/index.php/USA-EU_-_international_trade_and_investment_statistics

Conclusion
There is no doubt that trades and investments between the US and EU remain important and may become more so increasingly. There has to be an increasing dialogue instead of one party dictating to the other!

Appendix: US EU relations redefining win-win: background papers

1. **Country profile: United States of America**

General information

The United States of America (USA) with a landmass of 9,826,630 square kilometres is home to about 319 million people. Alongside the descendants of European immigrants, the population includes around 39 million African Americans, some 50.5 million people of Latin American descent, about 14.7 million people with Asian roots and about 3 million Native Americans.

The country consists of 50 states, the District of Columbia with the capital city Washington DC, and a number of overseas territories with varying legal status. These include Puerto Rico, the Virgin Islands, Guam and American Samoa.

The official language is English, although Spanish is a second official language in some places.

Economic data

Gross domestic product (GDP) per capita, based on purchasing power parity (PPP): **USD 56,084**
Real change in GDP between 2010 and 2015: **10.9 %**
Gross national debt as percentage of GDP: **105 %**
Percentage of women (aged 15-64) in gainful employment: **63.4 %**
Youth unemployment rate (15-24 year-olds): **11.8 %**

National currency: US dollar (USD) / **Rate of exchange**: EUR 1 = USD 1.055 (as at November 2016)

Additional information

Country information from the Federal Foreign Office
Website of the U.S. government

2. US at the G-20

BADEN-BADEN, Germany — The United States broke with other large industrial nations over trade on Saturday as the Trump administration rejected concerns among allies about spreading protectionism and made clear that it would seek new approaches to managing global commerce.At a meeting of finance ministers and central bankers from the Group of 20 industrialized and emerging nations and the European Union, Steven Mnuchin, attending his first major international gathering as Treasury secretary, signaled that American policy would follow the campaign promises made by President Trump to put “America first” and review existing trade agreements to seek better deals for the United States.As a result, the ministers’ joint statement, normally a study in blandness, became an unlikely focus of controversy here. The representatives could agree only on a tortured compromise stating, in effect, that trade is a good thing. Adjectives like “open” were dropped, and the ministers omitted language used in previous communiqués that condemned protectionism, repudiating decades of free trade doctrine.For Asian and European officials, many of them meeting their Trump administration counterparts for the first time, it was a startling lesson in how Mr. Trump and his team are overturning long-held assumptions about international commerce.

Mr. Mnuchin led off the ministers’ meeting on Friday with a declaration that current trade rules were unfair to the United States, positioning the administration against virtually all the other participants, according to an official who attended the closed session and spoke on the condition of anonymity because of the sensitivity of the talks."We thought that it was very important for the communiqué to reflect what we discussed here," Mr. Mnuchin said at a news conference on Saturday. "The historical language was not relevant."At the insistence of the United States, the communiqué also dropped a pledge to observe the Paris accords on climate change. Mr. Mnuchin deflected questions on the issue, saying it was outside his purview.The American government's lack of reverence for existing norms and treaties is particularly unsettling to the change-averse Europeans, who are coping with weak economic growth and a surge in populism. The last thing they need is a disruption in commerce with their biggest trading partner.Some complained privately that the American delegation rode into this stately spa and casino town, where Romans once bathed in the mineral-rich waters, determined to shake up the existing order but without any clear idea of what should replace it.

The disagreement over trade principles was a sharp contrast to the statement issued when the central bankers and finance ministers met in Chengdu, China, last July. "We underscore the role of open trade policies," the leaders said in the Chengdu communiqué, which used the word "trade" six times. They promised to "resist all forms of protectionism."Less than a year ago, such a statement was not questioned. Business leaders on both sides of the Atlantic still hoped for a trade pact between the United States and the European Union that would eliminate already low tariffs and harmonize regulations governing things like vehicle headlights.Since then, Mr. Trump has pulled out of the Trans-Pacific Partnership negotiated by President Barack Obama, vowed to renegotiate the North American Free Trade Agreement with Mexico and Canada, and criticized the German carmaker BMW for building a factory in Mexico.Germany's finance minister, Wolfgang Schäuble, met with Mr. Mnuchin in Berlin before the G-20 meeting.CreditKaiPfaffenbach/ReutersThe best that the Group of 20 participants could come up with on Saturday was this: "We are working to strengthen the contribution of trade to our economies."Mr. Mnuchin argued that the news media's focus on the language of the communiqué was overblown and said that the discussions in Baden Baden had been congenial. "We were incredibly productive," he said.

But he also made it clear that the Trump administration had a vastly different view than its recent predecessors. "We believe in free trade," he said. But he added, "We want to re-examine certain agreements." "Balanced trade has to be what's good for us and what's good for other people," Mr. Mnuchin said. "It has to be a win-win situation."The communiqués issued at the end of Group of 20 summit meetings are meant to show that nations like Brazil, China, France and Japan can put aside competing interests and reach consensus, however vague, on major issues. The statements emerge from tortuous deliberations and are the opposite of impulsive.But even the usual boilerplate platitudes proved fraught at this summit meeting. For many European and Asian officials, meeting in a Belle Époch spa building with polished marble floors and chandeliers dangling from the ceiling, it was their first encounter with the Trump administration and its "America first" foreign policy.

Some viewed the meetings as a chance to socialize with the new American representatives and to try to absorb them into the international order. Angel Gurría, the secretary-general of the Organization for Economic Cooperation and Development and a participant in the meetings, said the chance to get to know Mr. Mnuchin was more important than any joint statement."We want to make him feel comfortable; we want to make him feel at home," Mr. Gurría told reporters.

"These meetings are not about the communiqué."In their public statements, European leaders played down the conflicts and said that the discussions had been amiable. The meetings in Baden-Baden came after Mr. Mnuchin visited Wolfgang Schäuble, the German finance minister, in Berlin.

"Naturally we have different points of view," Mr. Schäuble said at a news conference on Saturday in Baden-Baden. But he added, "We worked very hard for two days in a pleasant atmosphere."

He also denied that the American delegation was at odds with other participants. "The Americans were not isolated," Mr. Schäublesaid.Mr. Trump's threats to impose punitive taxes on imported goods are a particular worry for Germany, whose economy is built around exports of automobiles and industrial machinery. The United States is the biggest purchaser of German goods, buying 107 billion euros, or $115 billion, worth last year. Germany imported goods from the United States worth 58 billion euros.

The trade imbalance has made Germany a target for Trump administration officials, who have accused Germany of manipulating the value of the euro and have said they want to renegotiate trade terms directly with Berlin, even though that task is done at a European level by Brussels.

"We are going to look to our counterparts to continue to trade, but to look to have more balanced trade," Mr. Mnuchin said. "That means over time reducing our trade deficits. I think we can do that in a way that's good for the American worker, that's good for our companies and that's good for our counterparties."

Melissa Eddy contributed reporting from Berlin.

A version of this article appears in print on March 19, 2017, on Page A10 of the New York Times

3. The New U.S. Administration and the German G20 Summit: 3 Things to Watch

by Nancy Alexander (Feb 21, 2017)

In his inaugural address, Donald Trump declared "From this day forward, it's going to be only America first" (a phrase, associated with opponents of entering World War II). Former German foreign minister Joschka Fischer commented that "'America first' signals the renunciation, and possible destruction, of the US-led world order that Democratic and Republican presidents, starting with Franklin D. Roosevelt, have built up and maintained – albeit with varying degrees of success – for more than seven decades." (Project Syndicate, "The God of Carnage," January 27, 2017)

The U.S.-led world order includes not only post-war institutions, such as the United Nations and the Bretton Woods Institutions (the IMF and World Bank), but also the Group of 20 (G20), for which Germany hosts the Summit in July.

President Trump told Chancellor Merkel that he would attend the G20 Summit and, if he carries through and, in fact, attends, he will be joined by other first-timers, including the leaders of France, Italy, the U.K., South Korea, and Germany's guest, the Netherlands. All eyes will be on the "dance" among the major powers.

Taking a lead in the "dance", we will see the U.S. administration's team: Kenneth Juster as G20/G7 Sherpa and Steven Mnuchin, assuming his confirmation, as the Treasury Secretary. Behind the scenes, these point persons will be guided by others, principally China hawks in the new National Trade Council, the Commerce Department, and the Office of the U.S. Trade Representative.

During the G20 calendar of events which culminates in the 7-8 July Summit, one should watch for 3 things:

Roiling geopolitical crises may catapult the carefully prepared agenda.

This frequently happens at G20 Summits and, if history is a guide, the 2017 Summit will be no exception. As a new world order is taking shape, conflicts and crises abound. Trump has repeatedly criticized traditional U.S. allies and alliances and given mixed messages with regard to the future of the European Union and NATO. NATO's European member states are concerned, particularly since the President's rhetoric signals a closer relationship of the U.S. with Russia, possibly leading to a rebalancing of geopolitical alliances.

Many in the European Parliament have expressed the view that Trump's pick for Ambassador to the E.U., Ted Malloch, is too hostile to the union and its values.

Trump celebrates both domestic and foreign nationalism, with his support for Brexit demonstrating his skepticism of multilateralism.

Oddly, while the U.S. led the creation of the post-war world order, Trump now sees this order as largely hostile to U.S. interests. The U.S. administration is reviewing current and pending negotiations and treaties with an eye to determining which ones the U.S. should leave. There is discussion of the U.S. cutting funding for the United Nations by as much as 40%. The new U.S. Ambassador to the UN, Nikki Haley said, "You're going to see a change in the way we do business… the way we'll show our value is to show our strength…have the backs of allies and make sure our allies have our back as well… For those who don't have our back, we're taking names; we will make points to respond to that accordingly." But, UN diplomacy also involves trust-building to foster give and take among the entire community of nations, including the 174 countries that lack a seat at the G20.

On the global economy, Trump may want to throw away or re-write the rule book.

Four areas will generate heat, if not light, in G20 discussions.

Fiscal policy. Germany's adherence to austerity remains a source of contention with the U.S. and prominent leaders and economists, particularly in the South of Europe, where the effects of this policy are deeply felt. In contrast to Germany's austerity, many view the U.S. as profligate, as it prepares to cut taxes while expanding government spending, particularly for a hotly-debated infrastructure plan. The plan, set forth by Trump's close advisers during the election campaign, would rely heavily on federal tax credits as incentives for investment and construction of infrastructure.

Protectionism. Emphasizing a nationalist economic policy, Trump stated in his inaugural address, “We will follow two simple rules: Buy American, and hire American.” Since the global financial crisis, the G20 has avidly fought protectionism and promoted open trade (while not always honoring it in practice). Yet Trump is unabashedly calling for imposition of trade tariffs on China, Mexico and others. It remains to be seen how far this could lead to trade conflicts.

Bilateralism. Trump prefers bilateral trade agreements that can be terminated within 30 days “if somebody misbehaves.” As he loosens ties with the Asia-Pacific region, through killing the already-comatose Trans-Pacific Partnership (TPP), one hopes that Trump will deliver on his campaign promises to forge agreements that are more beneficial than the TPP to workers, if not the environment.

Regulations. Germany’s G20 agenda gives priority to financial resilience and stability, however, Trump told the business community that he wants to see the number of financial and other regulations decline by 75%. There are questions about whether he will unwind the provisions of the Dodd-Frank Act, which was intended to help prevent another global financial crisis. Recently, the Congress acted to kill one provision mandated by the Act – the transparency rule by the Securities and Exchange Commission which requires oil, gas and mining companies to report most of what they pay to governments for the right to extract resources.

On Germany’s G20 sustainability pillar, who will step up and lead?

As a climate doubter, President Trump has stated that the U.S. would withdraw funding from some domestic and international efforts related to development and environment (e.g., the Green Climate Fund). The President’s efforts to expand the transport and use of fossil fuels, including oil and coal, are at direct loggerheads with the commitments made by the U.S. in the context of the 2015 Paris Climate Agreement. As the largest historical emitter of carbon dioxide, the U.S. abrogation of its responsibilities would seriously undercut the Agreement.

In terms of international action on the 2030 Agenda for Sustainable Development, U.S. discourse has veered away from the universal call of this Agenda to, for instance, end poverty and protect the planet. Geopolitical and commercial motives are likely to feature prominently in economic relationships with developing countries. Mechanisms for aid delivery are debated (e.g., whether to deliver support through channels such as the U.S. State Department or the Millennium Challenge Corporation (MCC) instead of the U.S. Agency for International Development (USAID)).

Due to the uptick in ominous trends, e.g., global warming, economic fragility, growing inequality, and geopolitical conflicts, the G20 and the world community have little time to waste in turning back the hands of time on a number of these challenges. But, at the moment, when an “Independent America” is the #1 risk, (see “Top Risks 2017”), Germany is providing global leadership in an era when a G-Zero world (with a vacuum of leaders) is a threat.

Hence, we should watch to see whether G20 ministers design “menus of options,” so that their Leaders can join “coalitions of the willing” to solve the challenges implicit in the three pillars of the German G20 agenda: resilience, sustainability and responsibility. That would be a desirable outcome, but at the same time, it could strain the bonds of the G20 – even to a breaking point.

This article was originally published on the T20 Germany blog on February 16, 2017.

It was also released on Nancy Alexander's Just Governance blog.

Source: https://us.boell.org/2017/02/21/new-us-administration-and-german-g20-summit-3-things-watch

4. **EU economy is bigger than that of the US**

http://www.businessinsider.com/charts-eu-economy-is-bigger-than-the-us-2015-6

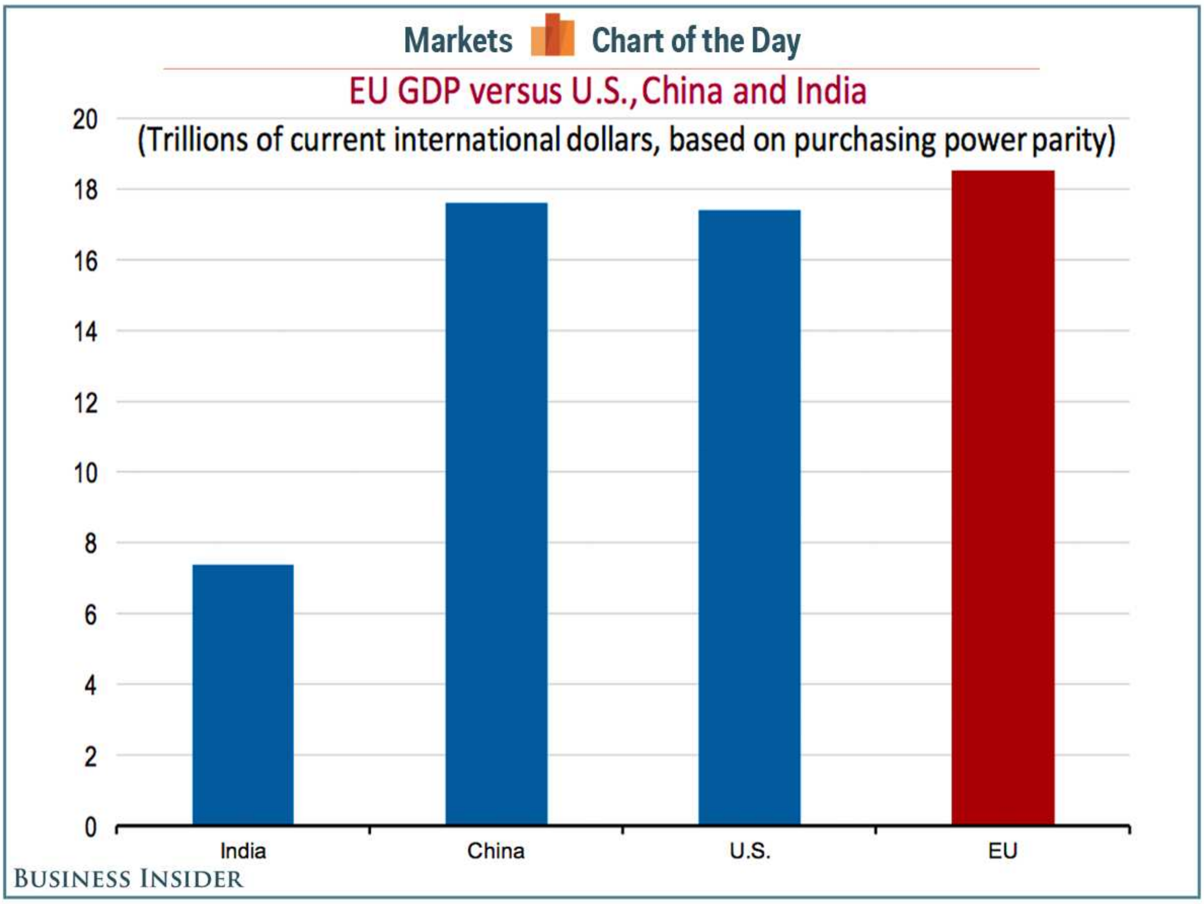
Europe is bigger than the US

- Bob Bryan
- Jun. 30, 2015, 12:51 PM 35,986

As a single country, the US is the biggest economy in the world.

But given its close ties, you could easily argue that the countries of the European Union make for one big economy. Indeed, you would be arguing that it's the world's largest economy.

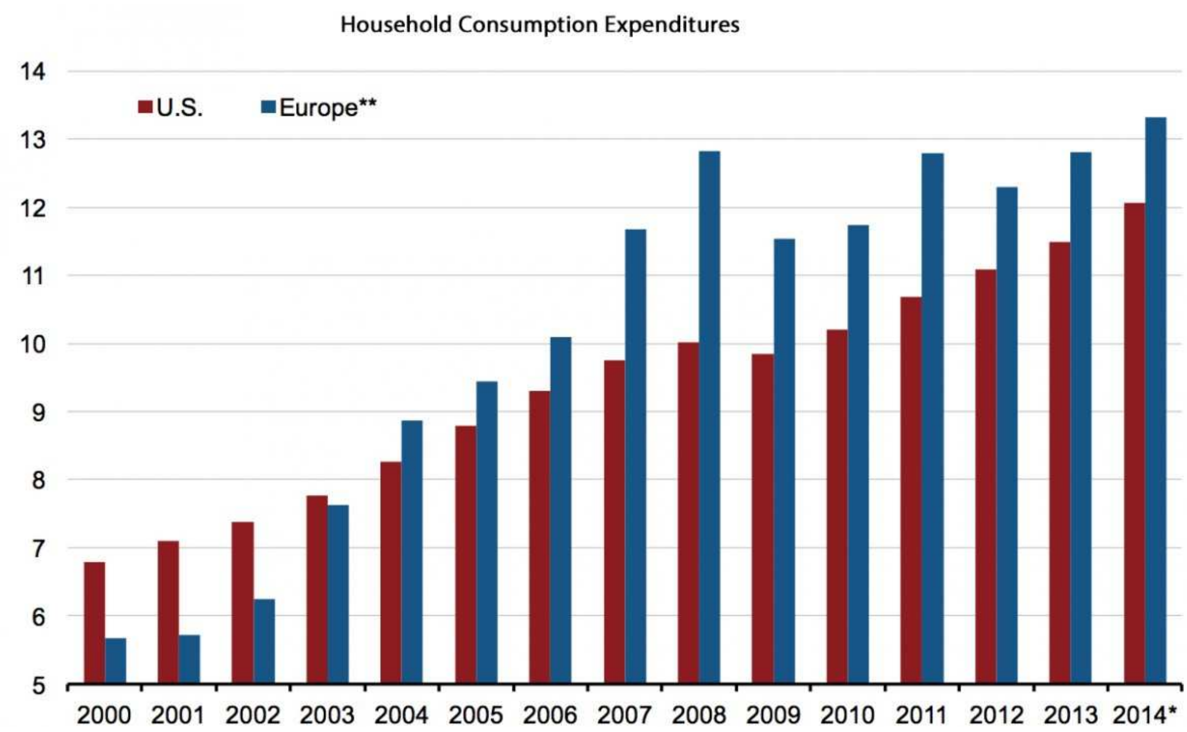
With Greece's probable default worrying European markets, maintain economic calm on the continent is even more important than many people realize. Joseph P. Quinlan, chief market strategist for US Trust, made this fact abundantly clear in a note that laid out just how important the EU's economy is to the world.



The adjusted GDP of the 28 EU member nations is bigger than both China and the US, the traditional list of world's economic super powers.

"In nominal U.S. dollar terms, the European Union (plus Norway, Switzerland, Iceland) accounted for 25.4% of world output in 2014 according to data from the International Monetary Fund. That was greater than America's share (22.5%) and well in excess of China's—13.4%," said Quinlan.

The EU consumer is also on top.



The EU, plus periphery nations, accounted for 28.5% of all consumer spending in 2014, according to Quinlan, above both the 26.6% spent by US consumers and the 15.6% spent by the emerging economies of the Brazil, Russia, India and China combined. This attracts global companies to the region.

"Gaining access to wealthy consumers is among the primary reasons that US companies venture overseas, and hence the continued attraction of Europe to US firms," wrote Quinlan.

So while Greece has little direct impact on the US, stabilizing the massive EU economy should still be a huge concern for Americans and the rest of the world.

5. Key statistics

http://ec.europa.eu/eurostat/statistics-explained/index.php/USA-EU_-_international_trade_and_investment_statistics

NB. It is advisable to view the info from the link above with the original format. The following is a copy which does not reflect the original format.

USA-EU - international trade and investment statistics

Jump to: navigation , search

EU and US form the largest trade and investment relationship in the world

Statistics in focus 2/2015; Authors: Gilberto Gambini, RadoslavIstatkov and Riina Kerner
ISSN:2314-9647 Catalogue number:KS-SF-15-002-EN-N
This article focuses on recent trends in European Union (EU) trade with the United States in goods and services and in foreign direct investment (FDI). The EU–United States (US) economic relationship accounts for a large share of global trade in goods and in services. They are each other's main trading partners in goods and services, and together they have the largest bilateral trade relationship in the world. Either the EU or the United States is the largest trade and investment partner for almost all other countries in the global economy. The two economies also provide each other with their most important sources of foreign direct investment.

Figure 1: Share of EU-28 and US imports and exports in world trade, total products, 2003–13 (%)
Source: Eurostat (ext_lt_introle)

Figure 2: Total trade in goods with the US, EU-28, 2003–13 (billion EUR)
Source: Eurostat (Comext data code: DS-018995)

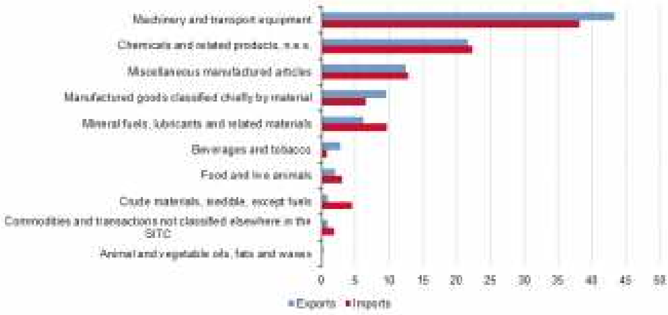


Figure 3: Trade in goods with the US, by product (SITC level 1), EU-28, 2013
(%)
Source: Eurostat (Comext data code: DS-018995)

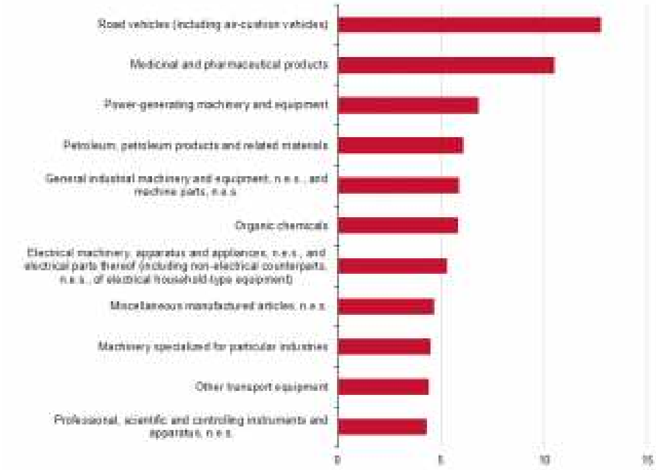


Figure 4: Main exports to the US (SITC level 2), EU-28, 2013
(%)
Source: Eurostat (Comext data code: DS-018995)

Figure 5: Main imports from the US (SITC level 2), EU-28, 2013
(%)
Source: Eurostat (Comext data code: DS-018995)

Figure 6: Share of exports to US on total extra-EU-28 exports, by product (SITC level 2), EU-28, 2013
(%)
Source: Eurostat (Comext data code: DS-018995)

Figure 7: Share of imports from the US on total extra-EU-28 imports, by product (SITC level 2), EU-28, 2013
(%)
Source: Eurostat (Comext data code: DS-018995)

Figure 8: Trade in goods with the US, by size class of trader (in terms of number of employees), EU-28, 2011 and 2012
(%)
Source: Eurostat (Comext data code: DS-057390)

Figure 9: Trade in goods with the US, by main economic activity of the trader (NACE classification), EU-28, 2012
(%)
Source: Eurostat (Comext data code: DS-057390)

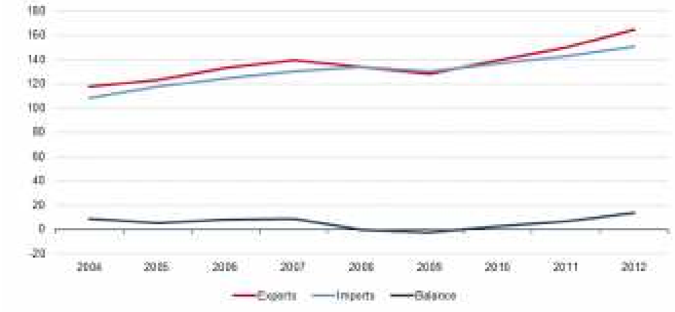


Figure 10: Total trade in services with the US, EU-28, 2004–12 ([1])
(in billion EUR)
([1]) 2004–09: EU-27; 2010–12: EU-28.
Source: Eurostat (bop_its_det)

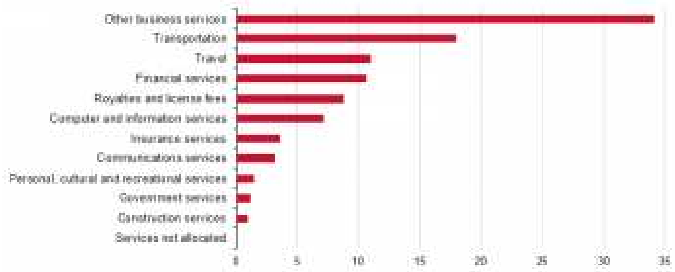


Figure 11: Trade in services with the US, by main sector, EU-28, 2013
(%)
Source: Eurostat (bop_its_det)

Figure 12: Foreign direct investment stocks with the US, EU-27, 2004–12
(billion EUR)
Source: Eurostat (bop_fdi_main)

Figure 13: Foreign direct investment flows with the US, EU-27, 2004–12
(billion EUR)
Source: Eurostat (bop_fdi_main)

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Main statistical findings

EU–US position in world trade

Compared with the other major world economies, the United States and the EU recorded among the highest values for trade in goods (2013 data). In 2013, the EU-28 recorded EUR 1 736.6 billion worth of exports, the highest value in international trade. China and the United States followed closely at EUR 1 663.3 billion and EUR 1 188.2 billion respectively. The United States has traditionally been a major trading economy but its relative significance has declined in recent years, in particular in exports. In 2007, China overtook the United States and became the second largest exporter of goods behind the EU-28. The United States had a considerable deficit in trade in 2013 (EUR 565.0 billion), the highest deficit among the major economies. India recorded the second highest deficit (EUR 97.5 billion), while the EU-28 recorded a surplus of EUR 51.7 billion.[1]; Together, the EU-28 and the United States accounted for close to one third (31.1 %) of global imports of goods and 27.0 % of global exports in 2013 (Figure 1). Between 2003 and 2013 the United States' share of total exports fell from 14.2 % to 11.0 %. The share of the United States in world imports has fallen substantially since 2003, from 24.2 % to 15.9 % in 2013. The EU's export share followed the same trend as the United States during the above mentioned period, while the EU's import share declined more gradually. As a result, from 2008 to 2011, the EU-28 ranked first among importers, but from 2012 the United States was again top.

Goods and services are increasingly linked together. Having access to certain services is a prerequisite for the economic performance of many manufacturers of the main goods that are exchanged between the EU and the United States. For example, producers and exporters of textiles, cars or computers cannot be competitive without access to efficient banking, insurance, accountancy, telecom or transport systems. The EU-28 is the world’s largest exporter and importer of services, with a trade surplus of EUR 146.7 billion in 2012. The United States shared the same pattern, and had the second highest levels of exports and imports of services (2011 data), and also came second in trade surplus for services, at EUR 128.3 billion.[2]

EU–US trade in goods

The United States has traditionally been the EU's major trading partner, but its relative significance has declined in recent years, in particular for exports. Having peaked in 2006, EU trade in goods with the United States declined notably for both imports and exports in 2009 (Figure 2), following the global financial and economic turmoil at the end of 2008. It recovered again following an upward trend up to 2012. However, in 2013 both imports and exports showed a slight decline compared with 2012. The trade balance is positive since the beginning of the series (2002) meaning the EU's exports to the United States are greater than its imports.

In 2013, manufactured goods (all products included in SITC 5–8) accounted for the largest share of EU exports to the United States (87.1 % - see Figure 3). Manufactured goods made up the majority of EU imports (79.9 %) as well.

Machinery and transport equipment were by far the most traded products in both EU export and import flows to the United States (EUR 124.2 million and 74.4 million respectively) and made up 43.4 % of total EU exports and 38.2 % of total EU imports. Chemicals and related products accounted for 21.6 % of EU exports and 22.3 % of EU imports. Miscellaneous manufactured articles (SITC 8) and manufactured goods classified chiefly by material (SITC 6), followed. Among primary products, mineral fuels, lubricants and related materials (SITC 3) held the highest share of both EU's import and export flows (6.1 % and 9.7 % respectively). Within the SITC at 2-digit level, road vehicles were the most exported merchandise to the United States. The most common imports were medical and pharmaceutical products closely followed by power-generating machinery and equipment (Figures 4 and 5).

In 2013, the share of exports to the United States in total extra EU-28 exports was 18.5 %. An analysis by product breakdown shows that organic chemicals (36.7 %) and beverages (31.5 %) had the highest proportion of exports to the United States in total extra-EU exports. In the case of six other products (medicinal and pharmaceutical products, power-generating machinery, scientific and controlling instruments, miscellaneous manufactured articles, coins and road vehicles) the United States accounted for between 20 % and 30 % of the total. The United States had also close to a 20 % share of extra-EU exports for two other chapters: 'photographic, optical and clock equipment' and 'inorganic chemicals'. The share of imports from the United States in total extra EU-28 imports was, at 11.6 %, somewhat lower than exports. Live animals other than animals of division 03 (meaning animals other than fish) recorded the highest share of imports from the United States in total extra-EU imports, at more than 50 %. Power-generating machinery and equipment had a slightly lower share imports from the United States: 49 % in 2013. Still within the top ten products where the United States was the EU's main partner in terms of imports, chemical materials and products; professional, scientific and controlling instruments and apparatus; medicinal and pharmaceutical products and other transport equipment all accounted for shares higher than one third of total EU imports (see Figures 6 and 7).

Main characteristics of traders

Figures 8 and 9 show trade in goods data with the United States in 2011 and 2012, broken down by two characteristics of the traders, enterprise size (in terms of number of employees) and main economic activity according to the Statistical classification of economic activities in the European Community (NACE).

Trade by size class of the traders is one of the most important statistical indicators from trade by enterprise characteristics (TEC). In 2012, the contribution of small and medium sized enterprises (SMEs) was larger for imports than for exports (see Figure 8). SMEs (which have less than 250 employees) were responsible for 28 % of the total value of exports to the United States and 38 % of imports. Figures for 2011 were similar. Small enterprises (0–49 employees) were responsible for almost 12 % of the value of exports, while the share of medium-sized enterprises (50–249 employees) was around 16 %. Large enterprises accounted for more than half of the value of both exports and imports, 68 % and 54 % respectively.

Focusing on enterprise activities, the industry and trade sectors (NACE sections B–E and G) account for the majority of EU trade with the United States, both in terms of trade value and number of enterprises (see Figure 9). In 2012, the industry sector (B–E) contributed significantly more than the trade sector (G) to total trade value. For imports, trade was fairly equally distributed between the industry sector (48 %) and other sectors including the trade sector (52 %, of which 30 % trade and 22 % other), while exports were principally driven by the industry sector, which accounted for almost two-thirds (63 %) of total trade.

The number of establishments involved in trade with the United States was unequally distributed across the various sectors: while trade represented a share of 41 % of importers from the United States, industry accounted for only 26 %. On the other hand, the number of enterprises involved in exports was higher for industry (48 %) than for trade (31 %). Other sectors had a share of 21 %.

EU-US trade in services

A relatively high share of the EU-28's trade in services was with the United States — although exports and imports were broadly in line with each other — resulting in a relatively small surplus. Trade in services also declined notably for both imports and exports in 2009 (EUR 130.2 billion and EUR 128.1 billion respectively). Since then, values rose to EUR 164.8 billion for exports and EUR 150.9 billion for imports in 2012. The trade balance for services was a smaller surplus throughout the decade compared with the trade balance in goods. The trade balance in services had been positive since the beginning of the series (2004) until 2008 when it was almost balanced, followed by a EUR 2.1 billion deficit in 2009.

Other business services made up 34.1 % of EU exports to the United States in 2013. Transportation followed with 18.0 %. Travel and financial services accounted for 11.0 % and 10.6 % respectively. Royalties and license fees and computer and information services also accounted for proportions higher than 5 %, 8.8 % and 7.2 % respectively. All other services accounted for shares lower than 5 %.

Foreign direct investment

The investment between the EU and the United States is the real driver of the transatlantic relationship, contributing to growth and jobs on both sides of the Atlantic. Moreover, it influences trade figures positively, as it is estimated that a third of the trade between the EU and the United States actually consists of intra-company transfers.

EU-27[3] FDI stocks in the United States more than doubled between 2004 and 2012, and the United States' FDI stocks in the EU-27 doubled over that period. Since 2006, the EU has recorded a positive balance vis-à-vis the United States, with outward stocks exceeding inward stocks.

Total EU-27 FDI outflows to the United States increased to EUR 163.4 billion in 2011 and dropped again in 2012, down to EUR 62.9 billion. Inward flows, i.e. the flows from the United States to the EU-27, also decreased in 2012 by more than a half from the previous year, down to EUR 98.8 billion.

Data sources and availability

EU data on international trade comes from Eurostat's COMEXT database. COMEXT is the Eurostat reference database for international trade in goods. It provides access not only to both recent and historical data from the EU Member States but also to statistics of a significant number of third countries. International trade aggregated and detailed statistics disseminated from Eurostat website are compiled from COMEXT data according to a monthly process.

Data are collected by the competent national authorities of the Member States and compiled according to a harmonised methodology established by EU regulations before transmission to Eurostat. The statistical information is mainly provided by the traders on the basis of Customs (extra-EU) declarations.

EU data are compiled according to community guidelines and may, therefore, differ from national data published by EU Member States. Statistics on extra-EU trade are calculated as the sum of trade of each of the 28 EU Member States with countries outside the EU. In other words, the EU is considered as a single trading entity and trade flows are measured into and out of the area, but not within it.

Definitions

- Number of enterprises

The number of enterprises consists in a count of the number of enterprises involved in trade during at least a part of the reference period.

- Number of employees

The number of employees is defined as those persons who work for an employer and who have a contract of employment and receive compensation in the form of wages, salaries, fees, gratuities, piecework pay or remuneration in kind.

- Classifications

Enterprises are classified according to the Statistical Classification of Economic Activities in the European Community, Rev. 2 (NACE Rev. 2). From the reference year 2008 onwards, the activity sector is broken down by NACE Rev. 2 division (2-digit level) for sections C

(Manufacturing) and G (Trade) and by section level for other activities. The size-classes in terms of number of employees are: 0–9, 10–49, 50–249, 250 or more and Unknown. For detailed information, please refer to 'RAMON', Eurostat's Classification Server.

- Foreign direct investment (FDI) is the category of international investment made by an entity resident in one economy (direct investor) to acquire a lasting interest in an enterprise operating in another economy (direct investment enterprise). The lasting interest is deemed to exist if the direct investor acquires at least 10 % of the voting power of the direct investment enterprise. FDI statistics record separately:

1) Inward FDI (or FDI in the reporting economy), namely investment by foreigners in enterprises resident in the reporting economy.

2) Outward FDI (or FDI abroad), namely investment by residents entities in affiliated enterprises abroad.

- International trade in services statistics come from the transactions recorded under the country's balance of payment, hence the transactions that take place between economy's residents and non-residents.

Context

The European Union and the United States have the largest bilateral trade relationship and enjoy the most integrated economic relationship in the world. The EU and USA have decided to take their economic relationship to a higher level by agreeing to launch negotiations for a comprehensive trade and investment agreement, the Transatlantic Trade and Investment Partnership (TTIP). Launched in 2013, the current TTIP negotiations between the EU and the United States are designed to increase trade and investment across the Atlantic by reducing and, where possible, eliminating remaining barriers to transatlantic trade and investment, whether they are tariffs on farm or manufactured products, restrictions on foreign service suppliers, or limitations on investment possibilities.

See also

- All articles on international trade
- All articles on the non-EU countries
- Extra-EU trade in goods

Further Eurostat information

Data visualisation

- Statistics Illustrated –International trade

- Statistics Illustrated –Balance of payments

Publications

- The EU in the World 2014

Main tables

- International trade, see:

  International trade (t_ext)

Database

- International trade, see:

  International trade data (ext)

Dedicated section

- International trade
- Balance of payments — International transactions
- Balance of payments - International trade in services

Methodology / Metadata

In the methodology applied for statistics on the trade of goods, extra-EU trade statistics (trade between EU Member States and non-member countries) do not record exchanges involving goods in transit, placed in a customs warehouse or given temporary admission (for trade fairs, temporary exhibitions, tests, etc.). This is known as ‘special trade’. The partner is the country of final destination of the goods for exports and the country of origin for imports.

The balance of payments (BoP) is an important macro-economic indicator used to assess the position of an economy (of credit or debit) towards the external world. Data on International Trade in Services (ITS), a component of BoP current account, are used, alongside with data on Foreign Direct Investment, to monitor the external commercial performance of different economies. Some indicators of EU market integration are also derived from BoP data. ITS data are collected by national enterprise surveys, International Transaction System (ITRS) and administrative records. The methodological framework followed the Manual on Statistics of International Trade in Services. The balance of payments provides information on the total value of credits (or exports) and debits (or imports) for each BoP item and on the net result or ‘balance’ (credits minus debits) of the transactions with each partner.

The main services categories are:

- Transport
- Travel

- Communication services
- Construction services.
- Insurance services.
- Financial services.
- Royalties and license fees.
- Other business services.
- Personal, cultural and recreational services.
- Government services n.i.e.
- Services not allocated.

For more information see the EU-International trade Metadata page and International trade in services, geographical breakdown Metadata page.

- Product classification

Information on commodities exported and imported is presented according to the Standard international trade classification (SITC).

SITC is a product classification of the United Nations (UN) used for external trade statistics (export and Import values and volumes of goods), allowing for international comparisons of commodities and manufactured goods.

The main categories are:

- food, drinks and tobacco (Sections 0 and 1 — including live animals);
- raw materials (Sections 2 and 4);
- energy products (Section 3);
- chemicals (Section 5);
- machinery and transport equipment (Section 7);
- other manufactured goods (Sections 6 and 8).

A full description is available from Eurostat's classification server RAMON.

- International trade metadata file

- Balance of payments metadata file

Source data for tables, figures and maps (MS Excel)

- EU_external_relations_with_the_United_States Excel file

External links

European Commission

- Globalisation
- Trade
- Transatlantic Trade and Investment Partnership (TTIP)

United Nations

- Comtrade

Notes

1. Jump up ↑ Share of the EU in world trade (ext_lt_introle).
2. Jump up ↑ International trade in services — Data for the Eurostat yearbook (bop_its_ybk)
3. Jump up ↑ EU-28 data not available for the whole time period

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6. IMF Panel Adopts G-20 View on Trade as Trump Considers Options

by Scott Lanman @scottlanmanMore stories by Scott LanmanApril 22, 2017 2:40 PM

- Countries agree to 'strengthen the contribution of trade'
- Unclear how far Trump will go to shake up economic consensus

The IMF's steering committee adopted the position on trade taken by the Group of 20 last month in an effort to accommodate Donald Trump's administration, which is considering how far to go in fulfilling the president's campaign pledges to impose tariffs and reshape international accords.

A communique from the International Monetary and Financial Committee, released Saturday in Washington, said that officials "are working to strengthen the contribution of trade to our economies." Such language echoes a statement last month from G-20 nations, which have a similar makeup as the IMF panel, reflecting the Trump administration's call to rethink the global order for commerce.

Like the G-20 communique, the committee's statement omits a call from its previous missive in October to "resist all forms of protectionism." Asked about that change, Agustin Carstens, the Mexican central bank governor who serves as chairman of the IMF committee, said the statement still reflects broader agreement that nations want a level playing field on trade.

"What we try to do in these types of meetings is to strike a positive, constructive balance," Carstens said at a press briefing on Saturday. "And the use of the word protectionism is very ambiguous." The main goal is to take advantage of trade, and "I think everyone is in line that we need free and fair trade," which is reflected in the communique, he said.

It's unclear how far Trump will go in shaking up the workings of the global economy. For example, Trump backed down from a campaign promise to label China a currency manipulator this month, and proposed changes to Nafta circulated in Congress fall short of his earlier get-tough message.

Since the joint statements at gatherings such as the G-20 and the IMF require assent from members, the change in the U.S. position on trade from the Obama administration is forcingmodifications in language that was previously uncontroversial

Global Outlook

The outlook for the world economy is sunnier than six months ago, with the statement saying that the "global economic recovery is gaining momentum, commodity prices have firmed up, and deflation risks are receding." At the same time, "while the outlook is improving, growth is still modest and subject to heightened political and policy uncertainties."

The differences in some countries' positions on protectionism were evident in comments delivered by officials at the IMFC's meeting.

Germany, holder of this year's G-20 presidency, "commits to keep the global economy open, resist protectionism and keep global economic and financial cooperation on track," Finance Minister Wolfgang Schaeuble said in his statement to the IMFC. "There is evidently a need to better communicate the benefits of trade and globalization."

The IMFC comments from U.S. Treasury Secretary Steven Mnuchin, by comparison, don't refer to resisting protectionism. Instead, Mnuchin said that "we will continue to promote an expansion of trade with those partners committed to market-based competition, while more rigorously defending ourselves against unfair trade practices."

In addition, in language that could be seen as a jab at Germany -- which posted a record trade surplus last year -- Mnuchin said that “countries with large external surpluses and sound public finances have a particular responsibility for contributing to a more robust global economy.”

Source: https://www.bloomberg.com/news/articles/2017-04-22/imf-panel-adopts-g-20-view-on-trade-as-trump-considers-options