

////////////////////////////////////
US-EU TRADE 2020

Publicatiedatum / 27.08.2020
////////////////////////////////////

Background

The EU-U.S. economic partnership has been the single most important driver of economic growth, trade, and prosperity worldwide. Compared to other trade relationships, the United States invests three times more in the European Union than it does in all of Asia. For the European Union, their investment in the United States is approximately eight times what it invests in India and China combined. Likewise, the European Union and the United States are each other's main trading partners. Combined, their economies account for nearly one third of world trade flows. The EU and U.S. account for almost 30 percent of global merchandise trade, which amounts to almost 40 percent of world trade in services, and about half of global GDP. The transatlantic economic relationship creates and sustains close to 15 million jobs in the European Union and the US. These jobs are the result of transatlantic trade in goods and services, foreign investment, and the activities of foreign affiliates in each other's economies. This enormous volume of transatlantic trade and investment promotes economic prosperity on both sides of the Atlantic.

In 2019, the United States was the largest partner for European Union exports of goods at 18 %, followed by the United Kingdom 15 %, and China 9%. It was the second largest partner for EU imports of goods 12 %, after China at 19 %, and followed by the United Kingdom with 10 %. EU exports to the United States were highest in 2019 (EUR 384 billion) and lowest in 2009 (EUR 169 billion). EU imports from the United States were highest in 2019 (EUR 232 billion) and lowest in 2009 (EUR 127 billion). In 2019, the European Union had trade surpluses in machinery & vehicles (EUR 63 billion), chemicals (EUR 50 billion), other manufactured products (EUR 39 billion), food & drink (EUR 12 billion) and other products (EUR 5 billion). The EU had trade deficits in raw materials (EUR 5 billion) and energy (EUR 11 billion).

US-EU Trade 2020

In March of 2020, EU trade chief Phil Hogan was working on getting a trade deal with the United States. He was preparing a package of several agreements for European Commission President Ursula von der Leyen to present to President Donald Trump in the next few weeks. At the time, Washington's decision to not increase retaliatory tariffs on agricultural products in the long-running Boeing-Airbus dispute was seen as a positive sign that the U.S. is willing to negotiate a deal.

Also in March, the USTR increased retaliatory tariffs on Airbus aircraft to 15 percent, from 10 percent, and did not change the 25 percent tariff on EU food, alcohol and other products. At the time, Commissioner Hogan said that he did not expect a resolution of the 15-year-old Boeing-Airbus dispute as part of a mini deal with the United States.

In June, the United States threatened to levy tariffs on another \$3.1bn in EU goods as it has been authorized to do under a WTO ruling. More recently, in July of this year, Airbus increased the interest rate that it would pay on the government funds that it received, in an attempt to bring an end to the transatlantic dispute. One of the reasons why the United States said that the European Union was improperly subsidizing Airbus was the low interest rates on the subsidies.



Later in August, the United States did not go through with increasing tariffs on European and UK goods. The US, did however, say that it would maintain 15% tariffs on Airbus aircraft and 25% tariffs on more than 100 European products, despite European efforts to resolve a 16-year-old dispute over aircraft subsidies. The Trump administration did not add any new tariffs despite previously threatening to do so. The Office of the United States Trade Representative said that it would slightly modify the list of European goods subject to the tariffs. It will remove cheese from Greece and cookies from Great Britain, while adding jam from Germany and France. Though it maintained tariffs on other European food, wine and spirits, the USTR did not add tariffs to vodka, gin and beer as it had threatened. The modifications are set to come into effect on September 1.

The coronavirus has created both an increased level of global protectionism, while also fostering international cooperation and collaboration. The European Union believes that in light of the global recession triggered by the coronavirus pandemic, the dispute should finally be resolved. The current travel ban for Europeans has increased negative views of the United States in Europe. President Trump had in fact blamed Europeans for the spread of the virus in the United States. The pandemic is making policymakers on both sides of the Atlantic more inward-looking and concerned with managing the domestic public health and socioeconomic consequences. Supply chains have been severely impacted by fewer flights between the United States and Europe, as well as a decrease in the workforce on both sides of the ocean.

Despite some diplomatic attempts to unite the two sides, bidding wars between allies for access to vital medical supplies and equipment have only made the situation worse. President Trump's 'America First' slogan increased previously high levels of distrust to even higher levels. The lack of support from the United States for increased European collaboration in order to overcome the crisis goes against that of President Obama's support for European cooperation with the 2008 financial crisis.

It remains to be seen if the United States will have a trade agreement with the United Kingdom. If there is a trade deal with the two, then the European Union may be inclined to also re-launch trade talks with the United States. Or perhaps the trade relations between the two will improve. Britain currently hopes that by talking with America, that it would put pressure on the European Union during talks on a post-Brexit trade deal.

One other factor that will have an impact on future US-EU trade relations is the upcoming US presidential election, scheduled for November. President Trump may impose tariffs on countries like China or perhaps the European Union, or include threats as part of his re-election campaign. Some fear that trade tensions will worsen ahead of the elections.

Sources:

- https://ec.europa.eu/eurostat/statistics-explained/index.php/USA-EU_-_international_trade_in_goods_statistics#EU_and_the_United_States_in_world_trade_in_goods
- https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1405
- <https://fas.org/sgp/crs/row/IF10930.pdf>
- <https://fas.org/sgp/crs/row/IF11189.pdf>

