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Trade relationship between E.U. and U.S.

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Abstract: *The paper tries to underline the evolution of trade between the E.U. and U.S. financial crisis period. In the analysis we present trend of trade in goods, services and foreign direct investment. Financial economic crisis had repercussions throughout the economy, its effects are visible throughout the international trade and the consequences are major.*

Keywords: trade, goods, commercial services, investment flow

JEL classification: F13

Introduction

The present economic crisis is in the foreground. It affects the world economy, stimulating countries to return to protectionist measures. The present economic crisis seems to be different from that of 1929.

EU and U.S. develop harmonious trade relations are reliable partners. Thanks to EU and U.S. trade liberalization could have many benefits. Most free trade or protectionism is detrimental preferred. However, a truly free trade has not practiced yet and probably will not practice in the future more or less close to several reasons not necessarily related to economics.

The price paid for a free trade is supported by MPs getting excited about the economic benefits and who did not take into account the political costs¹.

E.U. negotiates various agreements with the world, whether association or cooperation agreements. Even if it has already signed about 30 agreements continue to negotiate with the countries of the world. One of the most important partners is the United States².

Trade in goods

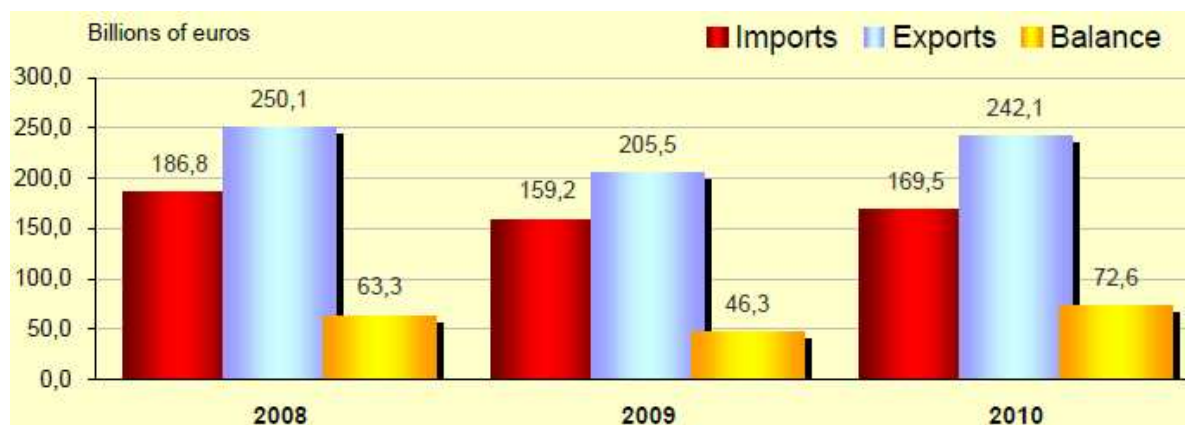
Making an analysis of trade between the E.U. and the U.S. for a period between 2008 - 2010 we see a constant trend. E.U. and the U.S. form more than half of world GDP.

¹ **Michael Lusztic**, *The limit of protectionism: building coalitions for free trade*, University of Pittsburg Press, Pitisburg, 2004

² *European Commission Trade*, available at : http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/index_en.htm

Transatlantic relations are integrated and they are reliable partners for each other. Trade in goods is one of the most developed the powers of the two. The following is an analysis of trade in goods between the EU 27 with the U.S. in the period 2008-2010.

Figure 1 : Trade in goods, EU 27 with United States (billions of euros)



Source : Eurostat, Statistical Regime 4

In the above figure we see that E.U. exports to U.S. decline in 2009 and grow in 2010. Goods exported from the E.U. to the U.S. in 2008 have recorded a value of €250.1 billion, and imports €186.8 billion. In 2009 EU exports to the U.S. fell to €205.5 billion, as well as imports, in a value of €159.3 billion, will grow in 2010 with a value of €242, 1 billion, as well imports rise to €169.5 billion.

Goods exported from the E.U. to the U.S. in 2010 were €242.1 billion, higher compared with the EU imported from USA, which recorded a value of €169.5 billion.

Table 1. EU 27 trade in goods with USA by product (million euro)

	Exports		Imports		Balance	
	Jan-Jun 10	Jan-Jun 11	Jan-Jun 10	Jan-Jun 11	Jan-Jun 10	Jan-Jun 11
Total	113 835	128 839	82 666	93 575	31 169	35 264
Primary goods:	13 687	17 223	10 304	15 452	3 383	1 771
<i>Food & drink</i>	4 962	5 531	2 754	3 292	2 208	2 240
<i>Raw materials</i>	1 346	1 484	3 605	4 950	-2 259	-3 465
<i>Energy</i>	7 380	10 207	3 946	7 210	3 434	2 997
Manufactured goods:	96 050	109 154	68 757	75 489	27 293	33 666
<i>Chemicals</i>	29 191	29 907	18 972	20 186	10 219	9 721
<i>Machinery & vehicles</i>	42 881	51 605	32 786	36 588	10 096	15 017
<i>Other manuf'd goods</i>	23 978	27 643	17 000	18 716	6 978	8 927
Other	4 097	2 462	3 604	2 635	493	-173

Source : Eurostat

In the above table is presented an analysis of EU27 trade in goods - the U.S., the comparison is made during January-June 2010 and January to June 2011. Data are for primary goods, manufactured goods and other. As seen from the table of primary goods exports increased from 13,687 in 2010-17223 were as in 2011.

A similar situation was recorded for imports that have an upward trend, from 10,304 in 2010 to 15,452 in 2011, the total primary good. For goods manufactured maintains its upward trend for both imports and exports.

With values from 96,050 in 2010 to export up to 109,154 in 2011. Imports are 68,757 in 2010 and grow to 75,489 in 2011. Other Goods on the situation seems to be a little different because they have downward trend. Exports in 2010 were lower in 4097 and 2011-2462. Imports and they fall from 3604 in 2010-2635 in 2011.

Note that in 2011 exports are bigger than imports for both the primary and manufactured goods.

Trade in commercial services

Next we present an analysis of trade in services between E.U. and U.S. in the period 2008 – 2010.

Figure 2: Trade in commercial services (Services excluding “Government Services”) EU 27 with US (billions of euros)



Source: Eurostat (New Cronos)

As we see in the picture above the EU27 services trade with the U.S. analyzed during 2008-2010 recorded a few differences. In 2008 the U.S. imports from EU27 were €131.1 billion in 2009 fell to a value of €124.1 billion, and in 2010 increased, but did not exceed the value in 2008, registering a value 131.0. of EU 27 exports to the U.S. in 2008 was much

higher than in 2010, €133.0 billion was the value decreases to €116.9 billion in 2009, after reaching a value of €125.2 billion. In 2008 had a positive balance of 1.9, followed in 2009 and 2010 to record negative values -7.2 -5.8 respectively, according to data provided by Eurostat.

Table 2. EU 27 trade in service with USA (million euro)³

	Credit			Debit			Net		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
Total	133 923	120 768	128 761	133 939	126 078	132 638	-16	-5 310	-3 877
of which:									
Transportation	33 125	25 613	28 876	20 512	16 898	19 364	12 613	8 714	9 513
Travel	15 427	14 165	14 939	17 640	15 292	16 022	-2 213	-1 127	-1 083
Other services	85 340	80 970	84 871	93 361	91 121	94 391	-8 021	-10 152	-9 520
of which:									
<i>Communications services</i>	3 860	3 681	3 994	3 531	3 285	3 761	329	396	232
<i>Construction services</i>	827	1 013	853	636	985	631	191	27	222
<i>Insurance services</i>	6 420	6 280	5 362	2 334	2 421	2 709	4 086	3 858	2 653
<i>Financial services</i>	15 179	12 764	12 803	6 455	5 866	6 921	8 724	6 898	5 882
<i>Computer and information services</i>	6 940	7 010	7 896	6 469	5 660	6 422	471	1 350	1 473
<i>Royalties and license fees</i>	9 668	9 884	10 418	24 847	21 862	22 252	-15 178	-11 978	-11 835
<i>Other business services</i>	38 791	36 957	39 715	43 758	46 175	46 535	-4 967	-9 218	-6 820
<i>Personal cultural and recreational services</i>	1 850	1 721	2 181	2 843	2 653	3 016	-992	-932	-835
<i>Government services, n.i.e.</i>	1 804	1 662	1 650	2 488	2 214	2 143	-684	-553	-494
Total extra-EU27	525 318	483 493	539 028	454 036	416 271	453 604	71 282	67 222	85 424
USA / total extra-EU27	25%	25%	24%	29%	30%	29%			

Source: Eurostat

U.S.A. account more than a quarter of E.U. trade in services. Together they are the most powerful partners, the U.S. represents 24 percent of EU exports of services and 29 percent of imports. In 2009 it declined because there were several issues related to intellectual property rights, taxes, licenses and other business and service course.

Foreign Direct Investment

In 2010 due to financial crisis foreign direct investment fell significantly, by 62 percent from 281 billion in 2009 to 107 billion in 2010 worldwide. In EU27, but dropped significantly to 75 percent, from a value of 216 billion to €54 billion, the value is five times

³ Note: Other business services includes miscellaneous business, professional and technical services.

lower than in 2007. For EU27 U.S. is the largest source of investment, but the trend is downward. If in 2009 they amounted to €97 billion in 2010 reached €28 billion⁴.

Figure 3. Foreign Direct Investment - EU 27 Stocks of FDI with US (billions of euros)



Source : Eurostat (New Cronos)

E.U. direct investment flows to the United States were €79.2 billion in 2009, while the U.S. to the E.U. was €97.3 billion. In 2007 investments stocks inward were stocks was € 1027.2 billion, in 2008 was € 1014.6 billion and in 2009 investment stocks inward were € 1,044 billion.

Outward investment stocks in 2007 were € 1027.1 billion, in 2008 was € 1089.5 billion and in 2009 amounted to a value of € 1,134 billion.

Conclusions:

Financial economic crisis had serious effects on trade between E.U. and U.S. However the economy seems to recover. The statistical data available shows us that the trend is upward. Maybe not for all sectors, but especially to those analyzed above. It is normal for an economy to exist situations where there is a decrease in major trade flow, followed, perhaps as a natural and commercial growth.

EU and U.S. are working on trying to eliminate trade efficiency possible trade barriers that stand in the way. Next period is expected to intensify trade.

⁴ *Ministerul Afacerilor Europene*, available at : <http://www.dae.gov.ro/articol.php?id=2125>

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