
European Union

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Change in 2003 from 2002:

U.S. trade deficit: Increased by \$12.9 billion (14 percent) to \$104.1 billion

U.S. exports: Increased by \$5.6 billion (4 percent) to \$138.1 billion

U.S. imports: Increased by \$18.5 billion (8 percent) to \$242.2 billion

- Total trade (imports plus exports) in 2003 between the United States and the European Union (EU) was greater than in any other year during 1999-2003. In 2003, relatively strong economic growth in the United States, particularly during the final 6 months (see U.S. Merchandise Trade Performance), contributed to a sharp increase in imports from the EU, despite a nearly 20-percent depreciation of the dollar relative to the euro over the year.¹ The U.S. deficit with the EU increased substantially in 2003 and has doubled during 1999-2003 (see table EU-1).
- Germany and the United Kingdom, among two of the largest EU economies, were the leading EU markets for U.S. manufacturers in 2003, accounting for 20 percent and 22 percent, respectively, of all U.S. exports to the EU (see table US-3). Likewise, these countries were the principal EU suppliers to the U.S. market, accounting for 28 percent and 17 percent, respectively, of all U.S. imports from the EU. The United Kingdom was a major supplier of aircraft, spacecraft, and related equipment; and medicinal chemicals; whereas Germany was a major supplier of motor vehicles and medical goods. Increased net imports of these products (with the exception of aircraft, spacecraft, and related equipment) accounted for most of the increase in the U.S. trade deficit with the EU (see table EU-1 and EU-2).

¹ Foreign Exchange Rates (Annual), Federal Reserve Statistical Release (Jan. 5, 2004), <http://www.federalreserve.gov/releases/g5a/current/>.

Table EU-1

EU-15: U.S. exports of domestic merchandise, imports for consumption, and merchandise trade balance, by major industry/commodity sectors, 1999-2003¹

Item	1999	2000	2001	2002	2003	Change, 2003 from 2002	
						Absolute	Percent
	<i>Million dollars</i>						
U.S. exports of domestic merchandise:							
Agricultural products	7,508	7,177	7,290	6,963	7,280	318	4.6
Forest products	4,272	4,834	4,240	3,852	3,921	70	1.8
Chemicals and related products	20,336	23,166	24,711	25,058	29,275	4,217	16.8
Energy-related products	1,912	2,072	2,146	1,731	1,714	-17	-1.0
Textiles and apparel	1,836	1,924	1,698	1,520	1,473	-46	-3.0
Footwear	82	65	67	57	59	2	4.1
Minerals and metals	7,135	8,015	8,171	6,951	7,589	637	9.2
Machinery	13,052	15,745	13,998	11,669	11,671	2	(²)
Transportation equipment	36,792	34,148	33,844	31,778	32,237	459	1.4
Electronic products	40,836	46,431	41,819	34,805	34,703	-102	-0.3
Miscellaneous manufactures	3,502	3,987	4,119	3,434	3,344	-90	-2.6
Special provisions	4,766	5,087	5,225	4,745	4,871	126	2.7
Total	142,029	152,652	147,327	132,563	138,138	5,575	4.2
U.S. imports of merchandise for consumption:							
Agricultural products	9,930	10,341	10,316	11,187	12,506	1,319	11.8
Forest products	3,955	4,504	4,371	4,778	5,109	331	6.9
Chemicals and related products	33,537	39,410	42,784	48,700	56,408	7,708	15.8
Energy-related products	4,444	8,338	7,614	8,778	11,453	2,674	30.5
Textiles and apparel	5,019	5,360	5,190	5,163	5,391	228	4.4
Footwear	2,038	2,044	1,951	1,826	1,764	-62	-3.4
Minerals and metals	16,248	18,827	17,101	15,589	16,239	650	4.2
Machinery	24,426	25,548	24,642	23,076	25,086	2,010	8.7
Transportation equipment	47,863	51,499	54,414	53,599	56,103	2,504	4.7
Electronic products	24,822	28,630	26,545	27,220	28,986	1,765	6.5
Miscellaneous manufactures	10,845	11,745	11,403	11,338	10,815	-523	-4.6
Special provisions	11,280	12,128	12,580	12,477	12,352	-125	-1.0
Total	194,409	218,375	218,911	223,732	242,210	18,479	8.3
U.S. merchandise trade balance:							
Agricultural products	-2,422	-3,164	-3,027	-4,224	-5,225	-1,002	-23.7
Forest products	316	331	-132	-926	-1,188	-262	-28.3
Chemicals and related products	-13,201	-16,244	-18,073	-23,642	-27,133	-3,491	-14.8
Energy-related products	-2,532	-6,266	-5,468	-7,048	-9,738	-2,691	-38.2
Textiles and apparel	-3,183	-3,436	-3,491	-3,644	-3,918	-274	-7.5
Footwear	-1,956	-1,978	-1,883	-1,769	-1,705	65	3.7
Minerals and metals	-9,113	-10,812	-8,930	-8,637	-8,650	-12	-0.1
Machinery	-11,374	-9,803	-10,644	-11,408	-13,415	-2,008	-17.6
Transportation equipment	-11,072	-17,350	-20,570	-21,820	-23,866	-2,045	-9.4
Electronic products	16,014	17,801	15,274	7,585	5,718	-1,867	-24.6
Miscellaneous manufactures	-7,343	-7,759	-7,284	-7,905	-7,471	434	5.5
Special provisions	-6,514	-7,041	-7,356	-7,732	-7,481	251	3.2
Total	-52,380	-65,723	-71,584	-91,169	-104,072	-12,903	-14.2

¹Import values are based on customs value; export values are based on f.a.s. value, U.S. port of export.²Less than 0.05 percent.

Note.—Calculations based on unrounded data.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table EU-2
Leading changes in U.S. exports to and U.S. imports from EU15, 1999-2003

Sector/commodity	1999	2000	2001	2002	2003	Change, 2003 from 2002	
						Absolute	Percent
<i>Million dollars</i>							
U.S. EXPORTS:							
Increases:							
Medicinal chemicals (CH025)	7,085	8,341	10,258	10,765	13,078	2,313	21.5
Motor vehicles (ET009)	2,607	2,059	2,951	3,865	5,431	1,566	40.5
Medical goods (ET040)	5,683	5,979	6,922	7,074	8,059	985	13.9
Decreases:							
Telephone and telegraph apparatus (ET017)	3,868	4,734	4,240	3,165	2,622	-543	-17.1
All other	122,786	131,540	122,956	107,694	108,949	1,255	1.2
TOTAL	142,029	152,652	147,327	132,563	138,138	5,575	4.2
U.S. IMPORTS:							
Increases:							
Medicinal chemicals (CH025)	17,803	22,678	26,353	31,761	37,214	5,453	17.2
Motor vehicles (ET009)	22,057	22,894	23,813	26,481	30,657	4,176	15.8
Medical goods (ET040)	3,328	3,760	4,854	5,916	7,526	1,610	27.2
Decreases:							
Aircraft, spacecraft, and related equipment (ET013) ..	7,288	9,532	10,330	8,286	6,685	-1,601	-19.3
All other	143,932	159,511	153,560	151,288	160,128	8,840	5.8
TOTAL	194,409	218,375	218,911	223,732	242,210	18,479	8.3

Note.-Calculations based on unrounded data.

Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. exports

- The increase in U.S. exports of medicinal chemicals to the EU in 2003 (see table EU-2) was largely attributable to a high degree of intracompany sales to U.S. multinational pharmaceutical operations in the Netherlands and Germany (see Medicinal Chemicals in Chemicals and Related Products).
- U.S. motor vehicle exports to the EU increased in 2003, largely composed of shipments to the German market of Mercedes-Benz and BMW models made only in the United States (see Motor Vehicles in Transportation Equipment).²
- The increase in U.S. exports of medical goods to the EU in 2003 reflected the increased use of U.S. components and subassemblies of implantable pacemakers and defibrillators by Ireland, which has rapidly become one of the leading global manufacturers of such devices (see Medical Goods in Electronic Products).³ Two of the leading manufacturers of such devices in the United States, Medtronic and Guidant, have continued to expand production capacity in Ireland for sales to the European and U.S. markets.

² *Ward's Automotive Yearbook 2003* (Southfield, MI: Ward's Communications, 2003), pp. 167 and 190.

³ Enterprise Ireland, "Medical Devices and Diagnostics," Sector Profiles, 2003, pp. 1-3, found at <http://www.enterprise-ireland.com>, retrieved Mar. 1, 2004.

U.S. imports

- During 2003, the increase in U.S. imports of medicinal chemicals accounted for about one-third of the growth in U.S. imports from the EU (see table EU-2). Nearly one-half of the increase in U.S. imports of medicinal chemicals from the EU was composed of certain cardiovascular drugs, primarily supplied by Ireland. U.S. companies in recent years have taken advantage of Ireland's national tax policy favoring research-oriented corporations, lower production costs, advanced manufacturing technology, and skilled work force to establish production facilities to supply the U.S. and European markets (see Medicinal Chemicals in Chemicals and Related Products).⁴
- U.S. imports of motor vehicles from the EU increased in 2003 reflecting lower interest rates, rising income, and higher consumer confidence levels in the United States. German shipments increased 13 percent to account for 66 percent of all U.S. motor vehicle imports from the EU (see Motor Vehicles in Transportation Equipment).
- U.S. imports of medical goods increased from the EU, primarily from Ireland. Ireland has become a leading European supplier of pacemakers, defibrillators, and other high-technology products, a result of historical investment by health-care products manufacturers (see Medical Goods in Electronic Products).⁵
- U.S. imports of petroleum products from the EU rose in 2003, reflecting higher unit prices and increased consumer and industrial demand for refined petroleum products from the United Kingdom and the Netherlands (see Petroleum Products in Energy Products).
- By contrast, imports of aircraft, spacecraft, and related equipment and of aircraft engines and gas turbines sustained 2 consecutive years of declines. These declines were due to persistent weak aircraft-related demand as the airline industry has not fully recovered from the events of September 11, 2001, and a sluggish recovery in the U.S. transportation sector (see Aircraft, Spacecraft, and Related Equipment; and Aircraft Engines and Gas Turbines in Transportation Equipment).

⁴ Of the 15 leading pharmaceutical companies in the world, 13 have substantial operations in Ireland. Forty finished pharmaceutical plants are now operating there and 29 plants have been approved by the Irish Federal Drug Administration. IDA Ireland, "Industry Profile, Pharmaceutical/Biopharmaceuticals," found at http://www.idaireland.com/industry/pharmaceutical_industry.asp, retrieved Mar. 5, 2004.

⁵ Major U.S.-based companies with manufacturing operations in Ireland include Abbott Laboratories, Tyco Inc., Johnson & Johnson, and De Puy Inc., among others. IDA Ireland, "Investments Index," found at <http://www.idaireland.com/investments/index.asp>, retrieved Mar. 9, 2004.