

European Union

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Change in 2005 from 2004:

U.S. trade deficit: Increased by \$15.5 billion (13 percent) to \$139.6 billion

U.S. exports: Increased by \$11.7 billion (8 percent) to \$167.4 billion

U.S. imports: Increased by \$27.3 billion (10 percent) to \$307.0 billion

In 2005, both total trade between the United States and the European Union¹ (EU) and the U.S. trade deficit with the EU reached 5-year highs (table EU-1), increasing by 9 percent and 13 percent, respectively. Higher economic growth² in the United States appears to be a significant factor in the growth of the U.S. trade deficit with the EU.³ The economies of the United States and the EU are highly interdependent with almost a quarter of all EU-U.S. trade consisting of intrafirm transfers.⁴

The EU was the largest U.S. trading partner in terms of total trade and U.S. imports (table US-3) and was second to Canada as a destination for U.S. exports.⁵ Germany, the United Kingdom, and France accounted for 50 percent of U.S. exports to the EU and 55 percent of U.S. imports from the EU. These countries accounted for 52 percent of U.S. exports to the EU and 57 percent of U.S. imports from the EU in 2004, when the EU consisted of only 15 countries.

U.S. exports

The largest absolute increases in U.S. exports to the EU during 2005 were in the minerals and metals, chemicals and related products, and transportation equipment sectors (table EU-1).

U.S. exports of aircraft engines and gas turbines increased significantly (25 percent) in 2005 (table EU-2), as EU large civil aircraft (LCA) producer Airbus increased its total aircraft deliveries to 378.⁶ During the same period, however, U.S. exports of aircraft, spacecraft, and related equipment to the EU fell 10 percent as a result of both a decline in the number of LCA going to the EU and a change in the product mix. Boeing delivered 40 LCA to Europe

¹ On May 1, 2004, the European Union (EU) admitted 10 additional countries, bringing the total membership of the European Union to 25. This year, 2005, is the first in which the USITC has focused this section on the EU-25, as opposed to the EU-15. The new EU member countries include Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia. These countries joined Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom to form the EU-25.

² U.S. economic growth in 2005 was 3.5 percent. Bureau of Economic Analysis, "GDP Grew 1.6 Percent in Fourth Quarter."

³ Cooper, "EU-U.S. Economic Ties: Framework, Scope, and Magnitude," CRS-4.

⁴ Europa, "Bilateral Trade Issues." For more information about U.S.-European investment, please see USITC, *Trends in U.S. Inbound and Outbound Direct Investment*.

⁵ Canada, however, is the United States' largest single-market trading partner.

⁶ Airbus, *Airbus for Analysts*.

Table EU-1

EU25: U.S. exports of domestic merchandise, imports for consumption, and merchandise trade balance, by major industry/commodity sectors, 2001-2005¹

Item	2001	2002	2003	2004	2005	Change, 2005 from 2004	
						Absolute	Percent
<i>Million dollars</i>							
U.S. exports of domestic merchandise:							
Agricultural products	7,644	7,194	7,520	7,816	7,948	131	1.7
Forest products	4,327	3,938	4,016	4,382	4,742	360	8.2
Chemicals and related products	25,024	25,349	29,633	35,368	37,517	2,149	6.1
Energy-related products	2,152	1,738	1,723	3,073	3,957	883	28.7
Textiles and apparel	1,741	1,558	1,516	1,579	1,746	167	10.6
Footwear	70	58	61	65	65	-1	-1.1
Minerals and metals	8,327	7,061	7,733	8,053	10,998	2,945	36.6
Machinery	14,400	12,025	12,091	13,403	14,789	1,387	10.3
Transportation equipment	34,331	32,269	33,155	35,475	36,916	1,441	4.1
Electronic products	42,710	35,672	35,604	37,600	38,807	1,207	3.2
Miscellaneous manufactures	4,168	3,494	3,409	3,920	4,489	569	14.5
Special provisions	5,378	4,889	5,021	4,956	5,443	488	9.8
Total	150,272	135,244	141,483	155,690	167,416	11,726	7.5
U.S. imports of merchandise for consumption:							
Agricultural products	10,637	11,569	12,912	13,841	14,791	950	6.9
Forest products	4,487	4,905	5,231	6,270	6,654	384	6.1
Chemicals and related products	43,906	49,828	57,696	63,049	67,858	4,809	7.6
Energy-related products	7,884	9,143	12,029	15,972	22,503	6,531	40.9
Textiles and apparel	5,444	5,422	5,674	6,007	5,873	-133	-2.2
Footwear	2,038	1,892	1,851	1,815	1,650	-165	-9.1
Minerals and metals	17,660	16,225	16,802	21,688	24,181	2,493	11.5
Machinery	25,373	23,839	25,921	29,755	33,892	4,138	13.9
Transportation equipment	55,174	54,381	57,837	61,629	66,049	4,420	7.2
Electronic products	28,128	28,655	30,656	34,063	36,087	2,024	5.9
Miscellaneous manufactures	11,956	11,741	11,249	12,402	12,605	203	1.6
Special provisions	12,729	12,662	12,566	13,268	14,865	1,597	12.0
Total	225,418	230,262	250,424	279,759	307,009	27,250	9.7
U.S. merchandise trade balance:							
Agricultural products	-2,994	-4,375	-5,392	-6,025	-6,844	-819	-13.6
Forest products	-160	-967	-1,215	-1,889	-1,912	-23	-1.2
Chemicals and related products	-18,882	-24,479	-28,063	-27,680	-30,341	-2,660	-9.6
Energy-related products	-5,732	-7,405	-10,307	-12,899	-18,547	-5,648	-43.8
Textiles and apparel	-3,703	-3,864	-4,159	-4,428	-4,128	300	6.8
Footwear	-1,969	-1,835	-1,790	-1,750	-1,585	165	9.4
Minerals and metals	-9,333	-9,164	-9,068	-13,635	-13,183	452	3.3
Machinery	-10,974	-11,814	-13,830	-16,352	-19,103	-2,751	-16.8
Transportation equipment	-20,843	-22,112	-24,682	-26,155	-29,133	-2,979	-11.4
Electronic products	14,582	7,016	4,948	3,538	2,720	-817	-23.1
Miscellaneous manufactures	-7,789	-8,248	-7,840	-8,482	-8,116	366	4.3
Special provisions	-7,351	-7,773	-7,545	-8,313	-9,422	-1,109	-13.3
Total	-75,146	-95,018	-108,941	-124,070	-139,593	-15,524	-12.5

¹Import values are based on customs value; export values are based on f.a.s. value, U.S. port of export.

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 EU25, 2001–2005¹

Sector/commodity	2001	2002	2003	2004	2005	Change, 2005 from 2004	
						Absolute	Percent
<i>Million dollars</i>							
U.S. EXPORTS:							
Increases:							
Aircraft engines and gas turbines (ET001)	8,025	7,501	7,152	8,153	10,175	2,022	24.8
Medical goods (ET040)	7,003	7,160	8,164	8,972	9,989	1,018	11.3
Molybdenum ores and concentrates (MM007A)	88	92	141	264	1,083	819	310.2
Decreases:							
Aircraft, spacecraft, and related equipment (ET013)	14,224	12,604	12,495	15,019	13,552	-1,468	-9.8
All other	120,931	107,887	113,530	123,282	132,617	9,335	7.6
TOTAL	150,272	135,244	141,483	155,690	167,416	11,726	7.5
U.S. IMPORTS:							
Increases:							
Energy-related products:							
Petroleum products (CH005)	5,784	5,818	7,629	11,702	17,037	5,335	45.6
Crude petroleum (CH004)	842	1,867	2,023	1,669	2,718	1,050	62.9
Medicinal chemicals (CH025)	26,420	32,287	38,058	40,893	42,900	2,007	4.9
Transportation equipment: \							
Aircraft engines and gas turbines (ET001)	9,051	7,138	5,659	6,098	7,274	1,176	19.3
Construction and mining equipment (ET004)	2,623	2,441	2,680	3,708	4,866	1,158	31.2
All other	180,698	180,712	194,374	215,689	232,214	16,524	7.7
TOTAL	225,418	230,262	250,424	279,759	307,009	27,250	9.7

¹Import values are based on customs value; export values are based on f.a.s. value, U.S. port of export.

Note.—Calculations based on unrounded data.

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

in 2005, down from 47 in 2004. Of Boeing's 2005 deliveries, only three were higher-priced wide-bodied planes.⁷

U.S. exports of medical goods to the EU increased by \$1.0 billion (11 percent) in 2005. Despite efforts by European governments to contain healthcare costs, healthcare expenditures increased again in 2005 as governments faced increased demand from their rapidly aging populations for advanced medical technology such as cardiac rhythm management equipment (implantable pacemakers and defibrillators), drug eluting stents, and orthopedic implants. U.S. manufacturers specialize in this type of advanced equipment.

U.S. exports of molybdenum ores and concentrates to the EU increased 310 percent, to \$1.1 billion, in 2005. Much of this increase resulted from the 143 percent increase in the price of molybdenum, to \$72.07 per kilogram. The quantity of U.S. exports increased 33 percent, reflecting the return to full production levels of most molybdenum byproduct producers and increased production by primary producers.⁸

U.S. imports

The largest absolute increases in U.S. imports from the EU in 2005 were in the energy-related products, chemicals and related products, transportation equipment, and machinery sectors (table EU-1).

U.S. imports of refined petroleum products from the EU increased 45 percent by value, from \$11.7 billion in 2004 to \$17.0 billion in 2005 (table EU-2), but by only 7.6 percent in quantity terms, from 277,824 barrels per day (b/d) to 298,939 b/d. Most of the increase consisted of distillate and residual fuel oils from the Netherlands port of Rotterdam, a primary global exchange center for petroleum. The value of U.S. imports of crude petroleum from the EU rose by more than 62 percent in 2005, though the quantity of imports increased by only 13 percent from 120,986 b/d to 137,189 b/d, reflecting higher world crude petroleum prices in 2005. The world price for crude petroleum rose from an average of \$36.65 per barrel in 2004 to \$53.66 per barrel in 2005, inflating the value of petroleum imports from the EU. U.S. imports of crude petroleum from the United Kingdom (North Sea production) accounted for 98-99 percent of the total U.S. imports from the EU in both 2004 and 2005.

U.S. imports of medicinal chemicals from the EU, primarily from Ireland, increased \$2.0 billion in 2005 because of greater demand for active pharmaceutical ingredients used to make consumer products for domestic sale and for export. Many of these imports are intracompany transfers to U.S. multinational pharmaceutical companies with manufacturing facilities in the EU.

U.S. imports of aircraft engines and gas turbines increased 19 percent in 2005, and were used by Boeing in the production of its aircraft. Boeing delivered 5 more aircraft globally in 2005 than in 2004.⁹

U.S. imports of construction and mining equipment from the EU increased 31 percent during 2005 due to increased residential and nonresidential construction in the United States; rising prices for construction and mining equipment during 2005; and high global prices for fuels

⁷ Boeing, *Boeing Orders and Deliveries*.

⁸ U.S. Geological Survey, "Mineral Commodity Summaries: Molybdenum."

⁹ Boeing, *Boeing Orders and Deliveries*.

and commodity minerals and metals, which stimulated increased mining projects.¹⁰ Construction and mining equipment is a highly globalized industry consisting mostly of large multinational companies.

¹⁰ “Heard in the Dirt,” 26-27.

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