



euinsight

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EU-U.S. ECONOMIC RELATIONS

Driving the Global Economy

Together, the European Union and the United States represent only 10 percent of the world's population yet account for roughly 40 percent of global trade and 60 percent of GDP. Economic and trade ties between the EU and the U.S. are central to the world's economic system—where the transatlantic marketplace leads, the global economy will follow.

The economic relationship between the European Union and the United States is a defining feature of the global economy. Economic integration and interdependence between Europe and America are broader and deeper than between any other two regions in the world, making for a partnership both enduring and dynamic. Forecasts suggest that transatlantic economic ties will only grow in coming years.

Europe-America: Business Partners

Trade. The EU and the U.S. account for nearly 40 percent of global merchandise trade and 45 percent of world trade in services. Bilateral trade between the EU and the U.S. in manufactured goods exceeds \$500 billion annually, while transatlantic foreign affiliate sales—sales of EU-based company affiliates and suppliers in the U.S. and vice-versa—are over five times larger, at nearly \$3 trillion. The EU is the largest source of imports to the U.S. and the second-largest export market for American products, purchasing four times the amount of U.S. goods as China.

EU-U.S. Trade: Mostly Dispute-Free.

Headlines and policy debates frequently center on the small portion of the EU-U.S. trade relationship resulting in trade disputes

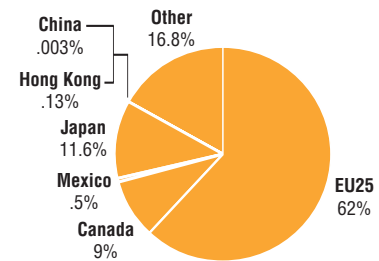
that represent less than two percent of transatlantic commerce. The overwhelming majority of EU-U.S. bilateral trade in goods and services—about \$1.4 billion a day—is dispute-free.

Investment. As important as transatlantic trade is to the global economy, it constitutes a relatively small portion of total EU-U.S. economic activity. Transatlantic investment is a major driver of markets, job creation, and innovation in both Europe and America.

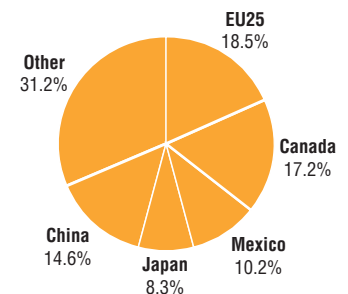
The EU accounted for two-thirds of all foreign investment in the United States in 2005, and EU-based companies are the largest foreign investors in 45 of the 50 U.S. states (and second in the remaining five). Bilateral transatlantic investment exceeded \$1.5 trillion in 2005, generating employment for 14 million people in America and Europe.

More jobs are created by European investment in the U.S. than are lost through American outsourcing to growing markets like India and China. The EU and U.S. are the largest investors in each other's research and development sector, helping both compete on the global stage.

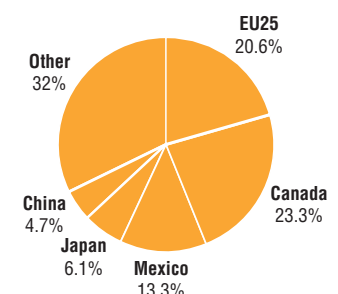
EU: Major U.S. Trade and Investment Partner



Largest Foreign Investor in U.S.



Largest Source of U.S. Imports



2nd Largest U.S. Export Market

EU-U.S. in Comparison

	EU 25	United States
Population	460 million	300 million
Area	1.5 million sq. miles	3.8 million sq. miles
GDP	\$13.4 trillion	\$12.4 trillion

EU: Strength in Economic & Monetary Union, a Positive Agenda for Growth

The European Union is the world's largest economy and is a global leader in trade and investment. Underlying the EU's economic strength are two elements in particular: economic and monetary union—most evident in the EU's common currency, the euro—and the “Lisbon Agenda” for economic growth in Europe.

EMU & the Euro (€)

With the launch of the euro in 1999 and the circulation of euro notes and coins across the euro area on January 1, 2002, the EU visibly achieved a longstanding goal to cement closer economic integration through a single currency and underlying economic and monetary union (EMU).

Economic Strength & Stability. Through its stability-oriented framework, EMU promotes price stability, lower interest rates, and sound public financial management while providing incentives for growth, investment, and employment.

Euro (€): A Global Currency. Since its introduction, the euro has established itself as the world's second leading currency after the U.S. dollar, with around 25 percent of global currency reserves being held in euros.

The Euro Area: Dynamic & Growing. The euro area accounts for one-fifth of world trade and one-sixth of global GDP. Recent economic trends for the EU and the euro area in particular have shown increasing economic growth and a reduction in unemployment. The euro area will expand with the addition of Slovenia in 2007 and additional EU Member States in years to come.

Lisbon: An Agenda for Growth

With an aging population, Europe is facing demographic challenges that threaten to reduce potential growth and place tremendous pressure on government budgets absent measures aimed at reform. Against this backdrop, in 2000, the EU adopted the Lisbon Agenda, a forward-looking strategy to help Europe develop into one of the world's most competitive and dynamic economies by 2010. As part of the Lisbon strategy, the EU has pushed for structural reforms in European product, labor, and capital markets—all essential for continued smooth functioning of economic and monetary union and the common currency.

Economic Goals. Significant goals of the Lisbon Strategy include increasing R&D investment across the EU to three percent of Gross Domestic Product, making Europe a

Benefits of Economic & Monetary Union and the Euro (€)—the EU's Common Currency

For Citizens, Tourists & Business

- Simplified travel and lower transaction costs without currency exchange or, for Americans, just one currency for many nations.
- Lower interest rates and clearer pricing.

For Europe and the World

- A stronger and more competitive European economy: greater price and exchange rate stability, lower interest rates in the euro area, and increased intra-euro area trade and investment.
- Greater global currency diversity and stability, bolstered by a Europe more able to withstand economic shock or crisis.

more attractive place to do business by reducing red tape and other impediments to the free flow of commerce, and helping workers adapt to a rapidly-changing economy. A stronger, more globally competitive EU will enhance growth, jobs, and trade not only in Europe but also in the United States and the rest of the world.



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EU Facts

- EU-U.S. business supports 14 million jobs in Europe and America.
- More than 1 million workers are employed by British companies operating in the US. Another 734,000 work for U.S.-based subsidiaries of German companies.
- The Netherlands, France, Germany, and the United Kingdom are four of the top five foreign direct investors in the U.S.
- European investment in Texas alone exceeds all U.S. investment in China and Japan put together.

For more information: www.eurunion.org/euinsight