



# EUROPEAN UNION

## ~FACTSHEET~

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### EU–US BILATERAL ECONOMIC RELATIONS

The economic relationship between the European Union and the United States is perhaps the most defining feature of the global economy. The integration is broader and deeper than between any two other political regions in the world. The EU and US account for 37 percent of global merchandise trade and 45 percent of world trade in services. The partnership is also the single most important driver of global economic growth, trade, and prosperity. And bilateral economic ties are increasing every year.

Headlines and policy debates frequently centre on a small portion of this vital relationship, such as trade squabbles that account for only a fraction of transatlantic commerce. In reality, the overwhelming majority of bilateral trade (goods and services) between the EU and US – a total of about €1.6 billion a day – is dispute-free.

But that is just part of the story, according to a study conducted by the Center for Transatlantic Relations in Washington last year. Trade – everything from farm products to automobiles to computer software – constitutes a relatively small portion of total transatlantic economic activity, less than 20 percent. By a wide margin, EU and US investment in each other's economies is what drives markets, jobs, innovation, and business activity. Bilateral trade between the EU and US in goods alone was € 391 billion last year. Foreign direct investment flows plus trade in goods and services add up to the impressive figure of € 692 billion, almost € 2 billion a day!

#### ***EU Facts***

- *EU-based companies are the largest foreign investors in 45 of the 50 US states and are ranked second in the other five.*
- *The \$19.2 billion (€15.7 billion) of US investment in the Netherlands in 2003 nearly equalled US investment in all of Asia (\$22.4 billion/€18.3 billion).*
- *European investment just in the state of Texas was over \$50 billion (€40.9 billion) in 2002.*
- *More than 1.1 million US workers are employed by British companies operating in the US; another 734,000 work for US-based subsidiaries of German companies.*

*Source: Center for Transatlantic Relations*

The economic relationship between the EU and US is underappreciated on both sides of the Atlantic with respect to its impact on growth, jobs, and innovation. The partnership generates employment for more than 12 million workers across the United States and the European Union – and these are jobs with high wages and strong labour and environmental standards, and that deliver high quality industrial products, consumer goods, services, and business solutions. The US enjoys a “million worker surplus” with the EU – that is, EU based companies employ about a million more Americans in the US than American companies employ Europeans in the EU. (And

the “insourcing” of jobs to the US from EU Member States dwarfs the number of US jobs that have gone to developing markets like India and China.)

The EU’s total investment stake in the US economy today exceeds €1.4 trillion, accounting for nearly 75 percent of all foreign investment in the United States. Business partnerships between EU-based and US corporations are among the most successful and profitable in the world, providing wealth for millions of shareholders and pension plan beneficiaries. The EU is also a large supplier of capital or liquidity for the US economy and helps to finance the US government’s budget deficit.

The EU and US are the largest markets for each other’s research and development investment, which helps both compete on the global stage. There is also much cooperation between each other’s political, legal, and regulatory systems. All of these factors contribute to the enormous two-way benefits of this vast and deep economic partnership.

In view of the 2005 EU-US Summit the European Commission has adopted a Communication to the Parliament and the Council (COM (2005) 196) outlining its ideas for strengthening economic and political relations.

## **EU-US Priorities**

To encourage even greater business flow across the Atlantic, EU and US leaders are constantly working together to remove barriers to increased trade, jobs, and growth. Important initiatives include:

- **Regulatory cooperation:** Reinforced cooperation, through efficient dialogue mechanisms and backed by constructive input from stakeholders helps ironing out potential difficulties before they occur, thus boosting transatlantic trade and investment. The key to progress is to build confidence and to establish an effective dialogue between regulators. Once established, the dialogue helps regulators to identify and apply appropriate tools to address and avoid regulatory differences. To facilitate cooperation prior to regulating, a new Regulatory Cooperation Forum will provide a platform for US and European Commission regulators to exchange views, share experiences and best practices. Promoting enhanced cooperation in line with the 2002 Guidelines for Regulatory Cooperation and Transparency, it will be a focal point for exchanges and discussion on annual work programmes, and for regulators autonomously to set their objectives and to assess progress in on-going activities. A 2005 Roadmap for EU-US Regulatory Cooperation consolidates the outlook and the agenda for a number of sector specific and horizontal regulatory cooperation activities for the coming year.
- **Open Aviation Area:** Air services between the EU and US continue to operate under a bilateral regulatory framework which reflects the political and technological landscape of the 1940s. A comprehensive EU-US aviation agreement would unlock new business opportunities for US and EU airlines and significant economic benefits (consumer benefits of at least \$5 billion a year, over 17 million extra passengers a year, new employment on both sides of the Atlantic). The EU believes that the time is ripe to continue negotiations, focussing on the significant gains for the broader transatlantic economy.
- **Competition (Antitrust) Policy:** Mergers and acquisitions on either side of the Atlantic increasingly affect both jurisdictions. EU and US authorities cooperate intensively on

competition (antitrust) policy, coordinating enforcement activities and exchanging non-confidential information.

- **Government Procurement:** Although the WTO Government Procurement Agreement substantially increases procurement opportunities for both sides, there is room for further opening of markets between the US and the EU and improving mutual access to tendering opportunities. The EU seeks to address market access impediments that adversely affect European companies, such as “Buy America,” aspects of the Small Business Act, and state-level preferences.
- **Intellectual Property:** Protecting intellectual property rights to promote innovation, employment, and competition is a fundamental economic imperative shared by the EU and the US. There is a need to fight rampant counterfeiting and piracy and to mitigate costly differences in the way each side protects intellectual property.
- **Reducing High Business and Legal Costs:** US companies operating in EU Member States often face higher operating costs because of local regulations while EU companies face possible liability from lawsuits and claims in the US. Reducing EU red tape and streamlining the US tort system would enhance transatlantic economic ties.
- **Smarter, Safer Borders:** The EU and US have been working closely on a number of initiatives to make trade and travel easier yet more secure, including sharing of Passenger Name Records and ways to improve container security in shipping. Joint EU-US leadership is necessary to encourage global adoption of new standards.
- **Free Movement of Travellers:** Because affiliate investment and trade are important drivers of the transatlantic economy, greater freedom of movement of personnel between the EU and the US for extended stays is essential. The EU supports consideration of a special status for “trusted persons” to facilitate movement of international travellers, while bearing in mind security procedures.

*For more information go to:*

EU-US relations website: [http://europa.eu.int/comm/external\\_relations/us/intro/index.htm](http://europa.eu.int/comm/external_relations/us/intro/index.htm)

The Commission Communication on “A stronger EU-US Partnership and a more open market for the 21<sup>st</sup> century” can be found at this website address:

[http://europa.eu.int/comm/external\\_relations/us/revamping/com2005\\_196\\_en.pdf](http://europa.eu.int/comm/external_relations/us/revamping/com2005_196_en.pdf)

EU-US trade relations website:

[http://europa.eu.int/comm/trade/issues/bilateral/countries/usa/index\\_en.htm](http://europa.eu.int/comm/trade/issues/bilateral/countries/usa/index_en.htm)

For latest statistics on EU-US trade go to:

[http://epp.eurostat.cec.eu.int/portal/page?\\_pageid=1093,1137556&\\_dad=portal&\\_schema=PORTAL&\\_mo=containsall&\\_ms=&\\_saa=&\\_p\\_action=SUBMIT&l=f&co=equal&ci=1130656,0](http://epp.eurostat.cec.eu.int/portal/page?_pageid=1093,1137556&_dad=portal&_schema=PORTAL&_mo=containsall&_ms=&_saa=&_p_action=SUBMIT&l=f&co=equal&ci=1130656,0)

June 2005