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EU external actions in the contested global order –
(in)coherence, (dis)continuity, resilience

The EU's strategic partners –economic relations with the United States

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Introduction

- The US has historically been the EU's closest ally, with common interests and values as well as a shared view of the world guiding bilateral relations and joint actions.
- The EU-U.S. economic partnership is the single most important driver of global economic growth, trade, and prosperity.
- The transatlantic relationship defines the shape of the global economy as a whole
- The EU and the U.S. are each other's main trading partners in goods and services and account for the largest bilateral trade relationship in the world.

• Source: State of EU-US relations, 2018, [http://www.europarl.europa.eu/RegData/etudes/ATAG/2018/625167/EPRS_ATA\(2018\)625167_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/ATAG/2018/625167/EPRS_ATA(2018)625167_EN.pdf)



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Some history

- The modern U.S.-European economic relationship has evolved since World War II, broadening as the 6-member European Community expanded into the present 28-member European Union. The ties have also become more complex and interdependent, covering a growing number and type of trade and financial activities
- In terms of trade, an EU-USA summit adopted the Transatlantic Economic Partnership in 1998, beginning negotiations to remove tariff barriers on certain areas of trade, including services, and intellectual property.

Source:W. H. Cooper, EU-U.S. Economic Ties: Framework, Scope, and Magnitude, <https://fas.org/sgp/crs/row/RL30608.pdf>



U.S interests

- The United States has been a strong advocate for the construction of close economic ties among the West European countries since the end of World War II. During the Cold War, the European Community served U.S. foreign policy and national security interests as a force of stability that drew former enemies—(West) Germany and France—closer together and that helped to build Western Europe into an economic bulwark against the Soviet Bloc.

Source: W. H. Cooper, EU-U.S. Economic Ties: Framework, Scope, and Magnitude, <https://fas.org/sgp/crs/row/RL30608.pdf>



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The Framework of U.S.-EU Economic Ties

- U.S.-EU economic relations exist within a framework of economic, political, and security factors. Some of these factors have promoted closer economic relationships, while others have created tensions that have, at times, threatened to undermine the relationship.
- The United States and the EU member countries are of roughly equivalent levels of economic development and are among the most advanced in the world. As a group they include the world's wealthiest and most educated populations.

Source: W. H. Cooper, EU-U.S. Economic Ties: Framework, Scope, and Magnitude, <https://fas.org/sgp/crs/row/RL30608.pdf>



The Framework of U.S.-EU Economic Ties

- The United States and the members of the EU, with a few exceptions, are major producers of advanced technologies and services. As a result, U.S.-EU trade tends to be intra-industry trade; that is, trade in similar products, such as cars and computers, dominates two-way trade flows.
- The United States and the EU have advanced and integrated financial sectors which facilitate large volumes of capital flows across the Atlantic.
- These capital flows account for a significant portion of the bilateral economic activity

Source: W. H. Cooper, EU-U.S. Economic Ties: Framework, Scope, and Magnitude, <https://fas.org/sgp/crs/row/RL30608.pdf>



Institutional cooperation

- The Transatlantic Economic Council was created in 2007 to boost transatlantic economic growth.
 - The Council is co-chaired by an EU and a US official and is responsible for suggesting common regulations in various industries.
- For more please see: <http://trade.ec.europa.eu/doclib/press/index.cfm?id=1591>, <https://www.state.gov/p/eur/rt/eu/tec/index.htm>



Main facts

- the EU representing 16.5% of world GDP and 17.0% of world trade and the US accounting for 15% of world GDP and 13.4% of world trade.
- The EU and U.S. account for almost 30 percent of global merchandise trade, close to 40 percent of world trade in services, and about 30% of global GDP.
- The transatlantic economic relationship creates and sustains close to 15 million jobs in the EU and the US

Source: https://eeas.europa.eu/delegations/united-states-america/27291/united-states-and-eu_en,

<https://www.imf.org/external/datamapper/PPPSH@WEO/OEMDC/ADVEC/WEOWORLD/EU/USA/CHN/IND>

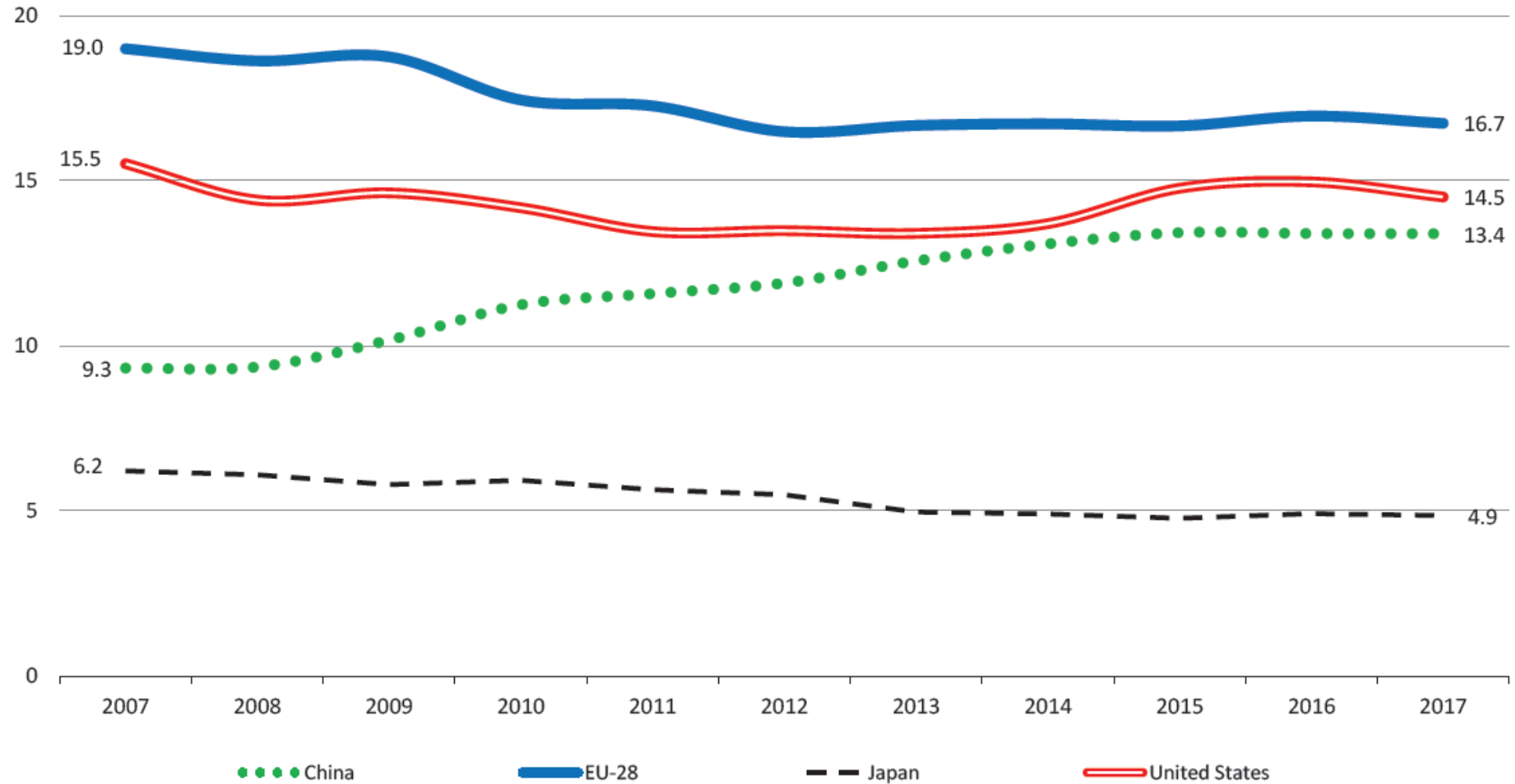


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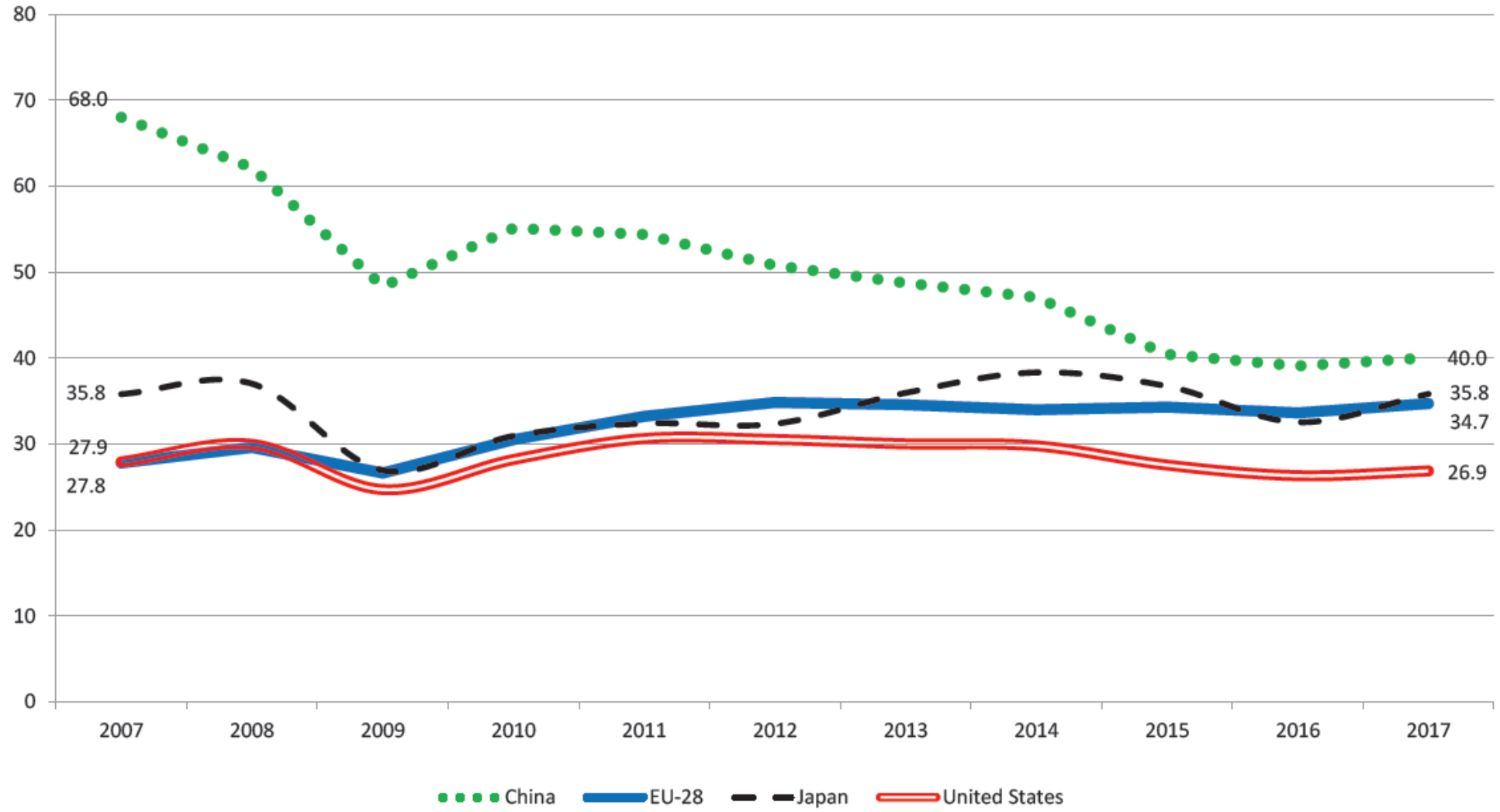
Share in world trade in goods and services in selected countries (%)



Coverage: excluding intra-EU trade.

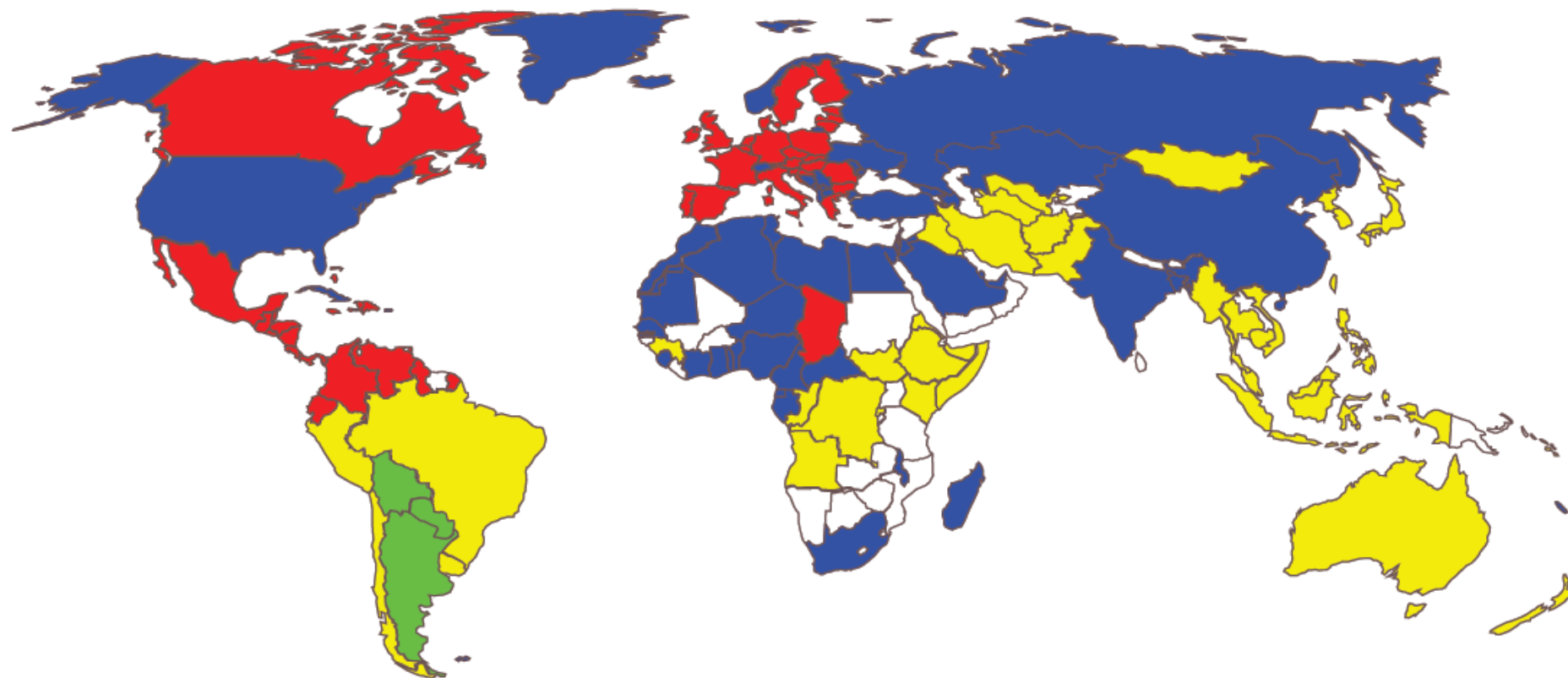
Sources: Eurostat (Comext, Statistical regime 4), Eurostat (bop_its_tot; bop_its6_tot), IMF DOTS, WTO.

Trade in goods and services in selected countries (% of GDP)



Coverage: excluding intra-EU trade.
 Ratio = (imports + exports) / GDP.
 Sources: Eurostat (Comext, Statistical regime 4), Eurostat (bop_its_tot; bop_its6_tot), IMF DOTS, WTO, IMF World Economic Outlook (April 2018).

Merchandise trade 2017 - Main trade partner by reporter

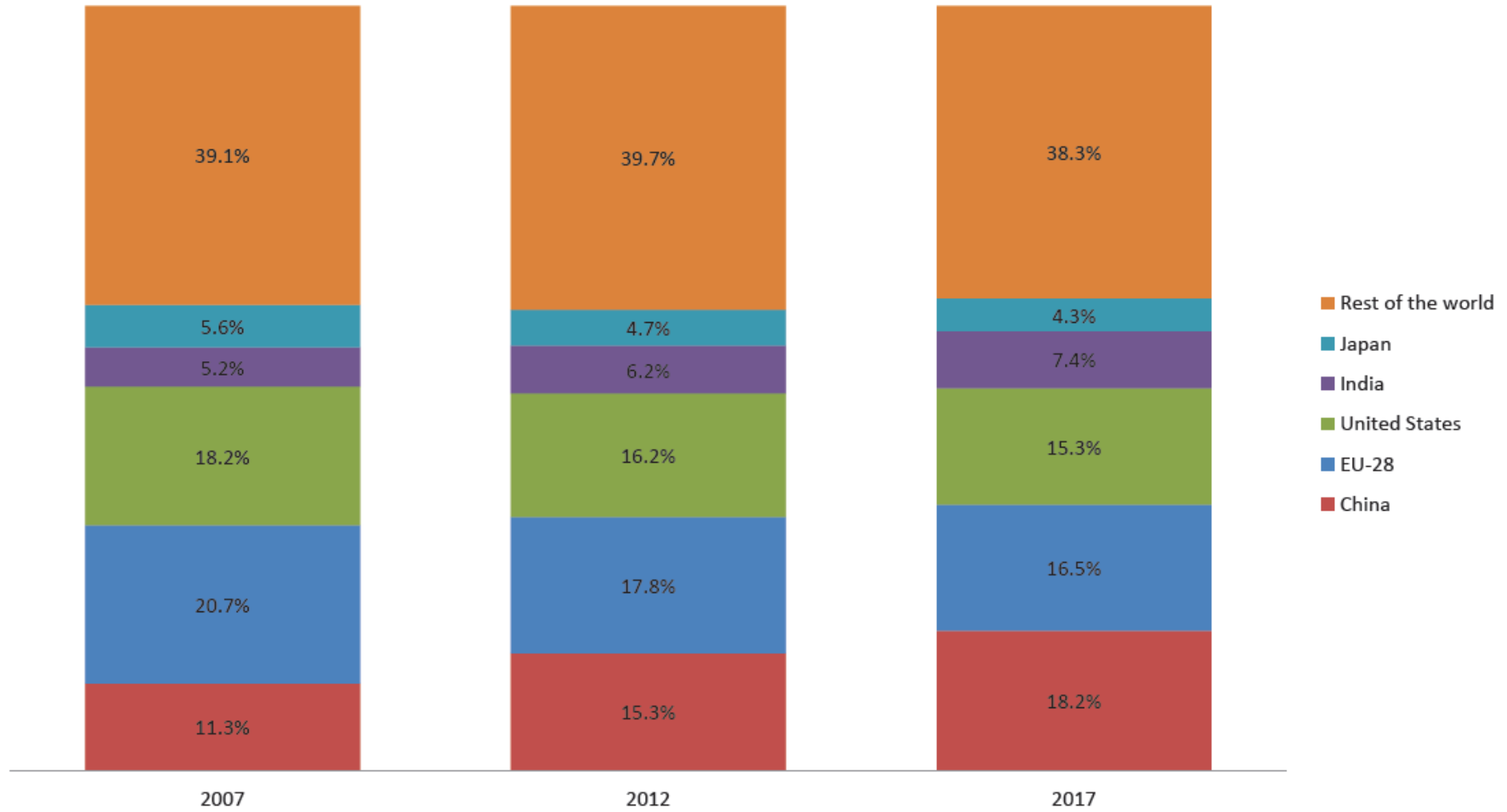


Total trade i.e. exports + imports

Source : IMF DOTS.



Share in world GDP of selected countries (PPP, %)



PPP: current international USD.

Source : IMF (World Economic Outlook, April 2018).

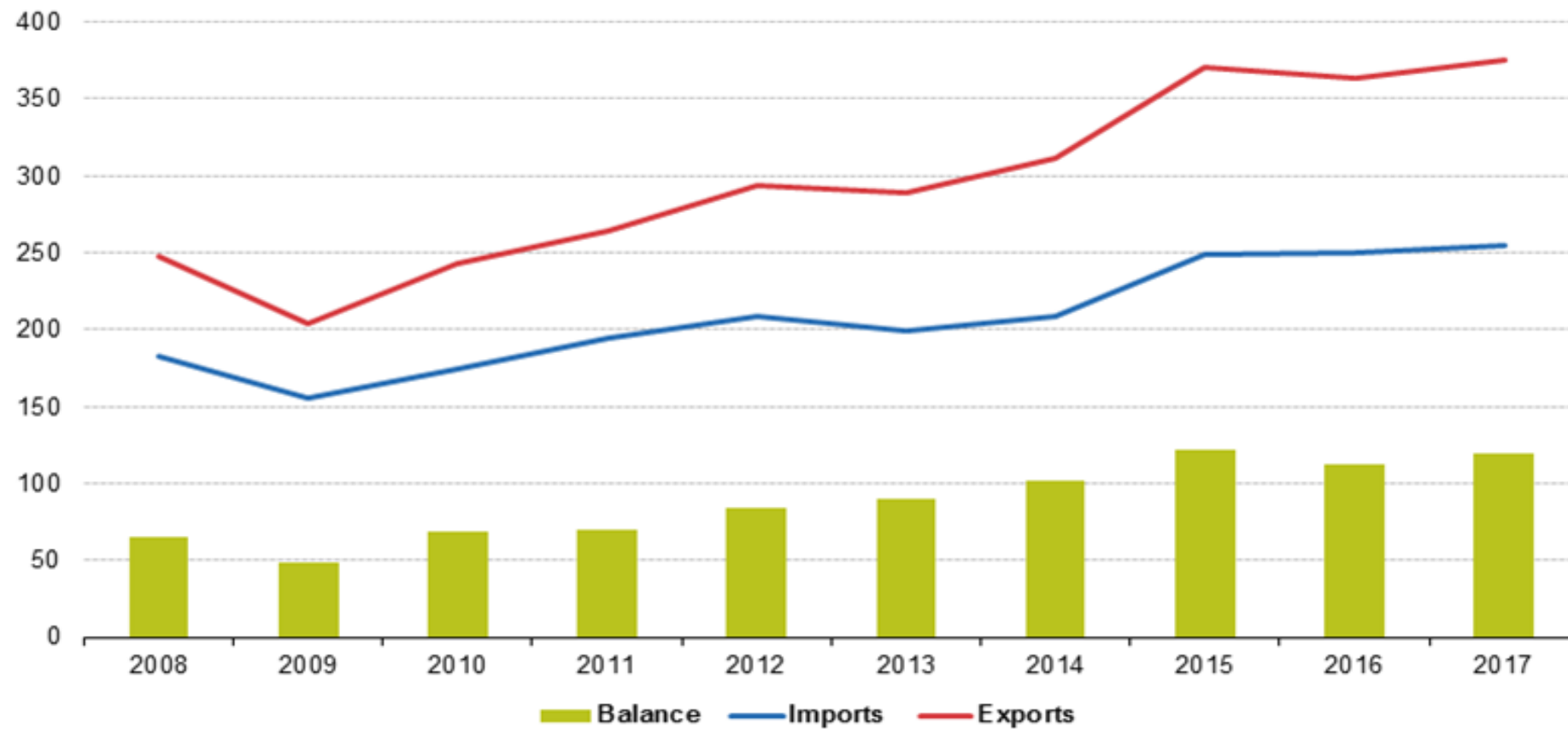
Trading with the United States

- The European Union and the United States have the largest bilateral trade and investment relationship
- Euro-American relations are primarily concerned with trade policy.



Imports, exports and balance for trade in goods between the EU and the United States, 2008-2017

(EUR billion)



Source: Eurostat (online data code: ext_lt_maineu)

Trade barriers*

- Given the low average tariffs (under 3%), the key to unlocking this potential lies in the tackling of non-tariff barriers.
- These consist mainly of customs procedures and behind the border regulatory restrictions.
- The non-tariff barriers come from diverging regulatory systems (standards definitions notably), but also other non-tariff measures, such as those related to certain aspects of security or consumer protection.
- *see the presentation about trade policy



Tariffs

- Although transatlantic tariff barriers are comparatively low, tariffs still impose costs that are not negligible.
- The WTO estimates average MFN tariffs of the US and the EU at 3.5% and 5.2% respectively, and both the US and the EU maintain “tariff peaks”* (in sectors of economic interest to the other partner.)

*Relatively high tariffs, usually on “sensitive” products, amidst generally low tariff levels. For industrialized countries, tariffs of 15% and above are generally recognized as “tariff peaks”.

Source: http://ec.europa.eu/smart-regulation/impact/ia_carried_out/docs/ia_2013/swd_2013_0069_en.pdf



Non-tariff barriers

- The non-tariff barriers come from diverging the EU and US regulatory systems (standards definitions notably), but also other non-tariff measures, such as those related to certain aspects of security or consumer protection.



EU trade defence measures on imports from the United States

- The EU stands firm against unfair trade practices through trade defence measures (TDIs). This is necessary to uphold the EU's commitment to open markets and free trade.
- The use of trade defence is based on World Trade Organization rules. The EU uses these instruments and applies a number of extra conditions to the WTO rules to make sure their use is measured.
- To check TDI against US please use <http://trade.ec.europa.eu/tdi/>



EU, USA and the WTO*

- The WTO provides the principles and rules under which the United States and the EU conduct much of their trade.
- The WTO also provides the mechanism by which the United States and the EU resolve many of their bilateral trade disputes.
- The WTO plays a significant role in resolving U.S.-EU disputes but is ill-equipped to handle new issues such as biotechnology.
- The EU and U.S. have reacted differently to the problem of those left behind by globalization, boding ill for the current WTO round.
- The major trade disputes between these two economic rivals revolve around bananas, hormone-injected beef, biotechnology, information technology, and the use of economic sanctions for political purposes.

*For more about WTO please see the presentation about trade policy



Trade disputes

- There is a long-running dispute between the EU and USA over Genetically Modified (GM) food.
- More than 90% of all soya produced in the USA is now GM.
- In May 2003, the USA, along with Argentina and Canada, made a formal complaint to the WTO about the EU's ban on approving GM crops and food.
- The EU said its ban was based on the 'precautionary principle' but the USA argued there was no scientific justification for it. The WTO ruled that the ban was illegal in 2006, but 6 EU states — Austria, Hungary, France, Greece, Germany and Luxembourg — still refused to allow GM maize.
- In March 2010, the EU allowed GM potatoes to be produced in the EU for the first time.
- However, this did not fully settle the issue, so the EU proposed to solve the issue by allowing member states to decide for themselves whether to allow GM crops to be grown within their territory, thus allowing anti-GM states to opt-out of allowing GM crop cultivation.

Source: <https://www.civitas.org.uk/content/files/EX.7.EU-USRelations.pdf>



Boeing and Airbus subsidies

- The two companies are the major competing aircraft manufacturers, and both Boeing and Airbus are accused of receiving forms of subsidy from the United States and from some of the European Union member states respectively, which both sides have criticised each other for doing so.
- The pressure for this issue to be resolved has increased as Airbus and Boeing are now nearly equal in commercial aircraft market share.

For more please see: SUPPORT TO BOEING AND AIRBUS: SEPARATING THE MYTHS FROM THE FACTS

http://trade.ec.europa.eu/doclib/docs/2010/september/tradoc_146485.pdf, https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds316_e.htm



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Banana dispute

- The EU is the world's biggest importer of bananas.
- The EU and the US have had a long-running dispute over the EU's banana imports.
- As part of their international aid, the EU offered tenders, on a first-come-first-served basis, for bananas from countries in Africa, the Caribbean and the Pacific.
- The United States argued that it favored local producers in former colonies of EU member-states over US-owned corporations in Latin America.
- This preferential treatment allowed relatively inefficient ACP producers to compete with the US industrial machine; nevertheless, the WTO repeatedly found the preferences in breach of international trade rules, even authorizing the US to retaliate and slap tariffs on some EU products (from Scottish cashmere to French cheese)
- The Clinton administration then took the banana wars to the World Trade Organization (WTO) in 1999, after Chiquita made a \$500,000 donation to the Democratic Party.
- The two sides reached an agreement in 2001.

For more please see: <http://www.europarl.europa.eu/news/en/headlines/world/20110121STO12285/ending-the-banana-wars-who-wins-and-who-loses>
<https://www.theguardian.com/world/1999/mar/05/eu.wto3>



The Transatlantic Trade and Investment Partnership (TTIP)

- The TTIP negotiations were launched **in 2013** and ended without conclusion at the end of **2016**.
- A Council decision of 15 April 2019 states that the negotiating directives for the TTIP are obsolete and no longer relevant
- The main aim of TTIP was to reduce regulatory barriers to trade, in areas ranging from food safety law to environmental rules and banking regulations.
- Opponents argue it would water down important EU regulations.

For more please see: <http://trade.ec.europa.eu/doclib/press/index.cfm?id=1230>



Current issues

- The EU-US trade relationship, which constitutes the largest economic relationship in the world (US\$1 trillion in bilateral trade), has become strained since President Trump took office.
- From the EU's perspective, at least four issues have increased tensions between the traditionally close trading partners, namely:
 1. The US decisions in spring 2018 to impose tariffs on imports of steel and aluminium under the pretext of national security, and its refusal to grant the EU a permanent exemption
 2. The continued US blockage of new appointments to the Appellate Body (AB) of the World Trade Organization (WTO), which threatens to paralyse the WTO's dispute settlement system;
 3. The imposition of anti-dumping and countervailing duties on imports of Spanish ripe olives in 2018, which could have wider implications for the EU's common agricultural policy;
 4. The US threats to impose tariffs on imports of EU cars and car parts before the mid-term elections.

Source: [http://www.europarl.europa.eu/RegData/etudes/ATAG/2018/625167/EPRS_ATA\(2018\)625167_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/ATAG/2018/625167/EPRS_ATA(2018)625167_EN.pdf)



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- <http://ec.europa.eu/trade/policy/countries-and-regions/countries/united-states/>
- [State of EU-US relations, http://www.europarl.europa.eu/RegData/etudes/ATAG/2018/625167/EPRS_ATA\(2018\)625167_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/ATAG/2018/625167/EPRS_ATA(2018)625167_EN.pdf)
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- <http://www.europarl.europa.eu/news/en/headlines/world/20110121STO12285/ending-the-banana-wars-who-wins-and-who-loses>
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