
European Union

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Change in 2004 from 2003:

U.S. trade deficit: Increased \$14.2 billion (14 percent) to \$118.3 billion

U.S. exports: Increased \$13.8 billion (10 percent) to \$152.0 billion

U.S. imports: Increased \$28.0 billion (12 percent) to \$270.2 billion

- In 2004, total trade between the United States and the European Union (EU)¹ reached its highest level since 2000 (table EU-1). A continuation of strong economic growth in the United States in 2004 contributed to the rise in imports from the EU, despite a continued depreciation of the dollar via-à-vis the euro.² The U.S. trade deficit with the EU rose substantially in 2004, reaching a 5-year high, 80 percent greater than that in 2000 (see table EU-1).
- The EU continued to be one of the two largest U.S. trading partners, both in imports and exports of merchandise in 2004. The United Kingdom, Germany, and France were the leading EU countries for U.S. exports, collectively accounting for 52 percent of total U.S. exports to the EU (table US-3). These three countries were also the leading EU suppliers to the U.S. market in 2004, collectively accounting for 57 percent of total U.S. imports from the EU. All three countries were leading suppliers of medicinal chemicals. The United Kingdom was also a major supplier of petroleum products, and Germany was a leading supplier of medical goods. A large share of the increase in the U.S. trade deficit with the EU was accounted for by increased imports of these products (table EU-2).

U.S. exports

- An increase in U.S. exports of medicinal chemicals to the EU in 2004 (see table EU-2) was principally the result of intracompany sales to U.S. multinational pharmaceutical companies in Germany and the Netherlands, with such sales' values bolstered by the decline of the value of the dollar via-à-vis the euro.³
- The increase in U.S. exports of aircraft, spacecraft, and related equipment to the EU in 2004 was reportedly the result of expanded sales of business jets and basic military

¹ Prior to May 1, 2004, the EU consisted of 15 member countries: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom. On that date, the EU admitted for membership 10 additional countries: Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia. Because these countries joined the EU during 2004 (the period of review for this report) and few available statistics have incorporated these countries on an annual or adjusted basis, all textual references in this report to the EU will encompass only the 15 oldest member countries, which will be used as the basis for measurement of shifts in trade with the United States. Tabular references either to the EU or the EU-15 will similarly encompass only the 15 oldest member countries.

² "Foreign Exchange Rates (Annual)," Federal Reserve Statistical Release, Jan. 3, 2005, found at <http://www.federalreserve.gov/release/g5a/current>, retrieved Mar. 29, 2005.

³ T. Kevin Swift, American Chemistry Council, "Year-End 2004 Situation and Outlook," Dec. 2004, p. 3.

Table EU-1

EU-15: U.S. exports of domestic merchandise, imports for consumption, and merchandise trade balance, by major industry/commodity sectors, 2000–2004¹

Item	2000	2001	2002	2003	2004	Change, 2004 from 2003	
						Absolute	Percent
<i>Million dollars</i>							
U.S. exports of domestic merchandise:							
Agricultural products	7,177	7,290	6,963	7,280	7,519	238	3.3
Forest products	4,834	4,240	3,852	3,921	4,265	343	8.8
Chemicals and related products	23,166	24,711	25,058	29,275	34,954	5,679	19.4
Energy-related products	2,072	2,146	1,731	1,714	3,068	1,354	79.0
Textiles and apparel	1,924	1,698	1,520	1,473	1,533	60	4.1
Footwear	65	67	57	59	62	3	4.5
Minerals and metals	8,015	8,171	6,951	7,589	7,876	288	3.8
Machinery	15,745	13,998	11,669	11,671	12,929	1,259	10.8
Transportation equipment	34,148	33,844	31,778	32,237	34,481	2,244	7.0
Electronic products	46,431	41,819	34,805	34,703	36,641	1,937	5.6
Miscellaneous manufactures	3,987	4,119	3,434	3,344	3,845	501	15.0
Special provisions	5,087	5,225	4,745	4,871	4,789	-82	-1.7
Total	152,652	147,327	132,563	138,138	151,962	13,824	10.0
U.S. imports of merchandise for consumption:							
Agricultural products	10,341	10,316	11,187	12,506	13,428	922	7.4
Forest products	4,504	4,371	4,778	5,109	6,090	980	19.2
Chemicals and related products	39,410	42,784	48,700	56,408	62,016	5,608	9.9
Energy-related products	8,338	7,614	8,778	11,453	15,007	3,555	31.0
Textiles and apparel	5,360	5,190	5,163	5,391	5,720	329	6.1
Footwear	2,044	1,951	1,826	1,764	1,723	-41	-2.3
Minerals and metals	18,827	17,101	15,589	16,239	20,834	4,596	28.3
Machinery	25,548	24,642	23,076	25,086	28,717	3,631	14.5
Transportation equipment	51,499	54,414	53,599	56,103	59,846	3,744	6.7
Electronic products	28,630	26,545	27,220	28,986	31,986	3,000	10.3
Miscellaneous manufactures	11,745	11,403	11,338	10,815	11,867	1,052	9.7
Special provisions	12,128	12,580	12,477	12,352	13,014	662	5.4
Total	218,375	218,911	223,732	242,210	270,249	28,038	11.6
U.S. merchandise trade balance:							
Agricultural products	-3,164	-3,027	-4,224	-5,225	-5,909	-684	-13.1
Forest products	331	-132	-926	-1,188	-1,825	-637	-53.6
Chemicals and related products	-16,244	-18,073	-23,642	-27,133	-27,062	71	0.3
Energy-related products	-6,266	-5,468	-7,048	-9,738	-11,939	-2,201	-22.6
Textiles and apparel	-3,436	-3,491	-3,644	-3,918	-4,187	-269	-6.9
Footwear	-1,978	-1,883	-1,769	-1,705	-1,661	44	2.6
Minerals and metals	-10,812	-8,930	-8,637	-8,650	-12,958	-4,308	-49.8
Machinery	-9,803	-10,644	-11,408	-13,415	-15,787	-2,372	-17.7
Transportation equipment	-17,350	-20,570	-21,820	-23,866	-25,365	-1,499	-6.3
Electronic products	17,801	15,274	7,585	5,718	4,655	-1,063	-18.6
Miscellaneous manufactures	-7,759	-7,284	-7,905	-7,471	-8,022	-551	-7.4
Special provisions	-7,041	-7,356	-7,732	-7,481	-8,225	-744	-9.9
Total	-65,723	-71,584	-91,169	-104,072	-118,287	-14,215	-13.7

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.

Table EU-2
Leading changes in U.S. exports to and U.S. imports from EU-15, 2000–2004¹

Sector/commodity	2000	2001	2002	2003	2004	Change, 2004 from 2003						
						Absolute	Percent					
Million dollars												
U.S. EXPORTS:												
Increases:												
Medicinal chemicals (CH025)	8,341	10,258	10,765	13,078	16,883	3,806	29.1					
Aircraft, spacecraft, and related equipment (ET013) ..	15,628	13,940	12,335	11,855	14,425	2,570	21.7					
Petroleum products (CH005)	959	1,102	862	713	1,770	1,057	148.3					
Decreases:												
Motor vehicles (ET009)	2,059	2,951	3,865	5,431	3,779	-1,652	-30.4					
All other	125,665	119,076	104,736	107,061	115,104	8,043	7.5					
TOTAL	152,652	147,327	132,563	138,138	151,962	13,824	10.0					
U.S. IMPORTS:												
Increases:												
Petroleum products (CH005)	5,619	5,532	5,464	7,067	10,925	3,858	54.6					
Medicinal chemicals (CH025)	22,678	26,353	31,761	37,214	40,362	3,149	8.5					
Medical goods (ET040)	3,760	4,854	5,916	7,526	9,633	2,108	28.0					
Decreases:												
Telephone and telegraph apparatus (ET017)	2,663	2,856	3,642	2,894	2,366	-528	-18.2					
All other	183,656	179,316	176,950	187,509	206,962	19,452	10.4					
TOTAL	218,375	218,911	223,732	242,210	270,249	28,038	11.6					

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.

trainer aircraft, especially to Greece and Portugal, along with the EU's increased demand for U.S. large civil aircraft, leading to a \$1 billion increase in exports of these aircraft.⁴

- A rise in the value of U.S. exports of petroleum products to the EU in 2004 was a result of increasing prices of crude petroleum. During the same period, the quantity of such exports remained about the same.
- After a particularly strong year in 2003, the value of U.S. exports of motor vehicles to the EU market declined 30 percent in 2004. However, U.S. exports were down just 2 percent over 2002 levels. Germany and the United Kingdom are the largest EU markets for U.S. motor vehicle exports, collectively accounting for 80 percent of such exports. Large passenger vehicles with diesel- and gasoline-powered engines larger than 3,000 cubic centimeters accounted for the large U.S. export increase in 2003 as well as the subsequent decline in 2004.

U.S. imports

- The rise in U.S. imports of petroleum products from the EU in 2004 was attributable to an increase in the price of crude petroleum and increased import quantities of distillate and residual fuels from the United Kingdom, which rose in response to greater demand in the northeastern United States because of cold weather.
- A 9 percent rise in U.S. imports of medicinal chemicals from the EU in 2004 (see table EU-2), accounting for the second-largest product-group import increase from the EU, resulted from greater demand for active pharmaceutical ingredients, primarily from Ireland, used to make consumer products for domestic sale and for export.
- An increase in U.S. imports of medical goods from the EU in 2004 resulted from the continued strong demand for these goods in the United States (see table EU-2). Much of the rise in imports consisted of such products as pacemakers, implantable defibrillators, drug eluting stents, and orthopedic implants from Ireland. In recent years, Ireland has sustained continued growth as a leading European producer in its manufacture of medical goods, including advanced cardiology products. Some large U.S.-based medical goods companies have continued to expand their manufacturing capacity in Ireland, where national economic programs have led to improved labor force skills and increased foreign investment.⁵
- Conversely, U.S. imports of telephone and telegraph apparatus from the EU fell in 2004, the second straight year of declines, largely as a result of the appreciation of the euro relative to the dollar and following the continued migration of sector manufacturing to such countries as China, Korea, Malaysia, and Mexico with lower production costs.

⁴ Industry official, telephone interview with USITC staff, Mar. 15, 2004; and Boeing Co., Deliveries January 2004 through December 2004, found at <http://active.boeing.com/commercial/orders/displaystandardreport.cfm?>, retrieved Apr. 19, 2005.

⁵ U.S. Central Intelligence Agency (CIA), "Ireland," *CIA World Factbook 2005*, found at <http://www.cia.gov/cia/publications/factbook/geos/ei.html>, retrieved May 27, 2005.