

CONSIDERATIONS REGARDING THE INFLUENCE OF EU-US TRADE RELATIONS ON EU ECONOMIC DEVELOPMENT

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Abstract:

In the last decade, EU-US cooperation has intensified at a very fast pace, being oriented towards the creation of a transatlantic market with a high degree of openness and integration. European and American multinational companies now invest and produce in the other part of the Atlantic more than they export from within their own national borders. Although transatlantic economic exchanges dominate the world's economy (over 40% of trade in goods and over 60% of the world's investment flows take place between the two major powers), they also generate the strongest sources of conflict, many of them advanced. the WTO. Despite the strengthening of cooperation between the European Union and the United States, the struggle for supremacy over the world's most important markets and protecting their spheres of influence continues to govern transatlantic economic relations. Each of the two powers has, as a fundamental objective, the maintenance of dominant positions on the continents to which they belong, as well as the extension of their own area of influence.

The paper represents a blueprint of the EU-US bilateral economic relations, paying special attention to the influence that trade relations have on the economic development of Europe

Key words: *economic growth, European Union, United States, development, competitiveness*

JEL Classification : O40, O52, O51

1. Introduction. The objectifs of US-EU bilateral free trade agreement

The European Union remains the leader in the use of safeguard and anti-dumping measures and countervailing duties. The aim of the European Union is to reach the most competitive and dynamic economy of the world, based on knowledge. In order to achieve this, the European Union must reform its internal policies and analyze the implications of the enlargement process (USTR, 2019b).

Currently being the largest economic power, the US is trying to retain its right to influence the other major allied powers, namely the European Union, as a bloc, but also the United Kingdom after Brexit, Japan, Australia, South Korea, etc. to reach their commercial and geostrategic interests in competition with their main competitor, China

On the other hand, the European Union has a key role, as a supporter of World Trade Organization policies and a major contributor to the WTO fund, aimed at developing technical cooperation between states. At the bilateral level the European Union has an impressive number of actions initiated against different economic partners, being the most ardent user of the WTO mechanism.

Specific objectives regarding the EU-US negotiations are :

A) Trade in goods:

- Reducing the trade deficit;
- Increased transparency of import / export licensing procedures;
- Discipline the monopolies to prevent distortions in bilateral trade.

A.1.) Industrial goods:

- Comprehensive liberalization of trade in industrial goods and reduction of non-tariff barriers that limit the access of US exporters;
- Increased exports of refurbished products and ensuring that they are not assimilated to used products that are restricted or prohibited;
- Increased exports of American textile and clothing products taking into account the sensitivities regarding imports of such goods in the USA;

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- Increasing the compatibility of trade regulations and reducing obstacles generated by differences in approach through cooperation in order to harmonize them where possible.

A.2.) Agricultural products:

- Reduction or elimination of customs duties on US imports;
- Providing reasonable adjustment periods for US imports of sensitive agricultural products and engaging in close consultations with the US Congress on such products before initiating negotiations to reduce customs duties;
- Elimination of non-tariff barriers that discriminate against US agricultural products and restrictive regulations in tariff quota administration;
- Promote a harmonization / compatibility of the trade regulatory framework with such goods, including cooperation on this issue where possible;
- Establishing specific commitments regarding trade in products developed through agricultural biotechnologies, including transparency, cooperation, management of problems related to the presence of a low level of these products in agricultural goods and the mechanism for exchanging information and increasing cooperation in agricultural biotechnologies.

B) Sanitary and phytosanitary measures (SPS):

- Imposing solid and enforceable obligations based on the rights and obligations provided by the WTO, including on science-based measures, good regulatory practices, import control, equivalence, regionalization, certification, risk analysis. Emphasis is placed on the fact that each party may impose for itself the level of protection it deems appropriate for ensuring food safety, plant and animal health in a manner consistent with the international commitments undertaken by that party;
- Establishing mechanisms to eliminate unjustified barriers blocking exports of American agricultural products for open, reciprocal and equitable access to the market of the other party;
- Establish regulations that encourage the adoption of international standards and impose science-based SPS measures if the measures imposed by the other party are more restrictive than the applicable international standards;
- Establishing new enforcement regulations that eliminate commercial restrictions or commercial conditions that are not justified (including unjustifiable labeling) and affect new technologies;
- Adoption of enforceable regulations to ensure that science-based SPS measures are developed and implemented in a transparent, predictable and non-discriminatory manner;
- Inclusion of provisions regarding transparency and public consultation, the other party having to publish the draft regulations and allow interested parties from other countries to make various comments on these projects, and the authorities to provide answers / to solve the problems mentioned in these comments and to explain how the final measures will lead to the satisfaction of the negotiated interests;
- Commitment that the EU does not impede US export opportunities to third countries by imposing restrictions or conditions that are not science-based or by adopting SPS measures that are not based on an easily identifiable risk analysis;
- Improve communication, consultations and cooperation between governments on information exchange and joint work to resolve SPS issues in a transparent manner, including on new technologies;

- Establishment of a SPS chapter committee to discuss bilaterally, but also with third countries issues related to trade in agricultural products, regulating cooperation and implementing good regulatory practices.
- C) Customs aspects and facilitating trade:
- Establishing high standards for the implementation of WTO agreements on trade facilitation and customs value;
 - Increased transparency through the publication of customs laws, regulations and procedures on the Internet and the creation of information points for traders;
 - The goods will be released as soon as their compliance with the applicable laws and regulations is determined, as well as automation, clear delivery times and the use of guarantees.

The Trump administration has stepped up pressure on the European Union on April 8, 2019 to put an end to the "harmful subsidies" benefiting the aircraft manufacturer Airbus. It has published a list of European goods worth \$ 11 billion to which punitive tariffs could be applied in this long-standing dispute, creating a negative spiral that would jeopardize a possible bilateral agreement between the European Union and the US on reductions reciprocal tariffs. On April 15, 2019, the Council reached a "principled agreement" on the Negotiating Directives that will authorize the Commission to begin tariff negotiations with the US (Rodriguez S., 2019).

2. The evolution of the economic cooperation relations between the European Union and the USA

Together, the economies of the European Union and the US still account for about 50% of global gross domestic product (GDP) and one third of world trade. In 2017, the European Union continued to be the most important trading partner of the US in terms of trade in goods - ahead of China and Canada, the US partner in the North American Free Trade Agreement (NAFTA).

In 2018, the US absorbed 20.8% of total exports of European Union goods as the most important destination for European Union exports (while exports to China represented only 10.7%).

In terms of imports, the USA ranked second among the European Union partners, thus supplying 13.5% of the goods imported into the European Union. In this regard, China, which provided 19.9% of total imports from the European Union, being first, followed by the US, but was ahead of Russia and Switzerland, which provided 8.5% , respectively 5.5%.

Between 2015 and 2017, exports and imports of EU services to the US increased. In 2016, a decline in European Union service exports led to a US trade surplus of EUR 2.8 billion in trade in services with the European Union, while in 2017, a decline in US service exports led , for the European Union, to a trade surplus of EUR 12.5 billion in trade in services with the USA.

Table no.1: EU-US trade in services between 2015-2017 (EUR billion)

Year	Services imported by the EU from the USA	Services exported by the EU to the USA	EU balance (services)
2015	215,1	227,7	+ 12,6
2016	229,1	226,3	- 2,8
2017	223,7	236,2	+ 12,5

Source: WTO (2018), *World Trade Statistical Review 2018*, https://www.wto.org/english/res_e/statis_e/wts2018_e/wts2018_e.pdf

There were some disadvantages in 2016 and 2017, although the European Union is the largest investor in the United States and vice versa. During these two years, US investment inflows into the European Union were negative, with a corresponding decline in US investment stocks in the European Union, while external flows from the European Union to the US increased in 2017, after a slight decrease in 2016. This has led to a further consolidation of the positive balance of European Union investments, which amounted to 385.3 billion EUR in 2017. It could be said that the driving force of transatlantic trade relations of direct bilateral investments is by their nature a long-term commitment. This is reinforced by the fact that trade between parent companies and subsidiaries in the European Union and the US accounts for over one third of total transatlantic trade. Companies in the European Union and the US operating in the other partner's territory provide jobs for over 14 million people.

Table no.2: EU-US bilateral investment stocks (EUR billion)

Year	FDI stocks of US in EU	FDI stocks of EU in US	Balance
2017	2 183,9	2 569,2	+ 385,3

Source: WTO (2018), *World Trade Statistical Review 2018*, https://www.wto.org/english/res_e/statis_e/wts2018_e/wts2018_e.pdf

The statistical data show that, as a result of the increased world labor division and first of all the industrial labor division, there was a much higher growth rate of trade in manufactured (physical-value) products compared to trade in commodities.

In February 2019, the European Commission launched a study on the impact of customs duty liberalization on industrial goods traded between the US and the EU (European Commission, 2019a).

According to the model used by the authors of the study, under the elimination of tariff barriers to industrial goods, at the horizon of year 2033, EU exports of industrial goods to the US would amount to 354.13 billion euros, an increase of about 27 billion euros and, respectively, an increase of 8% over the reference value (Table no.3).

The biggest increase would be recorded by clothing (110%), with EU exports rising to 4.5 billion euros. Significant increases will also be made of leather products exports (69%), as well as processed fish. Exports of non-ferrous metals (14%), minerals (13%), metals (12%) and petrochemicals, coke and natural gas (11%) will also increase. Cele mai reduse modificări se vor evidenția în cazul exporturilor sectorului de hârtie (1%), fier și oțel (1%), al echipamentelor de transport (2%) și al produselor pescărești (2%). The smallest changes will be noted in the case of exports of the paper sector (1%), iron and steel (1%), transport equipment (2%) and fishery products (2%). Exports of forest products will not be affected by the reduction of customs duties, which will remain in 2033 year at the reference value level.

Table no.3: Projections on industrial goods exported by EU-27 to the USA, on the horizon of 2033 (in millions of euros)

	<i>Value of reference</i>	<i>Simulation, in millions of euro</i>	<i>Change in%</i>
Fishery products	63	65	28
Forest products	56	56	0
Processed fish	1267	2007	40
Textile products	1953	2836	46
Clothing articles	2126	4454	109

	<i>Value of reference</i>	<i>Simulation, in millions of euro</i>	<i>Change in%</i>
Leather products	2346	3975	30
Paper	3666	3694	0
Wood products	1058	1150	5
Chemicals and pharmaceuticals	99679	107069	15
Petrochemicals / coke / natural gas	20851	23139	1
Minerals	4995	5621	7
Car engines	57069	60673	46
Transport equipment	28155	28611	9
Electronic products	16885	17753	7
Metals	7202	8084	19
Non-ferrous metal products	5343	6084	18
Equipment	49566	52828	10
Iron and steel	8339	8444	3
Other products of the processing industry	16860	17592	2
Total industrial goods	282838	309059	9

Source: European Commission (2019b), *Liberalization of tariffs on industrial goods between the United States of America and the European Union: An economic analysis*, http://trade.ec.europa.eu/doclib/docs/2019/february/tradoc_157704.pdf (accessed in 15.10.2019)

In terms of value, exports of chemicals and pharmaceuticals (7.3 billion euros), motor vehicles (3.6 billion euros) and equipment (3.2 billion euros) will increase the most. At the opposite side will be exports of fishery products (1 million euros), those related to the paper sector (28 million euros) and those of wood products (92 million euros).

According to projections, in 2033 US exports to the EU will increase by 9% compared to the reference value, amounting to 309 billion euros (*Table no.3*). As in the case of the EU, the largest increase will be recorded by exports of clothing (109%), followed by exports of textile products and motor vehicles, both with 46% increases, and fishery products (28%). Significant increases will also be recorded in exports of metals (19%), non-ferrous metal products (18%), chemicals and pharmaceuticals (15%) and equipment (10%). At least exports of petrochemicals, coke and natural gas (1%) will increase, followed by iron and steel (3%), wood (5%) and electronic products (7%).

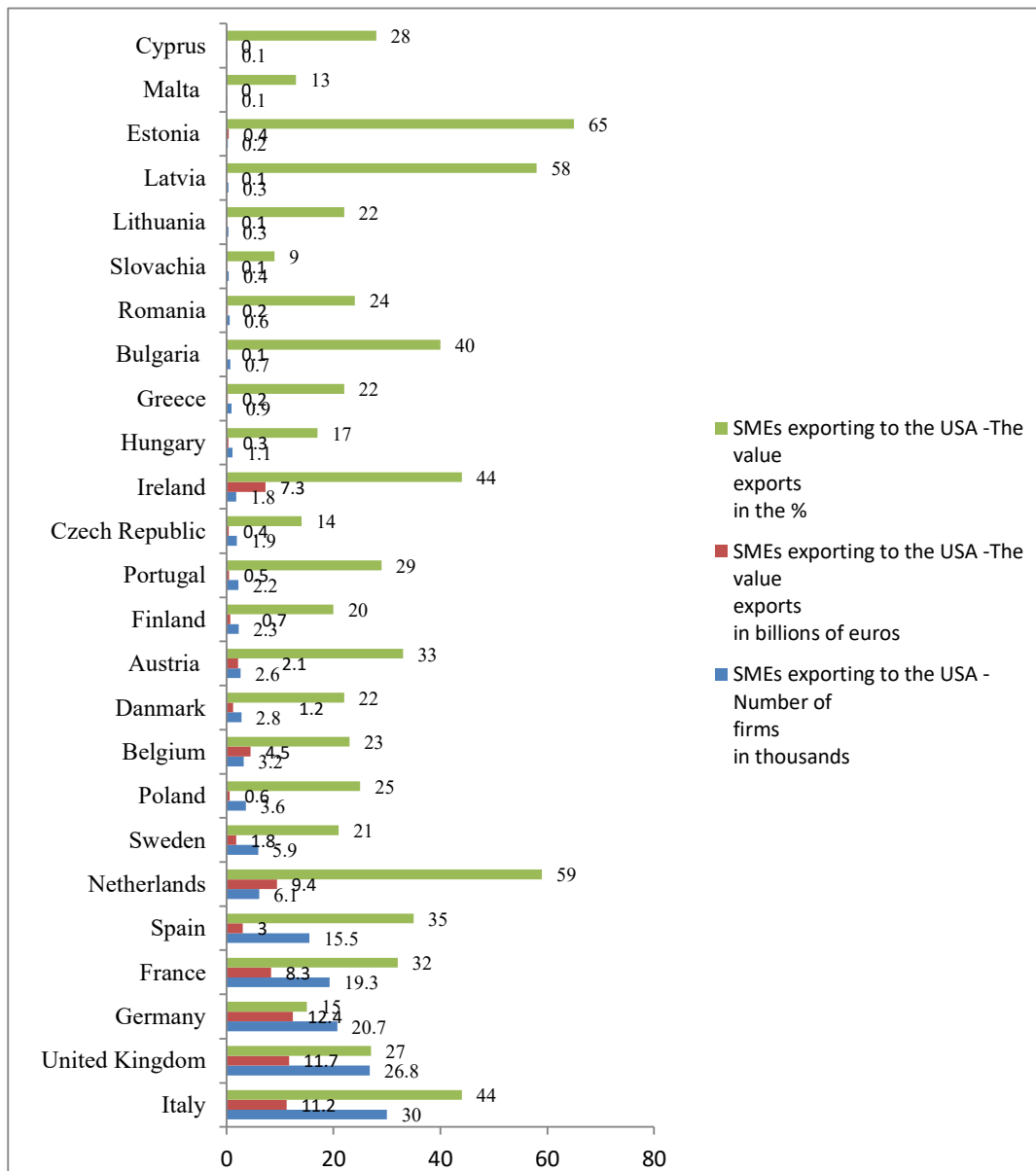


Figure no.1. The importance of SMEs in EU-US trade relations

Source: European Commission (2019b), *Liberalization of tariffs on industrial goods between the United States of America and the European Union: An economic analysis*, http://trade.ec.europa.eu/doclib/docs/2019/february/tradoc_157704.pdf (accessed in 15.10.2019)

In terms of value, the highest growth will be recorded by the exports of petrochemicals, coke and natural gas (8.6 billion euros), followed by those of car engines (5.8 billion euros) and those of equipment (2.5 billion euros). Overall, both partners have to win, the difference between the EU and US in terms of benefits being only 444 million euros in favor of Europeans.

The above-mentioned study also analyzes the role of SMEs (companies with less than 249 employees) in the EU-US trade relations (European Commission, 2019). The statistical data used in the analysis show that the value of European SME exports to the USA represents 28%, respectively 77 billion dollars of the total value of the EU exports to the United States

and constitutes 88% of the total of the companies of the Union that have commercial relations with America.

Regarding the weight of SMEs in the total of the companies that trade with the USA, the first position is occupied by Italy (96%), the second place ranking the Netherlands (94%) and the third Spain (93%). Greece (59%), Romania (61%) and the Czech Republic (63%) are on the last three positions.

By weighting the value of the exports of SMEs in the total volume of exports of companies having commercial relations with the USA, Estonia (65%), the Netherlands (59%) and Latvia (58%) are the only countries where small businesses and midsize are of major importance for transatlantic exports (over 50%). The rest of the analyzed countries recorded weights under 44%. At the opposite pole of the ranking are Slovakia (9%), Malta (13%) and Czech Republic (14%). Romania ranks 15th (24%), below Poland (25%), but over Belgium (23%).

With regard to US trade, small and medium-sized enterprises in the EU, lacking the financial power of large multinational companies, nor specialists in international trade, are facing with tariff problems, but also with problems regarding the conformity assessment of exported products in terms of requirements (Dumitrescu, G.,C., 2019),. American techniques (considered as non-tariff barriers). Thus, the finalization of the agreement between the US and the EU on the elimination of customs duties on industrial goods, which exclude agricultural products, as well as the agreement on the assessment of conformity, would constitute an oxygen bubble for the analyzed economic agents, leading to an increase in their contribution to US trade.

Conclusions

Despite the economic crisis of recent years, the European Union and the Member States have managed to maintain their level of competitiveness in terms of knowledge. However, the European Union has strong international competition for technological research and production. Because of this, a greater effort is needed for new ideas to be realized and thus to be materialized through successful new products and technologies. With the help of the collaboration, many policies and financing programs can be implemented, in addition to the own policies of the Member States.

Gordon Sondland, US ambassador to the EU, said that every day the EU does not negotiate with the US is at the EU's advantage and US disadvantage, as trade imbalances between the two parties (ie the US trade deficit with the EU) are not sustainable on long-term (Rios, 2019). The US ambassador to the EU compared the long-standing ties between the United States and the European Union with a marriage in which the partners have doubts about one another, but which will ultimately not separate.

A year ago, the US president imposed tariffs on steel and aluminum from the EU, and Brussels reacted accordingly. As a result, President Trump has mentioned the possibility of imposing tariffs on cars of European origin or on certain products, such as French wine. In the middle of last year, the head of the European Commission, Jean-Claude Juncker and Donald Trump, reached an agreement to avoid imposing new tariffs, but without signing an agreement in this regard. Gordon Sondland pointed out that while the essence of misunderstandings in trade relations "remained the same", as President Trump's imposition of tariffs on European cars did not change, what "probably changed" is the degree of trust among negotiators. At the same time, the US withdrawal from the Paris Agreement on climate change is another impediment to negotiating a more comprehensive trade agreement between the EU and the US.

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