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EU-US Trade Dependency

Oscar Guinea

Introduction

- Will US and EU policies drive a wedge between the EU and the US? Could there be a network of “trusted partners” with the EU and US at the centre?
- Trade dependency – defined as the products that are bought mostly from one country.
- From the EU view point – these are products that the EU imports mostly from the US.
- What do you do?
 - If there is trust: consolidate relationship (no tariffs / compatible regulation, standards, conformity assessment).
 - If there is no trust: find alternative suppliers or produce at home.

Outline

- Based on a paper we recently released looking at EU import dependency, provide a few statistics on EU trade dependency from US goods.
- EU imports defined as EU total imports. Imports from outside the EU and imports from within the EU.
Caveat: I did not include EU member states' domestic consumption of domestic production.

EU dependency on US goods

- In 2019, there were only three products that the EU imports entirely from the US. These are not large amounts of imports but very specific products (uranium and one telecom satellites, total value 114 million euros). There is some differences across member states but not much: 84 products for Ireland and 5 for Romania (out of 5,301 products for Ireland and 3,043 for Romania).
- But supplying all the EU imports is a really high benchmark because of the size of the EU and the large number of countries exporting into the EU.
- Let's lower the benchmark to the number of products for which 50% of total imports come from the US.
- The EU27 imported 98 products in which 50% of all its imports came from the US. These 98 products represent 1.2% of all the product categories (8,150). Value (€25.9 bn, 11% of EU total imports from the US)
- Which are these products? Ordered by value: Nuclear industry, agriculture (almonds and pistachios), organic chemicals.

EU dependency on US goods

- There are significant differences between EU member states. Ireland imports 421 products (5,301) and Romania 41 (3,043) in which 50% of the value came from the US.
- The UK imported 390 products (6,582) in which 50% of the value came from the US.
- How does the US compares with other EU importers?
 - US: Number of products (98) / Value of imports (25.9 bn euros)
 - China: Number of products (215) / Value of imports (22.9 bn euros)
 - UK: Number of products (69) / Value of imports (5.8 bn euros)
 - Switzerland: Number of products (32) / Value of imports (4.5 bn euros)
 - Russia: Number of products (17) / Value of imports (11.7 bn euros)
 - Japan: Number of products (13) / Value of imports (0.6 bn euros)

EU dependency on US covid-19 goods

What about covid-19 product? Using a list of 118 products

- Not a single product for which the US captures more than 50% of total EU imports.
- For Ireland (5 products); Belgium, Hungary and Malta (4 products), Germany and UK (3 products).
- How does the US compares with other EU importers?

Number of member states where supplying country provides 50% market share of total imports of at least one covid-19 product / EU member state with the highest number of products and number of covid-19 products.

- US: Number of EU member states (17) / Max (Ireland, 5)
- China: Number of EU member states (21) / Max (Greece, 13)
- UK: Number of EU member states (12) / Max (Ireland, 47)
- Switzerland: Number of EU member states (5) / Max (MT, Slovenia, 2)
- Japan: Number of EU member states (4) / Max (BG, DK, PL, SE, 1)
- Russia: Number of EU member states (2) / Max (LT, LV, 1)

Conclusions

- There is some dependency on some goods. Some of these goods (like goods in the nuclear industry) require a degree of trust. This trust has enabled economic specialisation.
- While these goods are few in numbers and in value (compared with the EU total imports from the US), in relative terms, the US is one of the most prominent suppliers (together with China) of products for which there is a degree of dependency on the EU side.
- But some of these goods (pistachios or fish) are not essential.
- Regarding covid-19 related goods, there is no dependency because EU is the larger provider of its own consumption.
- Yet, in the first wave of the pandemic, there were acute shortages of medical goods. This shows that, in the short-term, demand was too high for domestic production.
- It demonstrates that countries need to be flexible to cope with this kind of shocks. Openness, stock-piling, diversification are reasonable strategies to improve flexibility.
- When pressure, the US and the EU have changed their regulation to become more open and to import more from each other. That something the EU and the US can build upon.