

# European Union<sup>1</sup>

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*Change in 2006 from 2005:*

**U.S. trade deficit: Decreased by \$6.8 billion (5 percent) to \$132.8 billion**

**U.S. exports: Increased by \$29.1 billion (17 percent) to \$196.5 billion**

**U.S. imports: Increased by \$22.3 billion (7 percent) to \$329.3 billion**

The European Union (EU) and the United States have the world's largest bilateral trade relationship.<sup>2</sup> The EU was the largest U.S. trading partner in terms of total trade and the largest source of U.S. imports, and second only to Canada as a destination for U.S. exports in 2006. Germany, the United Kingdom, and France accounted for 52 percent of U.S. exports to the EU and 54 percent of U.S. imports from the EU.

The U.S. trade deficit with the EU decreased by 5 percent to \$132.8 billion in 2006, after reaching a five-year high in 2005. The U.S. trade deficit with the EU is the second-largest after the deficit with China.

## *U.S. Exports*

The largest absolute increases in U.S. exports to the EU in 2006 were in the transportation equipment, chemicals and related products, and minerals and metals sectors (table EU-1). U.S. exports of motor vehicles to the EU increased by \$4.3 billion in 2006 (table EU-2). Such exports to Germany alone amounted to \$3.1 billion. Sales of passenger vehicles in Germany were strong because customers brought forward purchases that may have otherwise been made in 2007 to avoid a 3 percentage point increase in the VAT rate introduced in January 2007.<sup>3</sup>

Precious metals and non-numismatic coin shipments from the United States to the EU increased by \$3.4 billion (154 percent) to \$5.6 billion in 2006. Most of this increase was in gold bullion, which rose by \$1.9 billion to \$2.8 billion, although exports of silver waste and scrap, platinum-group metals in unwrought forms, and silver bullion also increased. The rise in prices was a key factor contributing to this increase, as was the export of precious metals to the United Kingdom for trade on global exchanges.<sup>4</sup>

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<sup>1</sup> The European Union (EU) consisted of 25 member countries in 2006. These countries are Austria, Belgium, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden and the United Kingdom. The two countries that entered the EU in 2007, Bulgaria and Romania, are not included for purposes of this report.

<sup>2</sup> EC, *United States: Barriers to Trade and Investment*, 5.

<sup>3</sup> Just-auto.com editorial team, "Germany: 2006 Market Ended with Fireworks."

<sup>4</sup> The London Bullion Market Association Web site. The London Final price for gold averaged \$604.33 per troy ounce in 2006, a 36-percent (\$159.45) increase over the \$444.88 per troy ounce annual average in 2005. See table MM-5 in "Precious Metals and Related Articles" in the Minerals and Metals chapter of this report for more precious metals pricing information.

**TABLE EU-1** EU-25: U.S. exports of domestic merchandise, imports for consumption, and merchandise trade balance, by major industry/commodity sectors, 2002–06<sup>a</sup>

Item	2002	2003	2004	2005	2006	Change, 2006 from 2005	
						Absolute	Percent
	<i>Million dollars</i>						
U.S. exports of domestic merchandise:							
Agricultural products	7,194	7,520	7,816	7,948	8,584	636	8.0
Forest products	3,938	4,016	4,382	4,742	4,944	202	4.3
Chemicals and related products	25,349	29,633	35,368	37,517	42,988	5,471	14.6
Energy-related products	1,738	1,723	3,073	3,957	6,732	2,776	70.1
Textiles and apparel	1,558	1,516	1,579	1,746	1,897	151	8.7
Footwear	58	61	65	65	60	-4	-6.7
Minerals and metals	7,061	7,733	8,053	10,998	16,363	5,365	48.8
Machinery	12,025	12,091	13,403	14,789	16,627	1,837	12.4
Transportation equipment	32,269	33,155	35,475	36,916	44,628	7,712	20.9
Electronic products	35,672	35,604	37,600	38,807	41,546	2,739	7.1
Miscellaneous manufactures	3,494	3,409	3,920	4,489	5,737	1,248	27.8
Special provisions	4,889	5,021	4,956	5,443	6,372	929	17.1
Total	135,244	141,483	155,690	167,416	196,478	29,062	17.4
U.S. imports of merchandise for consumption:							
Agricultural products	11,569	12,912	13,841	14,791	16,141	1,350	9.1
Forest products	4,905	5,231	6,270	6,654	6,790	136	2.0
Chemicals and related products	49,828	57,696	63,049	67,858	73,836	5,978	8.8
Energy-related products	9,143	12,029	15,972	22,503	25,913	3,409	15.2
Textiles and apparel	5,422	5,674	6,007	5,873	5,777	-96	-1.6
Footwear	1,892	1,851	1,815	1,650	1,614	-36	-2.2
Minerals and metals	16,225	16,802	21,688	24,181	27,437	3,256	13.5
Machinery	23,839	25,921	29,755	33,892	37,042	3,149	9.3
Transportation equipment	54,381	57,837	61,629	66,049	69,014	2,965	4.5
Electronic products	28,655	30,656	34,063	36,087	36,279	192	0.5
Miscellaneous manufactures	11,741	11,249	12,402	12,605	13,758	1,153	9.2
Special provisions	12,662	12,566	13,268	14,865	15,688	823	5.5
Total	230,262	250,424	279,759	307,009	329,289	22,280	7.3
U.S. merchandise trade balance:							
Agricultural products	-4,375	-5,392	-6,025	-6,844	-7,558	-714	-10.4
Forest products	-967	-1,215	-1,889	-1,912	-1,845	67	3.5
Chemicals and related products	-24,479	-28,063	-27,680	-30,341	-30,849	-508	-1.7
Energy-related products	-7,405	-10,307	-12,899	-18,547	-19,181	-634	-3.4
Textiles and apparel	-3,864	-4,159	-4,428	-4,128	-3,880	248	6.0
Footwear	-1,835	-1,790	-1,750	-1,585	-1,554	31	2.0
Minerals and metals	-9,164	-9,068	-13,635	-13,183	-11,073	2,109	16.0
Machinery	-11,814	-13,830	-16,352	-19,103	-20,415	-1,312	-6.9
Transportation equipment	-22,112	-24,682	-26,155	-29,133	-24,386	4,748	16.3
Electronic products	7,016	4,948	3,538	2,720	5,267	2,547	93.6
Miscellaneous manufactures	-8,248	-7,840	-8,482	-8,116	-8,021	95	1.2
Special provisions	-7,773	-7,545	-8,313	-9,422	-9,316	106	1.1
Total	-95,018	-108,941	-124,070	-139,593	-132,811	6,782	4.9

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.—Calculations based on unrounded data.

<sup>a</sup>Import values are based on customs value; export values are based on f.a.s. value, U.S. port of export.

TABLE EU-2 Leading changes in U.S. exports to and U.S. imports from EU-25, 2002–06<sup>a</sup>

Sector/commodity	2002	2003	2004	2005	2006	Change, 2006 from 2005	
						Absolute	Percent
<i>Million dollars</i>							
<b>U.S. EXPORTS:</b>							
<b>Increases:</b>							
Transportation equipment:							
Motor vehicles (ET009) .....	3,887	5,484	3,904	3,287	7,544	4,258	129.6
Aircraft, spacecraft, and related equipment (ET013) .....	12,604	12,495	15,019	13,552	15,847	2,296	16.9
Precious metals and non-numismatic coins (MM020) .....	1,754	2,085	1,580	2,198	5,581	3,383	154.0
Petroleum products (CH005) .....	868	721	1,774	1,930	4,258	2,328	120.6
Chemicals and related products:							
Medicinal chemicals (CH025) .....	10,856	13,189	17,032	17,914	19,745	1,831	10.2
Certain organic chemicals (CH012) .....	1,608	1,820	2,102	2,015	3,238	1,223	60.7
<b>Decreases:</b>							
Construction and mining equipment (ET004) .....	1,521	1,514	1,665	2,102	1,924	-178	-8.5
Telephone and telegraph apparatus (ET017) .....	3,302	2,736	3,519	4,018	3,885	-134	-3.3
Plates, sheets, and strips of carbon and alloy steels (MM025B) .....	56	282	143	291	170	-121	-41.6
Cereals (AG030) .....	355	401	336	339	256	-84	-24.6
<b>All other</b> .....	98,434	100,758	108,616	119,770	134,030	14,260	11.9
<b>TOTAL</b> .....	135,244	141,483	155,690	167,416	196,478	29,062	17.4
<b>U.S. IMPORTS:</b>							
<b>Increases:</b>							
Medicinal chemicals (CH025) .....	32,287	38,058	40,893	42,900	48,029	5,129	12.0
Petroleum products (CH005) .....	5,818	7,629	11,702	17,037	21,215	4,178	24.5
Transportation equipment:							
Aircraft, spacecraft, and related equipment (ET013) .....	8,332	6,755	6,577	6,214	7,990	1,777	28.6
Aircraft engines and gas turbines (ET001) .....	7,138	5,659	6,098	7,274	8,357	1,084	14.9
Precious metals and non-numismatic coins (MM020) .....	1,042	895	1,175	1,439	2,390	951	66.1

See footnote(s) at end of table.

**TABLE EU-2** Leading changes in U.S. exports to and U.S. imports from EU-25, 2002–06<sup>a</sup>—*Continued*

Sector/commodity	2002	2003	2004	2005	2006	Change, 2006 from 2005	
						Absolute	Percent
	<i>Million dollars</i>						
<b>Decreases:</b>							
Crude petroleum (CH004) . . . . .	1,867	2,023	1,669	2,718	1,264	-1,454	-53.5
Telephone and telegraph apparatus (ET017) . . . . .	3,667	2,950	2,549	3,327	2,354	-972	-29.2
Textile machinery (MM082) . . . . .	619	626	663	797	559	-238	-29.9
<b>All other</b> . . . . .	169,492	185,828	208,433	225,304	237,131	11,827	5.2
<b>TOTAL</b> . . . . .	230,262	250,424	279,759	307,009	329,289	22,280	7.3

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.—Calculations based on unrounded data.

<sup>a</sup>Import values are based on customs value; export values are based on f.a.s. value, U.S. port of export.

U.S. exports of petroleum products to the EU increased by \$2.3 billion (121 percent) to \$4.3 billion in 2006. The increase is price related, as U.S. exports increased by less than 1 percent in quantity terms.<sup>5</sup> U.S. exports of aircraft, spacecraft, and related equipment to the EU increased by \$2.3 billion (17 percent) to \$15.8 billion, mostly due to airline route expansion and fleet replacement needs.

Medicinal chemical exports to the EU rose by \$1.8 billion (10 percent) to \$19.7 billion, continuing a five-year trend. Many of these exports were intracompany transfers to multinational pharmaceutical companies with manufacturing facilities in the United States and the EU.

U.S. exports to the EU of certain organic chemicals increased by \$1.2 billion (61 percent) to \$3.2 billion in 2006. This increase is partially due to exports of methyl tertiary-butyl ether (MTBE), a gasoline additive that was banned for use in the United States in May 2006, but is still used in the EU.<sup>6</sup> Another reason for the export increase in certain organic chemicals is high EU demand for soybean-based biodiesel.

### ***U.S. Imports***

The largest absolute increases in U.S. imports from the EU in 2006 were in the chemicals and related products, energy-related products, minerals and metals, and machinery sectors (table EU-1). U.S. imports of medicinal chemicals from the EU increased by \$5.1 billion (12 percent) to \$48.0 billion in 2006, continuing a five-year trend (table EU-2). This increase was led by greater demand for active pharmaceutical ingredients used to make consumer products for domestic sale and export. Many of these imports are intracompany transfers by U.S.-based multinational pharmaceutical companies that have manufacturing facilities in the EU.

Petroleum product imports from the EU rose by \$4.2 billion (25 percent) to \$21.2 billion in 2006, while U.S. imports of crude petroleum fell by \$1.5 billion (54 percent) to \$1.3 billion. In quantity terms, U.S. imports of refined petroleum products from the EU remained stable, decreasing only slightly from 427,000 barrels per day (b/d) in 2005 to 426,000 b/d in 2006, and primarily consisted of distillate and residual fuel oils used for heating, industrial uses, and bunker fuels. Although import quantities were largely unchanged, the value of imports showed a strong increase due to rising prices. U.S. imports of crude petroleum from the EU decreased from 343,000 b/d in 2005 to 228,000 b/d in 2006 primarily because of a temporary shutdown of wells in the North Sea (Norway and the United Kingdom) for repair.

U.S. imports of aircraft, spacecraft, and related equipment, and aircraft engines and parts both increased in 2006, by \$1.8 billion (29 percent) to \$8.0 billion and by \$1.1 billion (15 percent) to \$8.4 billion, respectively. U.S. imports of aircraft, spacecraft, and related equipment were principally large civil aircraft (LCA) and parts. Although LCA imports decreased by 10 percent to \$2.7 billion, imports of parts grew 23 percent, to \$1.9 billion.

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<sup>5</sup> See the Energy and Related Products chapter of this report for more information.

<sup>6</sup> *Chemical Week*, "Gasoline Demand Drives MTBE Exports," 39.

Business jet imports also increased by \$1.2 billion (1,300 percent) to \$1.3 billion. U.S. imports of aircraft engines and parts grew by \$1.1 billion (15 percent) because of a strong increase in the production of U.S. aircraft. Boeing increased its aircraft deliveries by about 25 percent,<sup>7</sup> and general aviation aircraft manufacturers also showed higher deliveries.

**John Kitzmiller**  
**(202) 205-3387**  
[john.kitzmiller@usitc.gov](mailto:john.kitzmiller@usitc.gov)

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<sup>7</sup> The Boeing Co., *Boeing Orders and Deliveries*.

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