

US-EU Merchandise Trade: Key Features and Problem of Disproportion

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Abstract—article is dedicated to the trade cooperation of United States with regional economic integration – European Union at the present time. The authors analyzed trade cooperation, its dynamic, specialization, directions, and implement the term “economic anamorphosis”. The authors came to conclusion that correlation of United States’ foreign trade indicators with European Union showed an unequal evaluation of each Union’ member and determined the disproportion of understanding and examination of regional integration not as the complex subject of the global economy but as the set of different and independent subjects.

Keywords—United States; European Union; foreign trade; merchandise trade; conjuncture; disproportion; anamorphosis

I. INTRODUCTION

The present process of the world economy’ globalization is related with the list of factors that can transform economic and political background such as: escalation of the global competition; strengthening of economic development irregularity and impact of the external factors on the states; set of geopolitical decisions that can lead to the revision of the scientific paradigm of globalization and liberalization – United States’ (US) exit from Trans-Pacific Partnership (TPP), “freezing” of TTIP (Transatlantic trade and investment partnership) agreement negotiations, revision of NAFTA (North American Free Trade Area) principles, implementation of open protectionism policy by USA. In accordance with an expert’s opinions the growth of protectionism and escalation of “trade war” between USA and China can sign about the reverse or of the crumbling of the globalization process. Professor Kondratiev V.B. (Institute of World Economy and International Relations of the Russian Academy of Sciences (IMEMO)) talks not about the end of globalization but the new model or loop of it [1].

As the result of the last financial and economic crises of 2007-2009 yy. a lot of countries had to implement the policy of protectionism in order to defense and support national producers [2]. There is the missing of the mutual confidence among World trade organization’ (WTO) members that could prevent to the development of new rules and principles of the international trade. There is the parallel process such as interruption of the regional economic integrations broadening –

the freezing of European Union (EU) broadening, the lack of NAFTA backgrounds for expansion, revision of NAFTA principles, US’ exit from TTP and the “freezing” of TTIP agreement negotiations between US and EU. “Freezing” of negotiations between US and EU (TTIP) is the result of new US Administration coming headed by D. Trump. Such actions, in accordance with the opinion of R.E. Scott and E. Glass, are setting up on the base of not only the results of scientific researches and investigations dedicated to the effectiveness of multilateral or bilateral US’ relations with the global economy subjects, but the fundamental changing of US’ foreign policy. The motivation of this transformation is proceed from the President agenda to return the power of USA, to change “the global trade misbalance” and to solve some problems of the national economy and the problem of the foreign trade deficit.

Nowadays it is rather actual and interesting to evaluate and investigate key features of US-EU’ trade cooperation on the basis of its destinations, volumes, conjuncture.

II. METHOD

Bilateral ties of US and EU are analyzed with the statistical period from 2003 to 2017 yy. Necessity to research this type of cooperation is based on the proved thesis of the role and the weight of partners not only to each other but the global economy.

It needs to mark several economic problems that are based on the advanced guard of US’ priority interests such as reducing of US’ foreign trade deficit (in 2017 it amounted to (-811 billion dollars)); transformation and reduction of the weight of some types of economic activity in the structure of GDP; changing of the role and the weight of the key trade partners (for the benefit of China), strengthening of international competition fight with fast growing economies and other. All these factors led to the necessity to review and re-comprehend external economic and trade policy of the new US Administration headed by D. Trump, so as the result “freezing” of TTIP agreement negotiations between US and EU, potential increasing of import tariffs on more than 400 sub-groups of EU goods, possibility of “trade war” escalation between US and EU, destabilization of international trade system. At the same time, it means that the internal problems and obstacles for the well-balanced and consistent economic

growth have to be solved through the implementation of determined and tough foreign policy. It used to think that launching and increasing of import tariffs would bring to the national budget additional benefits and would spend it for the national producers' support. For example, reduction of the auto sales in USA and the parallel process of automotive industry share reduction in the GDP structure are supposed to be solved through the foreign policy methods and instruments.

In this research the authors tried to work with some tasks:

- to determine basic features of US-EU merchandise trade on the basis of export and import statistics, destinations and conjuncture and to determine the thesis of disproportionate examine of each EU member by the third country (US) in dependence on the set of competitive advantages that could satisfy the demand of the third country;

- to prove the thesis of unequal evaluation of EU integration by US as the complex and complete subject of the global economy that could allow to make the conclusion that scientific paradigm of regional economic integration is needed to be reviewed;

- on the basis of anamorphosis method to suggest the term "an economic anamorphosis".

The authors adapted the methods of economic analysis, synthesis, deduction and retrospective. As the key tool of economic analysis the authors used the method of anamorphosis. Traditionally this method is used in the geographic sciences and shows distortion of the investigation subject – i.e. distortion of countries or regions shapes in conditions of superposition of any indicators and data on the map. For instance, distortion of China' and India' maps in dependence of the population data. The authors took the attempt to determine that US-EU trade cooperation brings an effect of anamorphosis as disproportion of partner's estimation and evaluation by each other. It means that the result of distortion can reveal inadequate and unequal perception of one country by another in conditions of international economic relations.

III. THEORETICAL BASES

The current activities of US' new Administration are characterized as mercantilism or neo-mercantilism. Launching of the aggressive foreign policy could be determined as the result of the modern tendencies – growing and toughening of international competitiveness and the fast growing of China as the key opponent of US.

Administration is implementing the policy of protectionism under the rules of the national legislation and contrary to the international trade rules. In accordance with Section 301 and related provisions of the Trade Act the American legislation gives the US Trade Representative broad authority to investigate and respond to a foreign country's unfair trade practices, to increase import tariffs and to use almost all methods and actions in order to protect national economic safety from the external factors. It means that the traditional and the present theory of globalization and liberalization has to be reviewed as the result of US' foreign trade policy

transformation and US' protectionism measures through the import tariffs increasing.

The first harmonious theory of international trade is mercantilism, the goal of which is to support and achieve the positive trade balance and to collect the wealth of the national economy. The present US' foreign trade policy is close to the mercantilism theoretical thesis aimed at the positive trade balance, protection of national producers, increasing of import tariffs and non-tariff methods of foreign trade regulation and so on.

D.F. List concerned that the thesis of international trade of A. Smith and D. Ricardo has to be reviewed because of foreign trade could not be fair and mutually beneficial only in the case when partners are in the similar level of the economic development in the other case partners have to implement the policy of protectionism in order to equalize the level of economic development for each of them.

E.S. Reinert determined that all developed economies launched the policy of protectionism at the period of industrialism development [3].

Neo-mercantilism is becoming one of the key features of the present time by the devices of the policy of protectionism, achieving the positive trade balance, expansion of TNCs, escalation of "trade wars" [4].

The position of P.A. Samuelson concerning the practicability of protectionism implementation is coming from the position that the effect of the free trade is not the equal for all members of the economic relations, at the same time the absence of national competitive advantages in some sectors of the national economy can threaten to other state, so it has to implement the policy of protectionism [5].

The growth of the interest from the authorities and political circles led to the developing of the economic thesis of patriotism. Nowadays this thesis is not estimated as the scientific paradigm but is connected with the thesis of the economic nationalism thesis (G.F.W. Rosher) and mercantilism.

At present time there is no economic nationalism determination and it used to be substituted by the term of economic patriotism, or egoism, or protectionism in the contest of national safety [6]. According to I.S. Ivanov there is no any stumble blocks for US' policy of national egoism implementation [7].

The present foreign policy of US is forcing to review the present paradigms of globalization and liberalization because the present international trade and finance principles and rules do not comply with the national interests of the global economy subjects. The present American foreign policy is the pioneer of the reflection on the international competition fight, growing and strengthening of fast developing countries and understanding China as the key opponent or rival for US [8].

R.E. Scott and E. Glass in their research came to conclusion that the effect from US membership in TTP would bring much less advantages than loses-decreasing of GDP, increasing of unemployment rate and so on. It needs to underline the result of this research became the basis to transform the foreign policy of US [9].

At the same time Stephen D. Cohen, Joel R. Paul and Robert A. Blecker wrote in the book “Fundamentals of U.S. Foreign Trade Policy” that trade policy is the result of the perpetual need for policymakers to select from among legitimate albeit competing objectives: internal and external economic and political priorities that often suggest diametrically different policy alternatives [10].

US-EU trade relations in conditions of US-China trade conflict are the subject of scientific investigation by Paul J. J. Welfens, in the book “The Global Trump” the author researches the impact from the current US-China trade war on US-EU relations, taking into account the fact that the confrontation of such global players could not only destroy the present international trade system but to make the politics to review its principles and rules [11].

IV. UNITED STATES MERCHANDISE TRADE WITH EUROPEAN UNION

Foreign trade is one of the most important types of economic cooperation of United States. In accordance with Bureau of Economic Analysis (BEA) in 2018 the share of US merchandise trade made up 20.7% of GDP (4,2 trillion dollars). Total volume of US foreign trade of goods and services made up 27.8% of US GDP.

According to WTO US’ export of goods made up 8.7% of the world export of goods, import of goods – 13.4%, 14.4% and 10.2% of the world export and import of services. Foreign trade deficit is formed by the trade deficit of goods – in 2017 this indicator amounted to (- 811 billion dollars), and is not covered by the positive trade balance of services (243.9 billion dollars in 2017). From 2000 to 2017 yy. US’ merchandise trade deficit increased almost in 2 times from (- 446.8 billion dollars) to (- 811 billion dollars).

European Union is the strategic partner of United States. The share of EU in US’ export of goods amounted to 18%, in US’ import of goods – 19% in 2017. The key feature of US foreign trade with this integration is almost traditional trade deficit of goods trade (- 153 billion dollars) and positive balance of services trade (54.3 billion dollars). From 2000 to 2017 yy. US’ trade turnover on goods with EU grew in 1.86 times, and in 2.39 times on services. In spite of the absolute indicators growing the share of EU in US’ foreign trade is decreasing for the benefit of other countries.

According to BEA 4.5% of merchandise trade deficit of US is formed by the trade with China (- 376.6 billion dollars). In 2017 US and China signed the biggest US trade agreement on the sum of 253.4 billion dollars, the key aim of this action – is to cut US’ merchandise trade deficit and to increase US’ merchandise export to China [12].

Unfortunately, Administration’ actions showed that national interests are more important than bilateral agreements of US. The present “trade war” between US and China has been escalated by increasing of import tariffs on steel and iron and all the goods that are supported and are in the list of Chinese industrial policy “made in China – 2025”.

Improvement of the “international trade imbalance”, domination of the national interests, launching of the protectionism policy and other actions that are taken by US’ Administration aimed at the reconstruction of some sectors of US’ economy the share of which are reducing slowly. In 2000-2016 yy. the share of industrial sector in US GDP reduced from 22.8% to 17.8%; production of durable goods reduced from 12.9% to 9.1%; production of computers and electronics reduced from 2.8% to 1.2%.

Analysis of the American merchandise trade with EU showed that 98% (149.9 billion dollars from 153 billion dollars) of merchandise trade deficit with EU countries are formed by France, Germany, Italy and Ireland. 42.2% (or (- 64.6 billion dollars)) of US’ merchandise trade deficit with EU are formed by Germany, it shows the role of Germany for USA.

Prevalence of determined list of countries in the system of US’ foreign trade and forming by them the biggest share of US’ trade deficit demonstrates heterogeneity of EU as the complete trade partner shows that integration is estimated by US from the point of view of social-economic aspects of development, development of industrial capacity, forming of GDP, level of capital capacity and technical capacity, and presence of competitive advantages for US.

The positive US’ trade balance with EU members is formed by Belgium, Netherlands (in 2017), Luxemburg, United Kingdom (in 2015 and 2016 yy.). The biggest consumers of US’ goods are United Kingdom (20%), Germany (19%), France (12%), Italy (6%). In 2017 US export of goods made up 1551.4 billion dollars, the share of EU amounted to 18.3% (284.7 billion dollars).

The structure of US’ merchandise export is formed by: capital goods except automotive (from 2003 to 2017 yy. the share of capital goods decreased from 45.4% to 38.9%), industrial supplies and materials (the share of industrial supplies and materials increased from 20.7% to 25.3%), consumer goods (the share of consumer goods increased from 17% to 20.2%).

Analysis of US’ merchandise export to EU determined that the volume of US’ merchandise export from 2003 to 2017 yy. increased from 153.1 billion dollars to 274.7 billion dollars, the volume of foods, feeds and beverages increase from 5.8 billion dollars to 11.5 billion dollars, the volume of industrial supplies and materials increased from 31.6 billion dollars to 71.8 billion dollars, the volume of capital goods except automotive increased from 69.5 billion dollars to 110.8 billion dollars, the volume of automotive vehicles, parts, and engines increased from 10 billion dollars to 17.7 billion dollars, the volume of consumer goods increased from 26.1 billion dollars to 57.6 billion dollars, the volume of other goods increased from 8.6 billion dollars to 9.6 billion dollars, the volume of nonmonetary gold increased from 1.3 billion dollars to 5.4 billion dollars [12].

The tendency of EU’ merchandise import destination to US members reflects the same situation as with the export – domination of limited set countries – France (11%), Germany (27%), Italy (11%), United Kingdom (12%). These 4 countries accumulate 61% of all merchandise import from EU to US (in

2017). The basis of EU merchandise import is formed by capital goods except automotive (the share of capital goods except automotive from 2003 to 2017 yy. increased from 26% to 28%), consumer goods decreased from 28.2% to 27.9%, automotive vehicles, parts, and engines decreased from 16% to 14%, industrial supplies and materials decreased from 18% to 16%, foods, feeds and beverages and other goods increased from 4% to 6%, nonmonetary gold – decreased from 0.29% to 0.05% [12].

The volume of EU imports of goods to US increased from 247.9 billion dollars to 437.7 billion dollars (2003-2017 yy). The volume of foods, feeds and beverages increase from 12.3 billion dollars to 26.3 billion dollars, the volume of industrial supplies and materials increased from 46.6 billion dollars to 70.9 billion dollars, the volume of capital goods imports automotive increased from 66.5 billion dollars to 126.5 billion dollars, the volume of automotive vehicles, parts, and engines increased from 39.6 billion dollars to 62.5 billion dollars, the volume of consumer goods increased from 69.9 billion dollars to 122.3 billion dollars, the volume of other goods increased from 12.1 billion dollars to 28.8 billion dollars, the volume of nonmonetary gold decreased from 0.72 billion dollars to 0.21 billion dollars. 42.2% of US merchandise trade deficit formed by US trade with Germany, it took 26.9% of US merchandise import from EU members (118.1 billion dollars from 437.7 billion dollars). The basis of Germany merchandise import to US is formed by capital goods – 43.8%, 15.6% are formed by automotive production, 13.1% are formed by consumer goods, 19.9% are formed by industrial goods [12].

The volume and the share of each EU member showed that US-EU trade of goods is determined by disproportional evaluation of regional economic integration by the third country (USA) that is based on the set of factors - level of development, level of industrial development, capital intensive goods in the structure of trade and output, the structure of GDP and so on.

In order to find out US-EU merchandise trade specific the authors used the method of anamorphosis. Using of anamorphosis method determined that US-EU merchandise trade brings an effect of anamorphosis in the form of disproportion of partner's estimation by each other. European Union is estimated not as the complex partner by US, and every state-member of EU is estimated by US as the complex of competitive advantages.

The instance of US-EU merchandise trade determined that the most developed members of integration has the advantages of trade cooperation with the third country. This thesis is proved by the domination of limited list of EU members as the formers of US trade deficit in the trade with EU – 98% (149.9 billion dollars from 153 billion dollars) of US' merchandise trade deficit with EU countries are formed by France, Germany, Italy and Ireland. 42.2% of US' merchandise trade deficit with EU are formed by Germany and it determines the role of Germany for USA. Other 2% of trade deficit is formed by the other 24 EU members. It means that 24 states are not the fundamentally important for US, and the majority of EU members could not satisfy the demand of US in contrast to the other 4 EU members [12].

The authors suggested to use the method of anamorphosis and determine disproportion of EU evaluation by US and putting on the map or graphic model the shares of each EU members in the merchandise trade with US. Putting indicators on the map or graphic model shows that the key feature of US-EU merchandise trade deficit is rather sharp and dramatic prevalence of limited set of countries – Germany, Ireland, Italy, France, see Fig. 1.

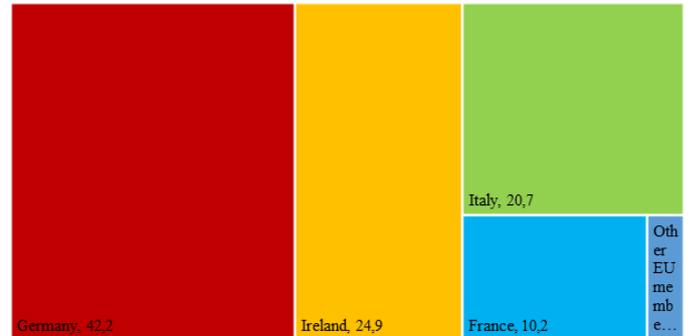


Fig. 1. Graphic disproportion of the main US' trade deficit formers in EU in 2017 y., % [12].

The authors used the graphic method in order to show the correlation of EU' shares in US' merchandise trade deficit. The authors came to conclusion that US do not estimate Union as the complex and complete partner, only some countries are in the trade and economic interest of US in Europe. This deformation had to make scientists to review traditional regional economic integration theses in the case of the meaning every member of integration for the third country - the importance of every integration member depends on individual factors, competitive advantages and capability to satisfy the demand. The authors offer to implement the term "economic anamorphosis", the concept of which relies upon the disproportion of the weight of partners in the economic relations when one of the partner is the national economy and the other one is the integration, and the intensity of economic ties of the third country is focused on the limited list of integration members that accumulate the biggest share of goods flows, investment flows and so on.

V. CONCLUSION

Analysis of US-EU merchandise trade allows the authors to determine disproportions in the intensity of the merchandise trade between US and EU. Correlation of absolute and relative indicators of determined countries of EU in the system of US' trade interests tells about the unequal evaluation of each EU member. This disproportion finds out the fault of regional economic integration thesis that is expressed in different and unbalanced partnership of each integration member in trade cooperation with the third country, it means that each member of integration by itself has the different set of competitive advantages and is evaluated by the third country from the position of quality and top priority for the third country.

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