

# Trans-Atlantic Trade Relations

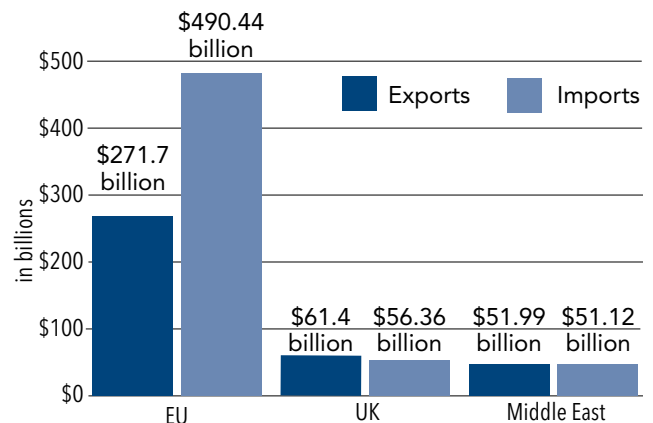
## Trading Relationship with UK and EU More Important Than Ever in Times of Global Uncertainty

- Trans-Atlantic trade in goods reached an all-time high of \$1.1 trillion in 2021.
- 45 out of 50 states, including California, export more goods to Europe than to China.
- California has more jobs supported by European investment than any other state, totaling 474,200 in 2019 and accounting for 56% of foreign affiliate jobs in the state.
- Over the last decade, Europe has attracted 57.3% of total U.S. global investment. So far this decade, Europe's share of U.S. foreign direct investment outflows has increased to 62.6% of the total, reflecting a redirecting of U.S. investment away from China.
- The trans-Atlantic economy accounts for \$6 trillion in commercial sales a year, makes up one-third of global GDP, and accounts for half of total global personal consumption.

### BACKGROUND

The trans-Atlantic economic partnership is a key driver of global economic growth, trade and prosperity, and represents the largest, most integrated and longest-standing regional economic relationship in the world. The many reasons to support this relationship come from an economic perspective, a geopolitical perspective, a company benefit perspective, as well as regulatory cooperation, and technological innovation perspectives.

**U.S. TRADE WITH UNITED KINGDOM, EUROPEAN UNION, MIDDLE EAST**



Source: U.S. Department of Commerce

The United Kingdom officially left the European Union on January 1, 2021 and entered into the EU-U.K. Trade and Cooperation Agreement, which has now been in force for more than a year. In addition, the United Kingdom has embarked on a whirlwind tour entitled “Global Britain.” It has entered into trade deals and agreements with 71 countries since leaving the EU, including entering the second and final stage of joining the Comprehensive and Progressive Trans-Pacific Partnership Agreement (CPTPP, formerly the TPP).

The U.K. also has signed agreements with Australia and New Zealand, in December 2021 and February 2022, respectively, is negotiating an agreement with India, and still is hopeful for a U.S. deal. In the interim, the United Kingdom is pursuing a state-by-state approach to building closer trade ties with the United States while the Biden administration has shown little interest in negotiating new free trade agreements.

Post-Brexit, the EU now consists of 27 countries: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, the Mediterranean Island of Malta, Netherlands, Poland, Portugal,

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The EU-27 market represents an estimated 447.5 million people and has a total gross domestic product (GDP) of \$15.29 trillion, as of 2021, while the United Kingdom has an estimated population of 67.32 million people and a GDP of \$3.19 trillion. The United States has 331.89 million people and a GDP of \$23 trillion as of 2021 (World Bank).

The EU presidency rotates, with each member country taking turns for six months at a time as chair of EU meetings and representing the EU at international events.

### U.S.-EUROPEAN UNION RELATIONS

In October 2018, then-U.S. Trade Representative Robert Lighthizer notified Congress, in keeping with Trade Promotion Authority (TPA) protocol, of the Trump administration's intent to start negotiations with the European Union. Negotiating objectives published in January 2019 included removing tariff and nontariff barriers and creating more balanced, fairer trade. In 2021, the Biden administration held a U.S.-EU Summit where the two parties renewed their trans-Atlantic partnership. However, a U.S.-EU agreement has not yet been pursued by the Biden administration. Instead, a U.S.-EU Trade and Technology Council has been established to advance trans-Atlantic cooperation and democratic approaches to trade, technology, and security.

In October 2022, the EU expressed concern that the Biden administration's Inflation Reduction Act could be in breach of international trade rules. A U.S.-EU Task Force on the Inflation Reduction Act was launched and met in November, where the EU is seeking to secure exemptions. Both partners would like a quick resolution, but the EU has said that bringing the issue before the World Trade Organization is not off the table.

Total bilateral trade between the European Union and United States was more than \$1 trillion in 2021, with goods trade accounting for \$762.14 billion. The United States exported \$271.7 billion worth of goods to EU member nations. The U.S. and EU are each other's primary source and destination for foreign direct investment (FDI). The \$3.6 trillion invested by the U.S. in the EU in 2018 represented 61% of total U.S. investment abroad; the EU investment of \$3 trillion in the U.S. represents 68% of total FDI in the U.S. (AmCham Europe). California exports to the EU were \$30.9 billion in 2020, making up nearly 20% of all California exports.

### U.S.-UNITED KINGDOM RELATIONS

The Biden administration inherited the U.S.-U.K. Free Trade Agreement that President Donald J. Trump had initiated in October 2018 and chose to shelve the agreement until a later date. In 2022, the United States and United Kingdom began the U.S.-U.K. Dialogues on the Future of Atlantic Trade and met in Baltimore and Scotland to discuss how the United States and United Kingdom can collaborate to "advance mutual international trade priorities rooted in shared values, while promoting innovation and inclusive economic growth for workers and businesses on both sides of the Atlantic."

The two countries agreed to reestablish the U.K.-U.S. Small and Medium-Size Enterprises (SME) dialogue, which convened its sixth meeting in November 2022. As a result of the November meeting, the two nations agreed that over the next six months the two governments would enhance toolkits aimed at helping SMEs navigate trade between the two countries, specifically targeting underserved communities. The two countries also will hold special expert-level discussions in 2023 on digital trade and customs and trade facilitation, with the United States agreeing to host the Seventh SME Dialogue in the U.S. in May 2023.

According to the U.S. Department of Commerce, the U.S.-U.K. investment relationship is the largest in the world, valued at more than \$1.5 trillion in 2021 and creating more than 2.6 million jobs, about 1.46 million in the United Kingdom and 1.17 million in the United States. Moreover, U.K. FDI into the United States in 2021 totaled \$512.4 billion, while FDI from the United States into the United Kingdom topped \$1 trillion. Two-way trade between the United States and the United Kingdom was \$117.8 billion in 2021 and the United Kingdom was the seventh largest importer of U.S. goods; the total value was \$61.4 billion. The United Kingdom is California's 12th largest export destination, with more than \$4.35 billion in exports. In California, the United Kingdom is the second largest source of FDI through foreign-owned enterprises (FOEs). British FOEs in California provide more than 94,604 jobs through 2,358 firms, amounting to \$9.363 billion in wages (World Trade Center Los Angeles 2022).

### FREE TRADE AGREEMENTS IN MIDDLE EAST

The United States has five free trade agreements with countries in the Middle East, along with Trade and Investment Framework Agreements (TIFAs).

- The **U.S.-Bahrain Free Trade Agreement** (FTA), first enacted in 2006, is now responsible for \$2.165 billion in

bilateral trade, of which \$934 million is U.S. exports to Bahrain. California is one of the top exporting states to Bahrain with \$95 million in goods exported to Bahrain in 2021.

- The **U.S.-Israel Free Trade Agreement** was the first U.S. FTA. Since it entered into force in 1985, exports to Israel have increased by more than 450%. In 2021, Israel was the 25th largest export destination for U.S. exports, which topped \$12.86 billion. In the same year, California exported \$1.43 billion to Israel, making it the 24th largest export destination for California goods. Israeli FDI into the United States totaled \$27.67 billion in 2021, while U.S. investment into Israel totaled \$41.3 billion.

- The **U.S.-Jordan Free Trade Agreement** went into effect in 2010. In addition to increasing trade, the agreement also aimed to improve labor standards in Jordan. The United States is one of the largest exporters to Jordan, having exported \$1.2 billion of products in 2021. The United States imported \$2.74 billion worth of goods in 2021. California is the largest exporting state to Jordan, exporting \$214 million worth of products in 2021.

- The **U.S.-Morocco Free Trade Agreement** entered into force in 2006 to support economic and political reforms in Morocco and give improved opportunities for U.S. exports to Morocco. In 2021, goods exports to Morocco totaled \$2.79 billion, compared to \$79 million in 2005, the year before the FTA went into force. The United States also is one of the largest importers of Moroccan goods, importing \$1.27 billion in 2021. California exported \$179 million worth of goods to Morocco in 2021 and imported \$245 million the same year.

- The **U.S.-Oman Free Trade Agreement**, enacted in 2009, continues to promote trade and investment liberalization and

openness in the region. The United States exported \$1.39 billion to Oman in 2021. California exports to Oman totaled \$85 million in 2021.

#### ANTICIPATED ACTION

The California Chamber of Commerce is hopeful that the United States and trans-Atlantic region will continue to strengthen relations in 2023 to deepen the world's largest trading and investment relationship, with a focus on trade and investment initiatives.

It is expected the Biden administration will continue to revitalize U.S. alliances with European nations and to cultivate the trade and economic ties with U.S. strategic partners in the Middle East.

#### CALCHAMBER POSITION

The CalChamber, in keeping with longstanding policy, enthusiastically supports free trade worldwide, expansion of international trade and investment, fair and equitable market access for California products abroad and elimination of disincentives that impede the international competitiveness of California business.

Strengthening economic ties and enhancing regulatory cooperation through agreements with our top trading partners that include both goods and services, including financial services, is essential to eliminating unnecessary regulatory divergences that may act as a drag on economic growth and job creation.

Free trade agreements can ensure that the United States may continue to gain access to world markets, which will result in an improved economy and additional employment of Americans.



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January 2023