

Trans-Atlantic Trade Relations

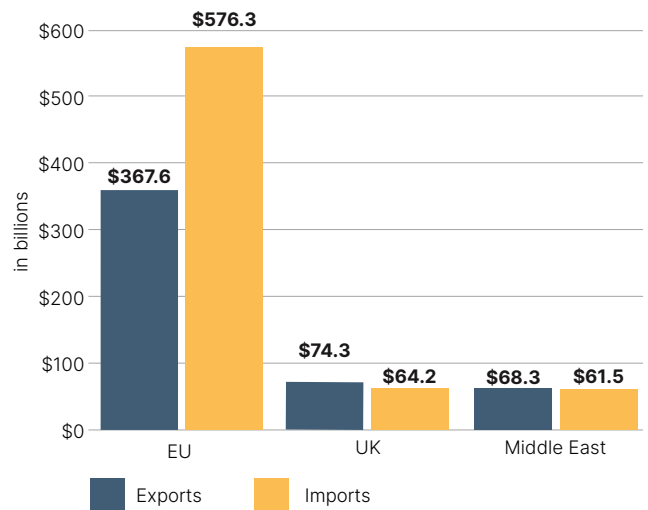
Longstanding Trading and Investment Relationship More Important Than Ever in Times of Global Uncertainty

- Trans-Atlantic trade in goods reached an all-time high of \$1.2 trillion in 2023.
- 44 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 459,700 in 2021 and accounting for just over 56% of foreign affiliate jobs in the state.
- Over the last decade, Europe has attracted 55.9% of total U.S. global investment. In 2023, Europe's share of U.S. foreign direct investment outflows increased to 59.1% of the total, reflecting a redirecting of U.S. investment away from China.
- The trans-Atlantic economy accounts for \$6.9 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 four years. In addition, the United Kingdom has embarked on a plan entitled “Global Britain.” It has entered into trade deals and agreements with 71 countries since leaving the EU, including entering the Comprehensive and Progressive Trans-Pacific Partnership Agreement (CPTPP, formerly the TPP), which it officially joined December 15, 2024.

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.

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, Romania, Slovakia, Slovenia, Spain and Sweden.

The EU-27 market represents an estimated 451.82 million people and has a total gross domestic product (GDP) of \$25.18 trillion, as of 2023, while the United Kingdom has an estimated population of 68.3 million people and a GDP of \$3.34 trillion. The United States has 334.91 million people and a GDP of \$27.36 trillion as of 2023 (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

Under the first Trump administration, there was intent to start a U.S.-E.U. Free Trade Agreement (FTA). 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. A U.S.-EU Trade and Technology Council has been established to advance trans-Atlantic cooperation and democratic approaches to trade, technology, and security.

Total bilateral trade between the European Union and United States was more than \$1.1 trillion in 2023, with goods trade accounting for \$762.14 billion. The United States exported \$367.62 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) with the \$2.7 trillion invested by the U.S. in the EU in 2022. The EU invested \$2.4 trillion in the U.S in that same year (AmCham Europe). California exports to the EU were \$25.7 billion in 2023, making up nearly 14% 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. The two countries then agreed to establish the U.K.-U.S. Small and Medium-Size Enterprises (SME) dialogue, which has been ongoing.

According to Select USA, the U.S.-U.K. investment relationship is one of the largest in the world, valued at more than \$1.05 trillion as of 2023 and creating more than 1.22 million jobs. Moreover, U.K. FDI into the United States in 2023 totaled \$635.6 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 \$138.53 billion in 2023 and the United Kingdom was

the 12th largest importer of U.S. goods; the total value was \$74.31 billion. The United Kingdom is California's ninth largest export destination, with more than \$5.68 billion in exports. In California, the United Kingdom is the largest source of FDI through foreign-owned enterprises (FOEs). British FOEs in California provide more than 113,292 jobs through 1,946 firms, amounting to \$10.637 billion in wages (World Trade Center Los Angeles 2024).

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 \$2.84 billion in bilateral trade, of which \$1.68 billion is U.S. exports to Bahrain. California is one of the top exporting states to Bahrain with \$63 million in goods exported to Bahrain in 2023.
- 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 ten-fold. In 2021, Israel was the 27th largest export destination for U.S. exports, which topped \$13.98 billion. In the same year, California exported \$1.68 billion to Israel, making it the 22nd largest export destination for California goods. Israeli FDI into the United States totaled \$22.4 billion in 2023, while U.S. investment into Israel totaled \$45.9 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 \$1.55 billion of products in 2023. The United States imported \$2.92 billion worth of goods in 2023. California is the largest exporting state to Jordan, exporting \$251 million worth of products in 2023.

- 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 2023, goods exports to Morocco totaled \$3.84 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 \$1.69 billion in 2023. California exported \$209 million worth of goods to Morocco in 2023 and imported \$390 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 \$1.86 billion to Oman in 2023. California exports to Oman totaled \$111 million in 2023.

ANTICIPATED ACTION

The California Chamber of Commerce is hopeful that via the Trump administration, the United States and trans-Atlantic region will continue to strengthen relations in 2025 to deepen the world's largest trading and investment relationship, with a focus on trade and investment initiatives.

CALCHAMBER POSITION

The CalChamber, in keeping with longstanding policy,

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.



Staff Contact

Susanne T. Stirling

Senior Vice President, International
Affairs

susanne.stirling@calchamber.com

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