

Federal Ministry of Economic Affairs and Energy | Berlin, 27<sup>th</sup> January 2017

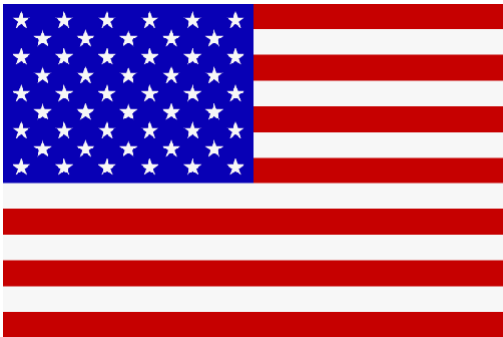
*„Transatlantic Trade, the Role of the UK, and Transatlantic Trade Strategies of the Continental EU“*

# The UK's role in transatlantic economic ties

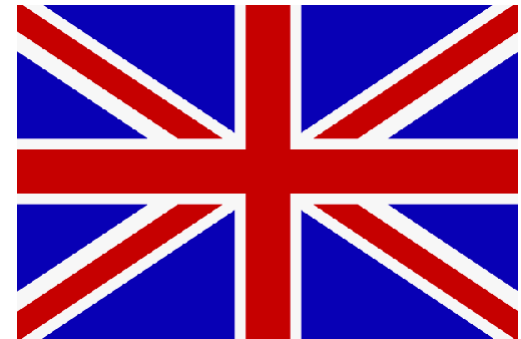
Stefan Kooths  
*Forecasting Center*



# Post-Brexit transatlantic partners



**Trade in goods**  
**Trade in services**  
**FDI**



# Post-Brexit transatlantic partners (GDP-weighted)

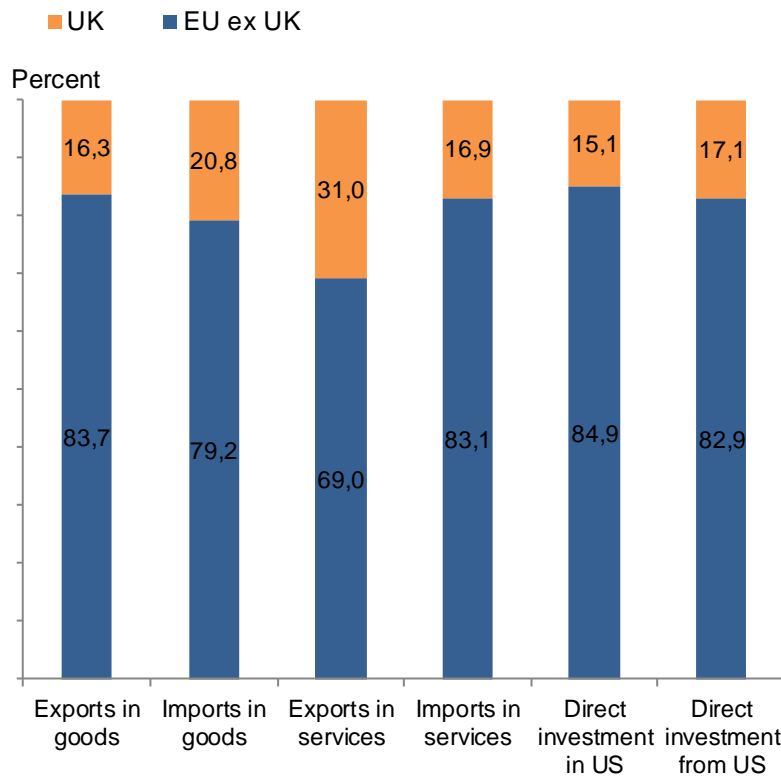
at 2015 market [PPP] exchange rates (US = 100); Source: AMECO, OECD



- Shares in EU aggregates (2015)
  - » GDP: 18 percent
  - » Trade in goods: 10 percent
  - » Trade in services: 15 percent
- Traditionally strong links with North-America
  - ⇒ **More important role in transatlantic trade**
- Aggregates may hide pronounced industry patterns
  - ⇒ **Shifting priorities in trade negotiations US/Canada vs. EUexUK?**

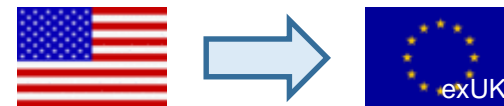
# EU/UK economic links with the United States

UK share in EU trade and direct investment positions with the US

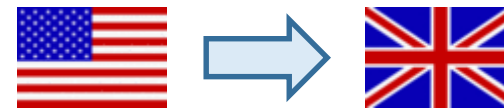


Exports and imports in goods and services between the UK and the US, relative to the respective flows between the EU and the US; UK relative to EU direct investment positions in and from the US. Data for trade in goods and services are from 2015, data for direct investment positions are from 2011.

- Export of goods
  - » EUexUK: 20 %
  - » UK: 15 %
- Strong UK position in services
  - » 30 % of all EU-exports
  - » 23 % of all trade in services is with the US (EUexUK: 10 %)



- » Goods: 14 %
- » Services: 29 %



- » Goods: 4 %
- » Services: 10 %

## ■ European perspective

### » Outward

- EUexUK: 13 %
- UK: 20 %

### » Inward

- EUexUK: 12 %
- UK: 28 %

⇒ **UK: FDI patterns more pronounced than trade channel**

## ■ US perspective

### » Outward

- EUexUK: 40 %
- UK: 12 %

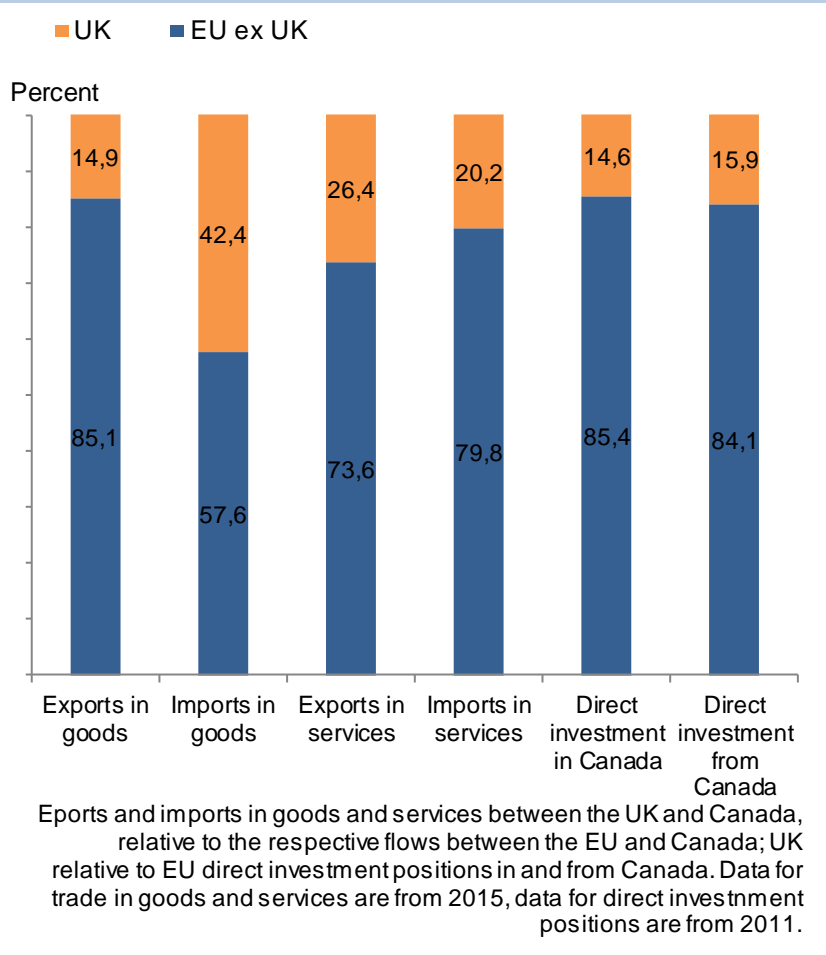
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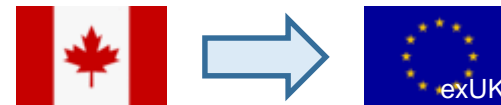
⇒ **EUexUA: FDI patterns more pronounced than trade channel**

# EU/UK economic links with Canada

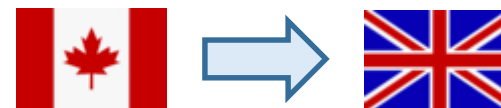
UK share in EU trade and direct investment positions with the Canada



- 2 % of EU/UK trade in goods
- Imports of goods dominated by non-monetary gold
- Again, strong UK position in services



- » Goods: 4 %
- » Services: 11 %



- » Goods: 3 %
- » Services: 6 %

## ■ European perspective

### » Outward

- EUexUK: 2 %
- UK: 2 %

### » Inward

- EUexUK: 4 %
- UK: 2 %

⇒ **FDI patterns similar to trade channels**

## ■ Canadian perspective

### » Outward

- EUexUK: 12 %
- UK: 9 %

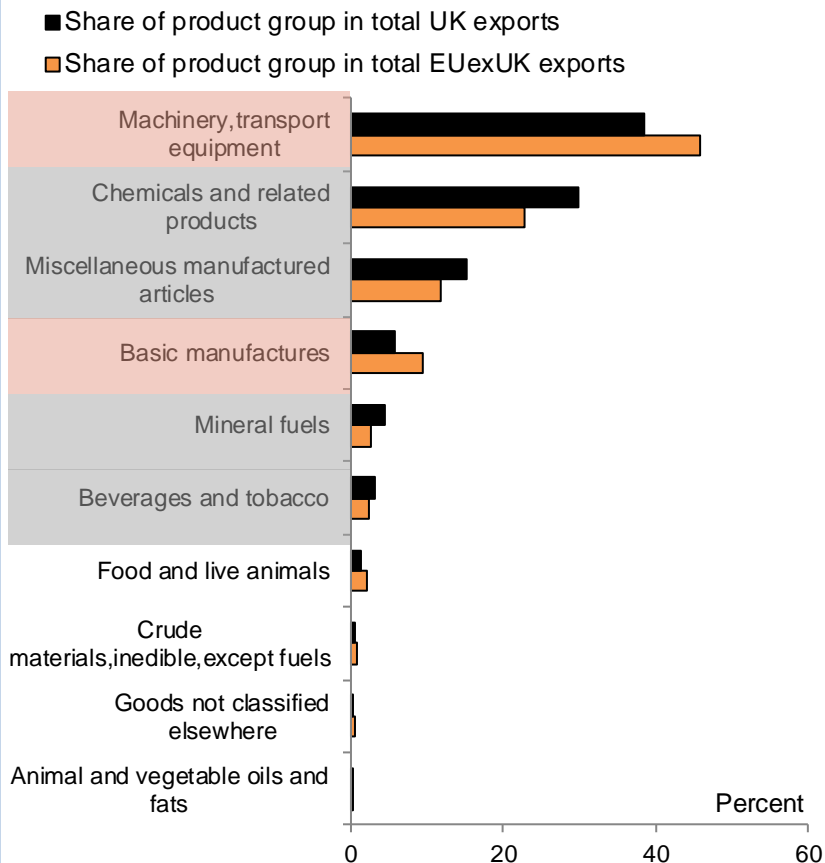
### » Inward

- EUexUK: 20 %
- UK: 3 %

⇒ **FDI patterns more pronounced (in particular with EUexUK) than trade channels**

# Exports of goods to the United States by product group

## Exports in goods to the United States, 1-digit SITC, 2015



Shares of SITC product group in total exports to the US from the EU excl. UK and from the UK, in percent.

### ■ UK share > EUexUK share

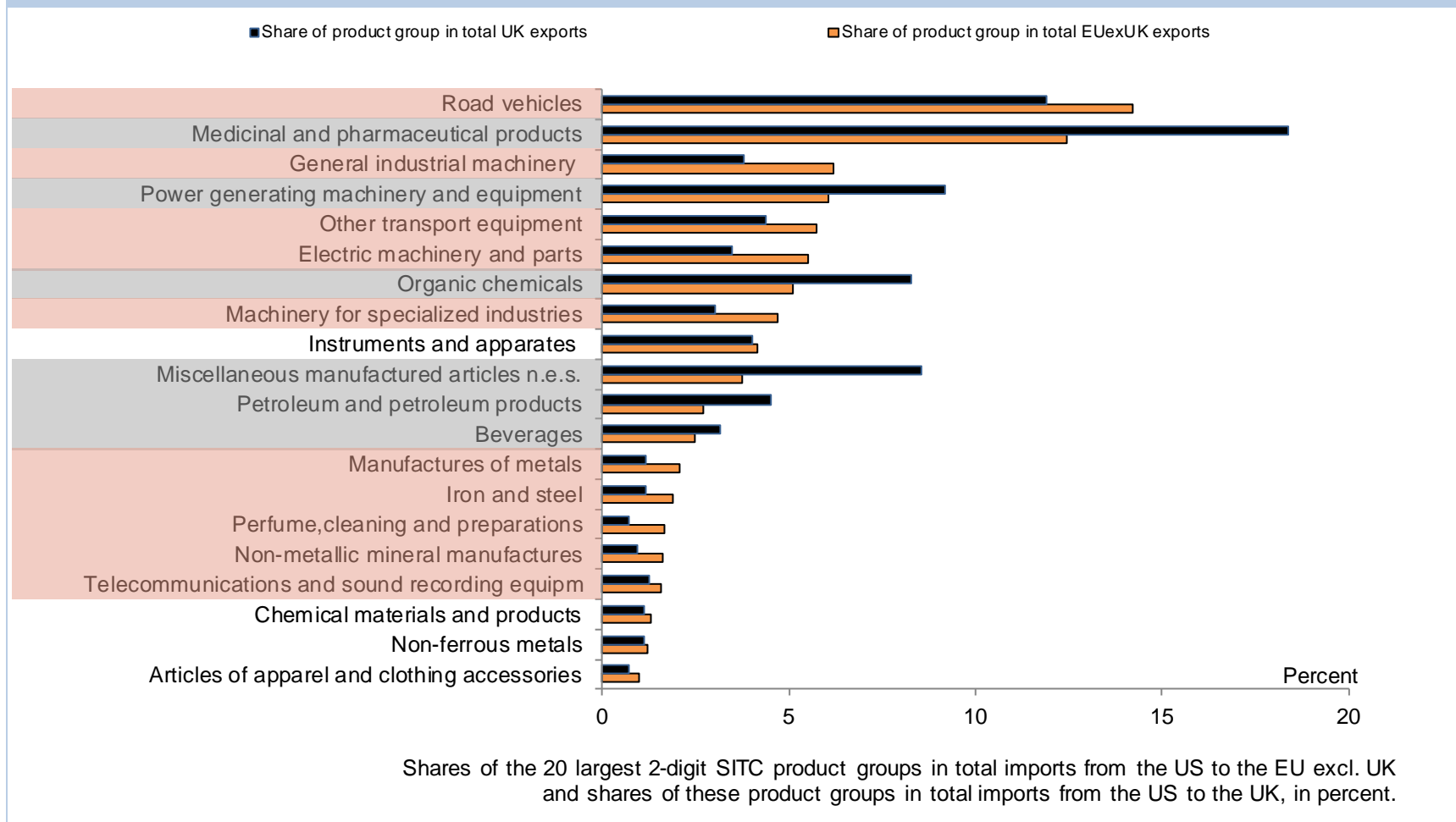
- » Chemical products (medicinal and pharmaceutical products, organic chemicals)
- » Miscellaneous manufactured articles
- » Mineral fuels
- » Beverages and tobacco

### ■ EUexUK share > UK share

- » Machinery and transport equipment (road vehicles, general industrial machinery, other transport equipment, electric machinery, *not* power generating machinery)
- » Basic manufactures

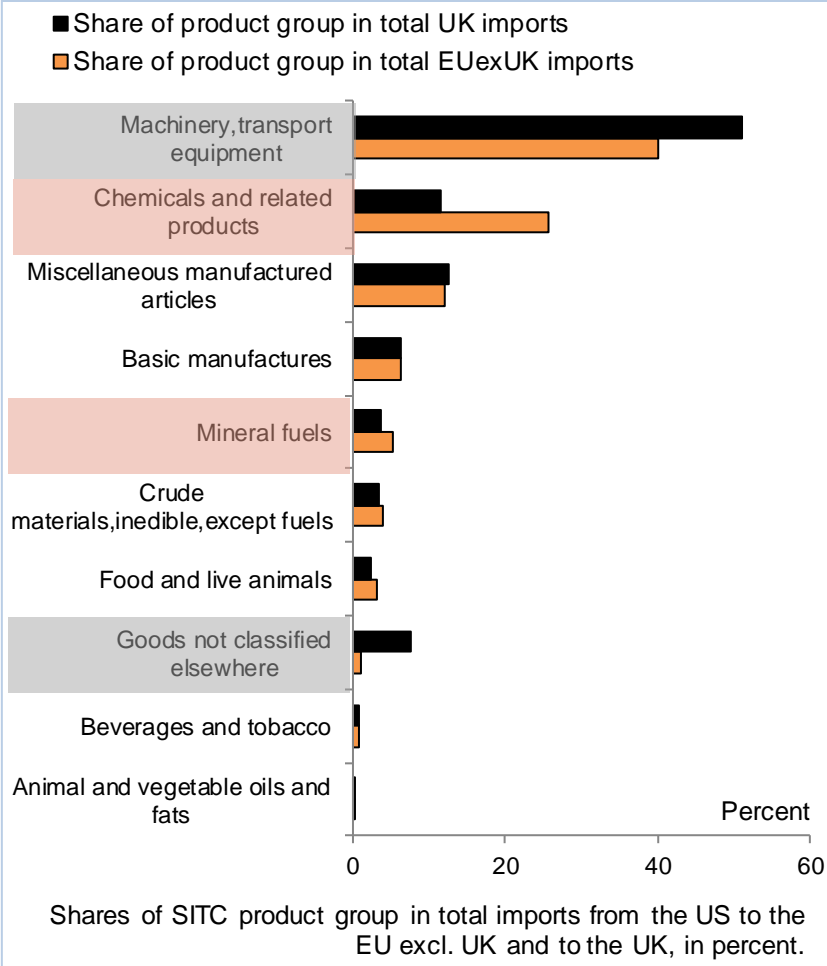
# Exports of goods to the United States by 2-digit SITC product group

## Exports in goods to the United States, 2-digit SITC product groups



# Imports of goods from the United States by product group

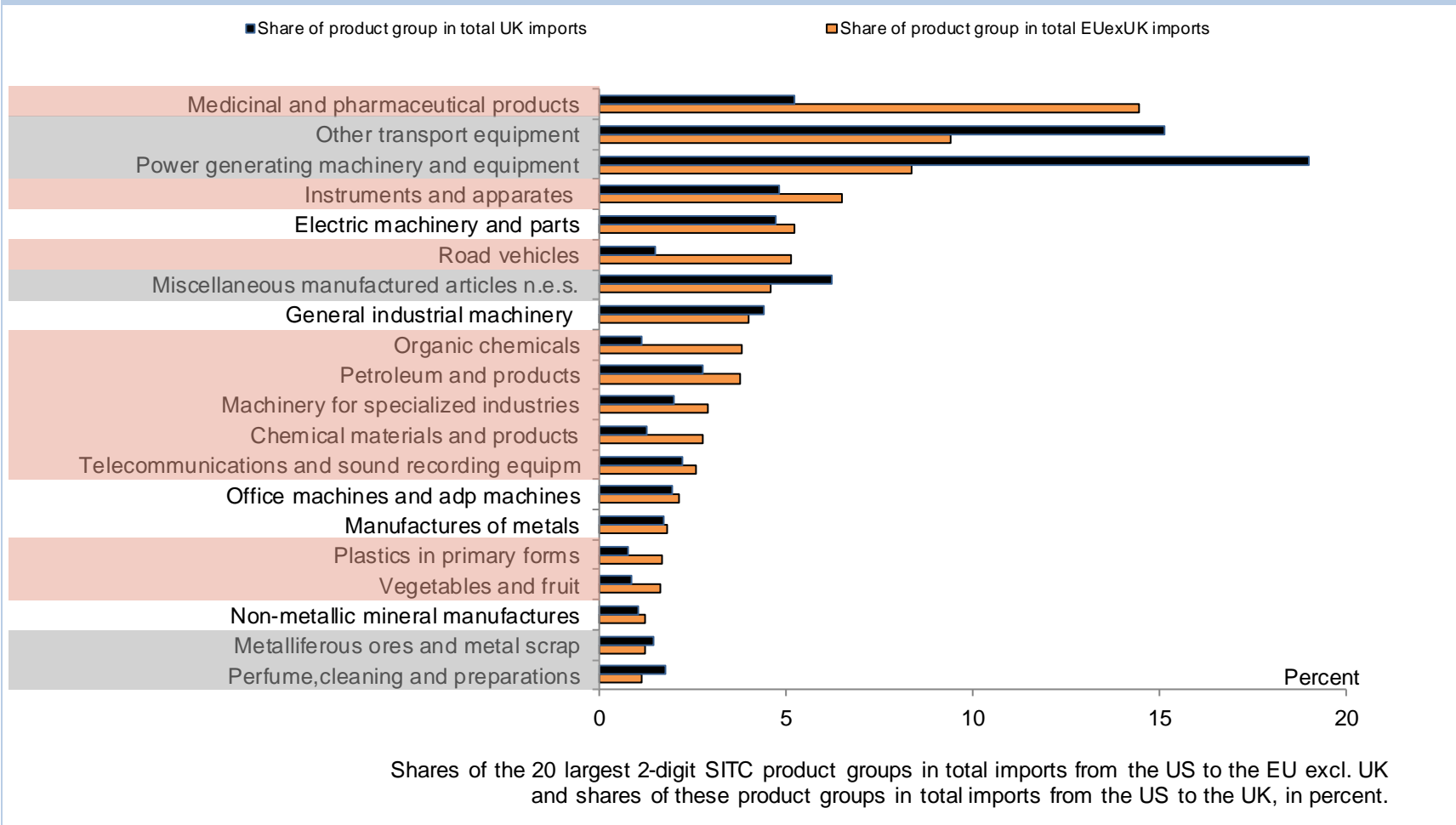
## Imports from the United States, 1-digit SITC, 2015



- **UK share > EUexUK share**
  - » Machinery and transport equipment (power generating machinery, transport equipment, *not* road vehicles)
  - » Goods not classified (non-monetary gold, where UK accounts for 70 percent of total EU imports)
  
- **EUexUK share > UK share**
  - » Chemical products (medicinal and pharmaceutical products, organic chemicals)
  - » Mineral fuels
  - » Road vehicles

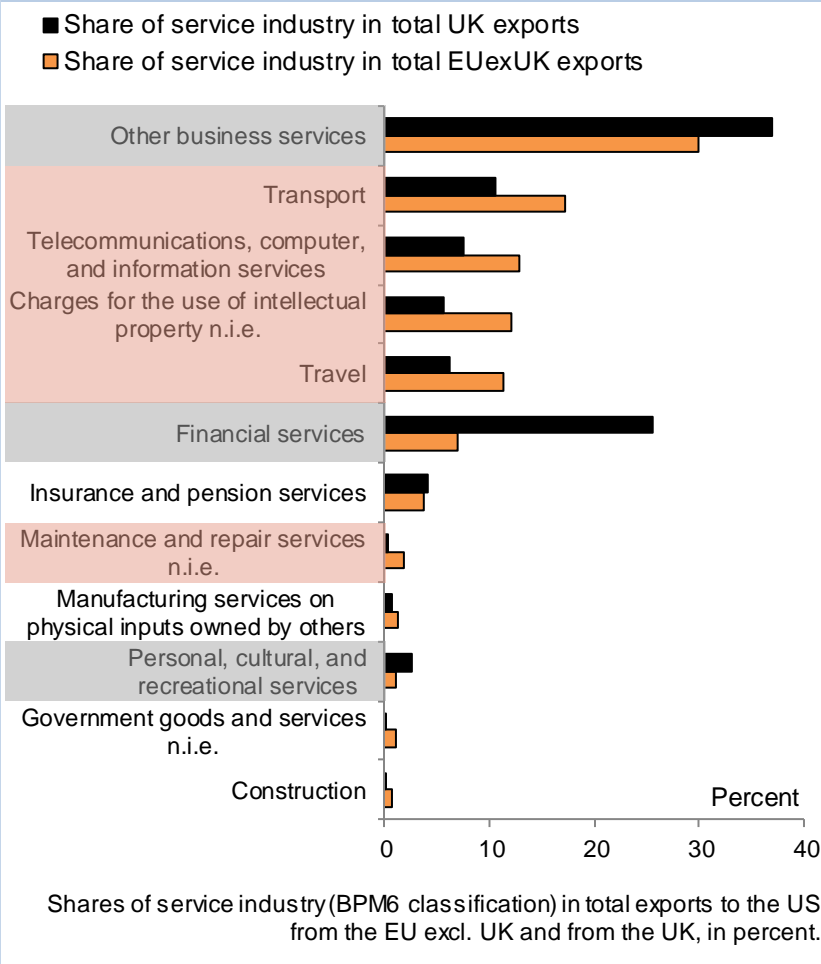
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# Exports of services to the US by industry

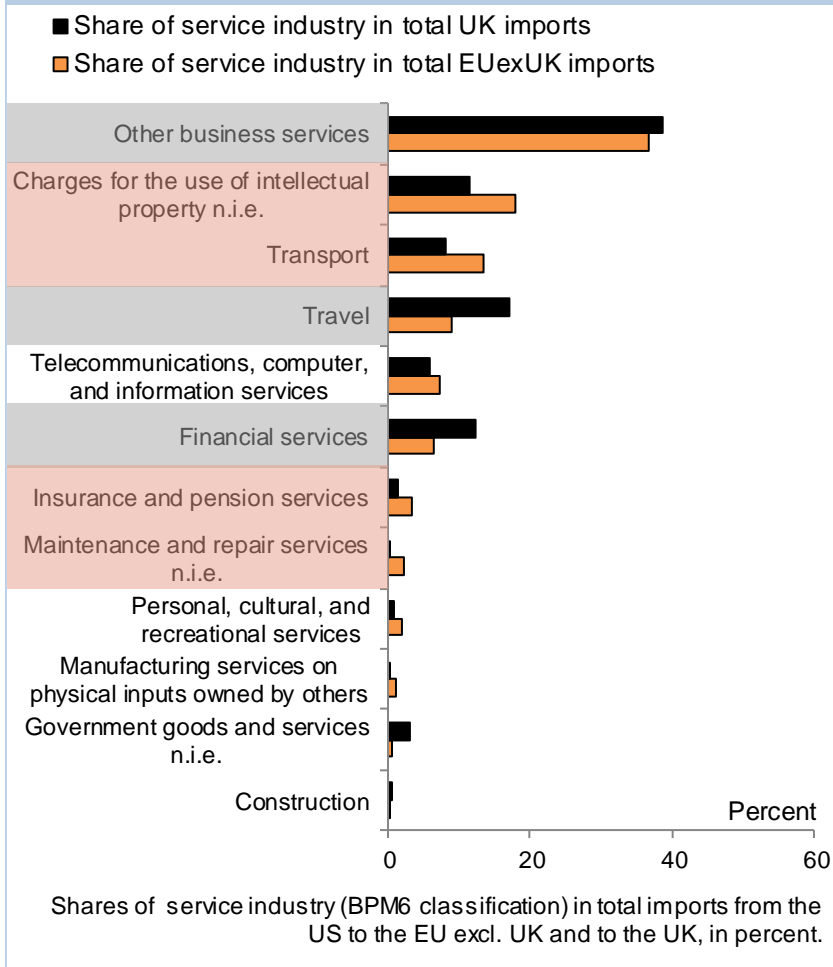
Exports in services to the US, by service industry, 2015



- **UK share > EUexUK share**
  - » Financial services!
  - » Other business services (business and management services, technical and trade-related services)
  - » Personal, cultural and recreational services
  
- **EUexUK share > UK share**
  - » Transport
  - » Telecommunications, IT
  - » Travel
  - » Charges for the use of intellectual property

# Imports of services from the US by industry

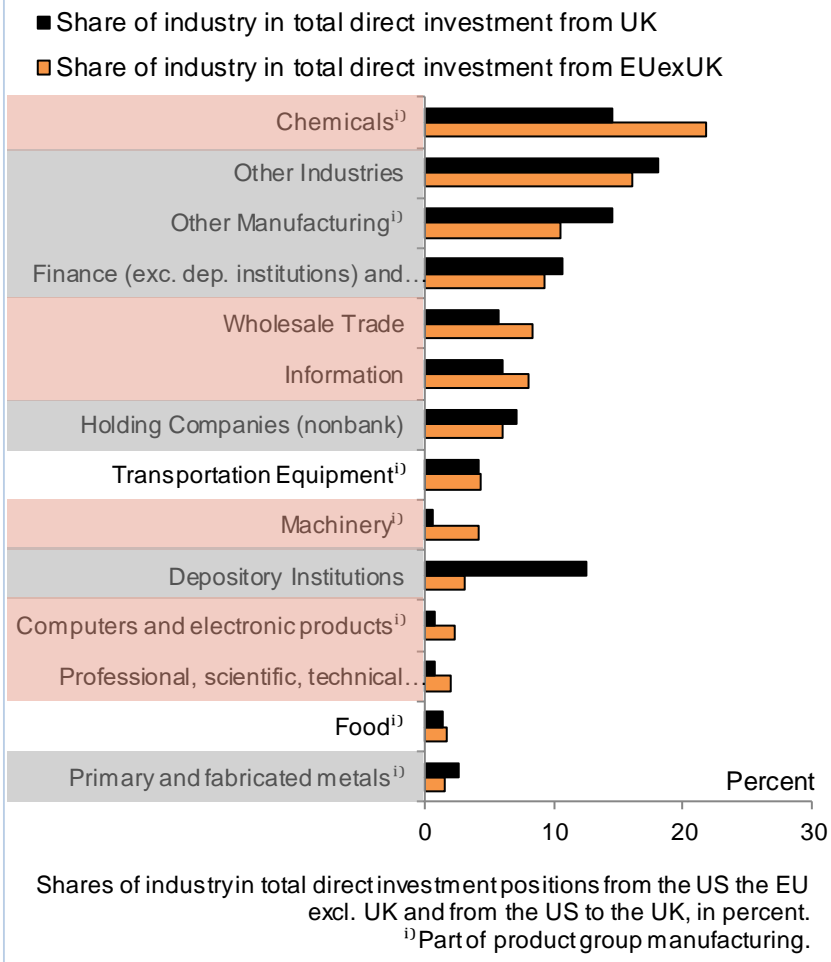
Imports in services from the US, by service industry, 2015



- **UK share > EUexUK share**
  - » Financial services
  - » Travel
  - » (Other business services)
  
- **EUexUK share > UK share**
  - » Transport
  - » Charges for the use of IPR
  - » Insurance, pension
  - » Maintenance, repair

# United States: Inward FDI by industry

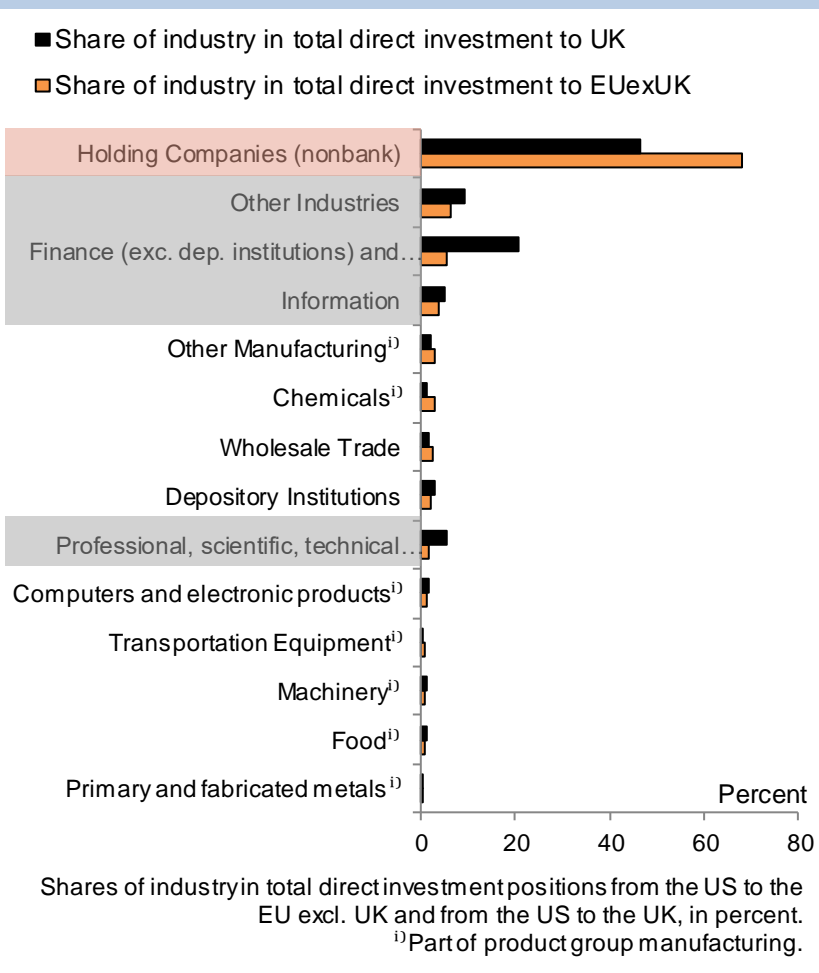
Direct investment positions in the US, by industry, 2015



- UK share > EUexUK share
  - » Depository institutions
  - » Finance and insurance
  - » Holding companies (nonbank)
  
- EUexUK share > UK share
  - » Chemicals
  - » Wholesale trade
  - » Information
  - » Machinery

# United States: Outward FDI by industry

Direct investment positions of the US, by industry, 2015



- **UK share > EUexUK share**
  - » Finance and insurance
  - » Information
  - » Professional, scientific, technical services
  
- **EUexUK share > UK share**
  - » Holding companies (nonbank)
  - » Chemicals
  - » Wholesale trade

- European Union
    - » Loses 2<sup>nd</sup> largest MS, but remains at eye level with US
    - » Key partner for US FDI (inward and outward)
  - United Kingdom
    - » Less open in general, but strong transatlantic position
    - » Services as pillar of transatlantic trade
    - » Transatlantic FDI patterns more pronounced than trade channels
  - Disaggregation by product/industry (imports from US)
    - » Goods
      - Power generating machinery
      - Transport equipment (without road vehicles)
    - » Services
      - Financial
      - Travel
- ⇒ **Pronounced UK shares may alter free trade attitudes**

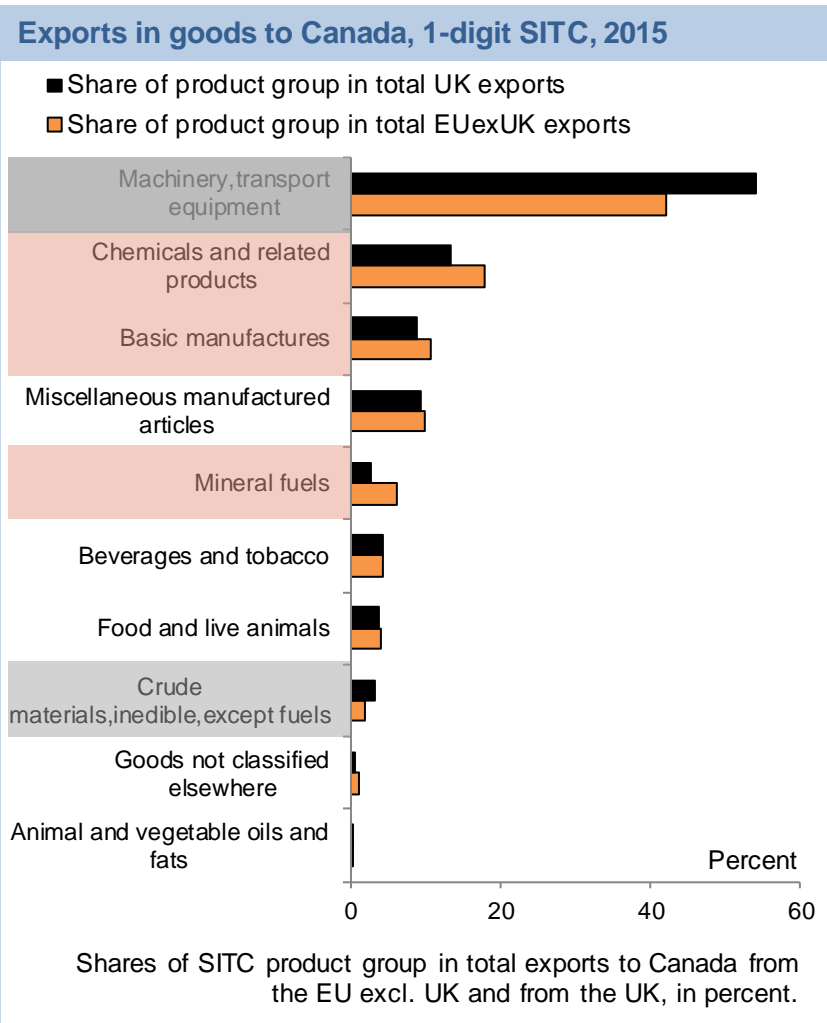
Institut  
für Weltwirtschaft



Institute  
for the World Economy



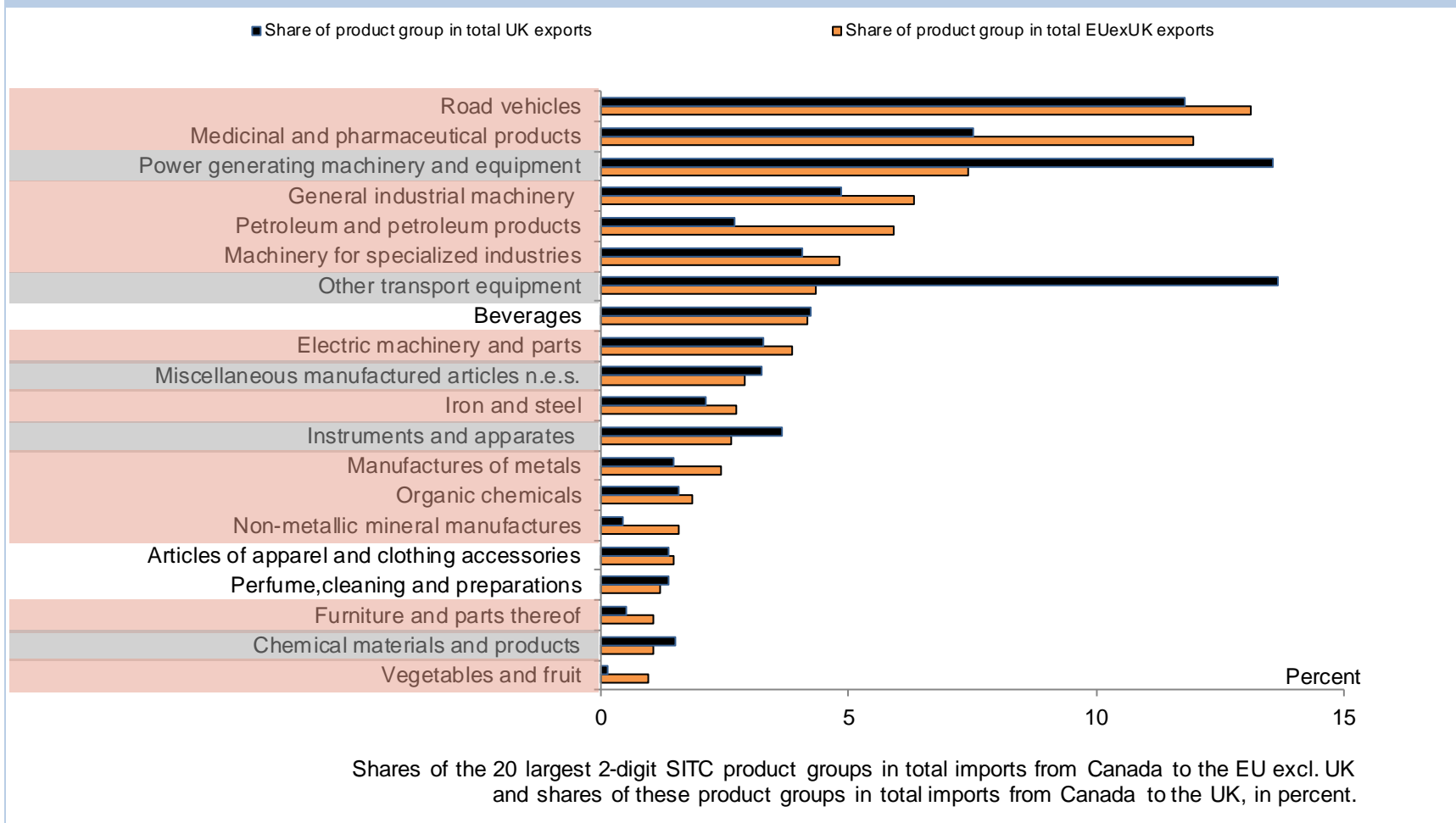
# Exports of goods to Canada by product group



- **UK share > EUexUK share**
  - » Machinery and transport equipment (power generating machinery, other transport equipment, *not* road vehicles, *not* general industrial machinery)
  - » Crude materials
  
- **EUexUK share > UK share**
  - » Chemical products (medicinal and pharmaceutical products)
  - » Basic manufactures
  - » Mineral fuels (petroleum and petroleum products)
  - » Road vehicles, general industrial machinery

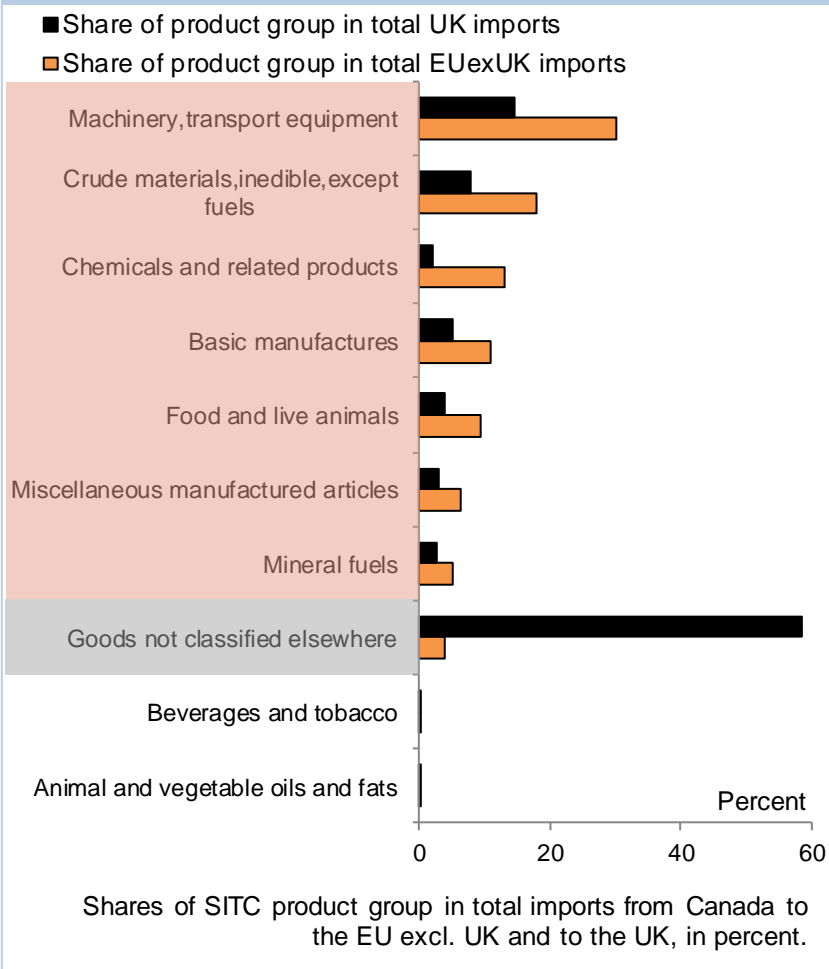
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# Imports of goods from Canada by product group

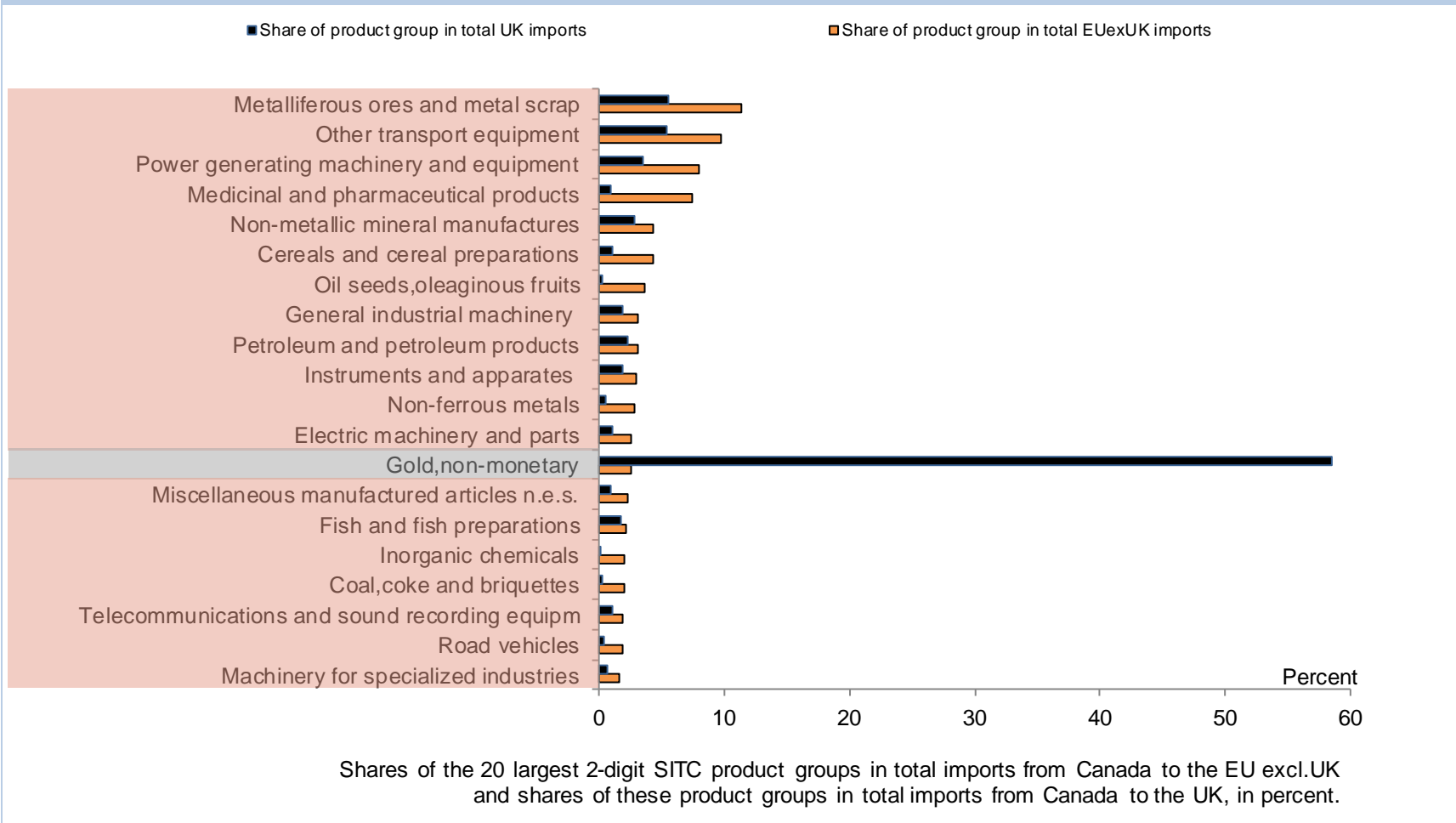
Imports in goods from Canada, 1-digit SITC, 2015



- **UK share > EUexUK share**
  - » Goods not classified elsewhere  
(on-monetary gold represents almost 60 percent of UK imports from Canada, UK imports account for over 95 percent of total EU imports in this group)
  
- **EUexUK share > UK share**
  - » All other product groups
  - » Particularly chemical products  
(medicinal and pharmaceutical products)

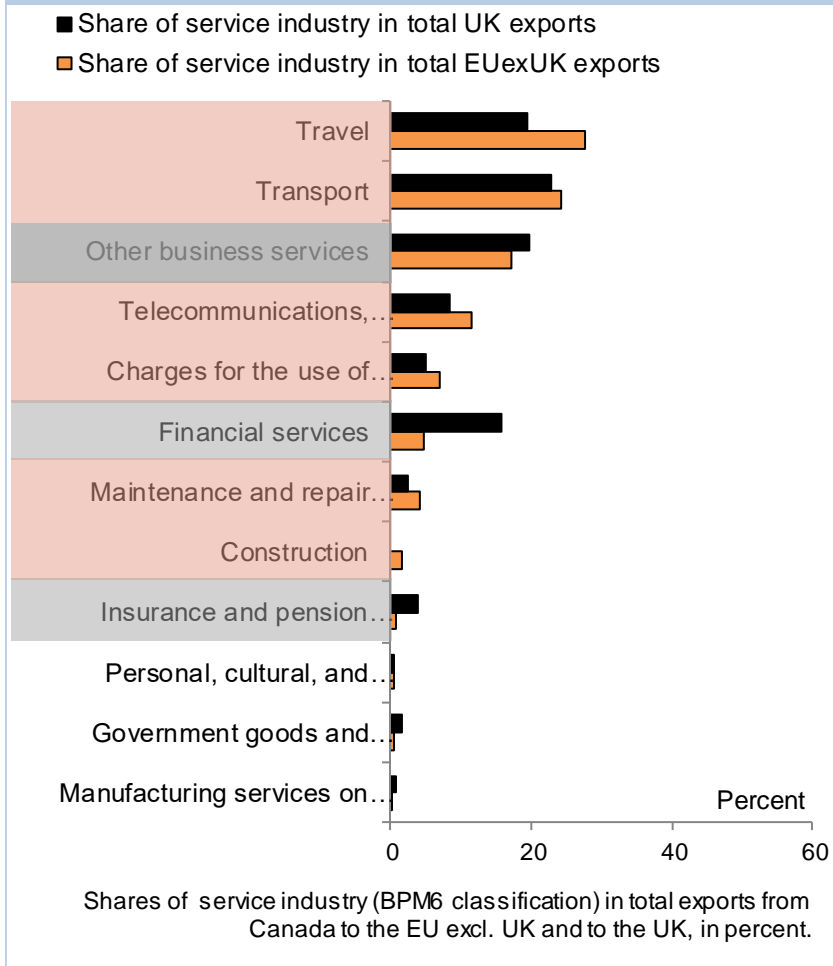
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# Exports of services to Canada by industry

Exports in services to Canada, by service industry, 2015



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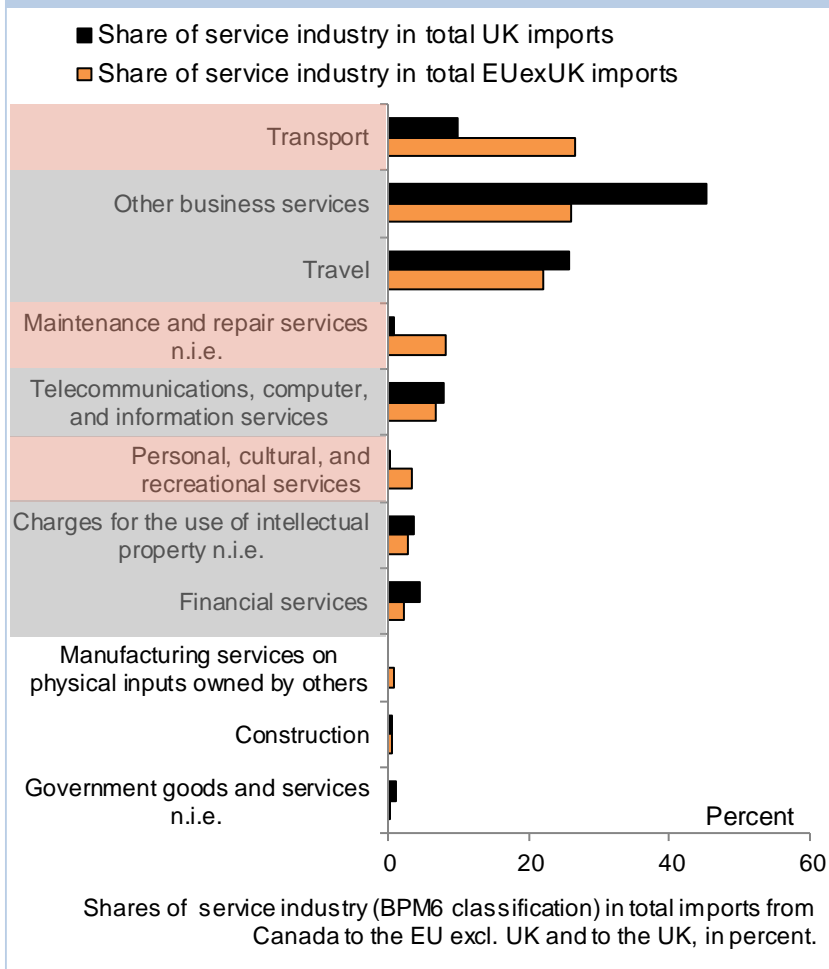
- » Financial services!
- » Other business services
- » Insurance and pension

- **EUexUK share > UK share**

- » Travel
- » Telecommunications, IT
- » Charges for the use of intellectual property

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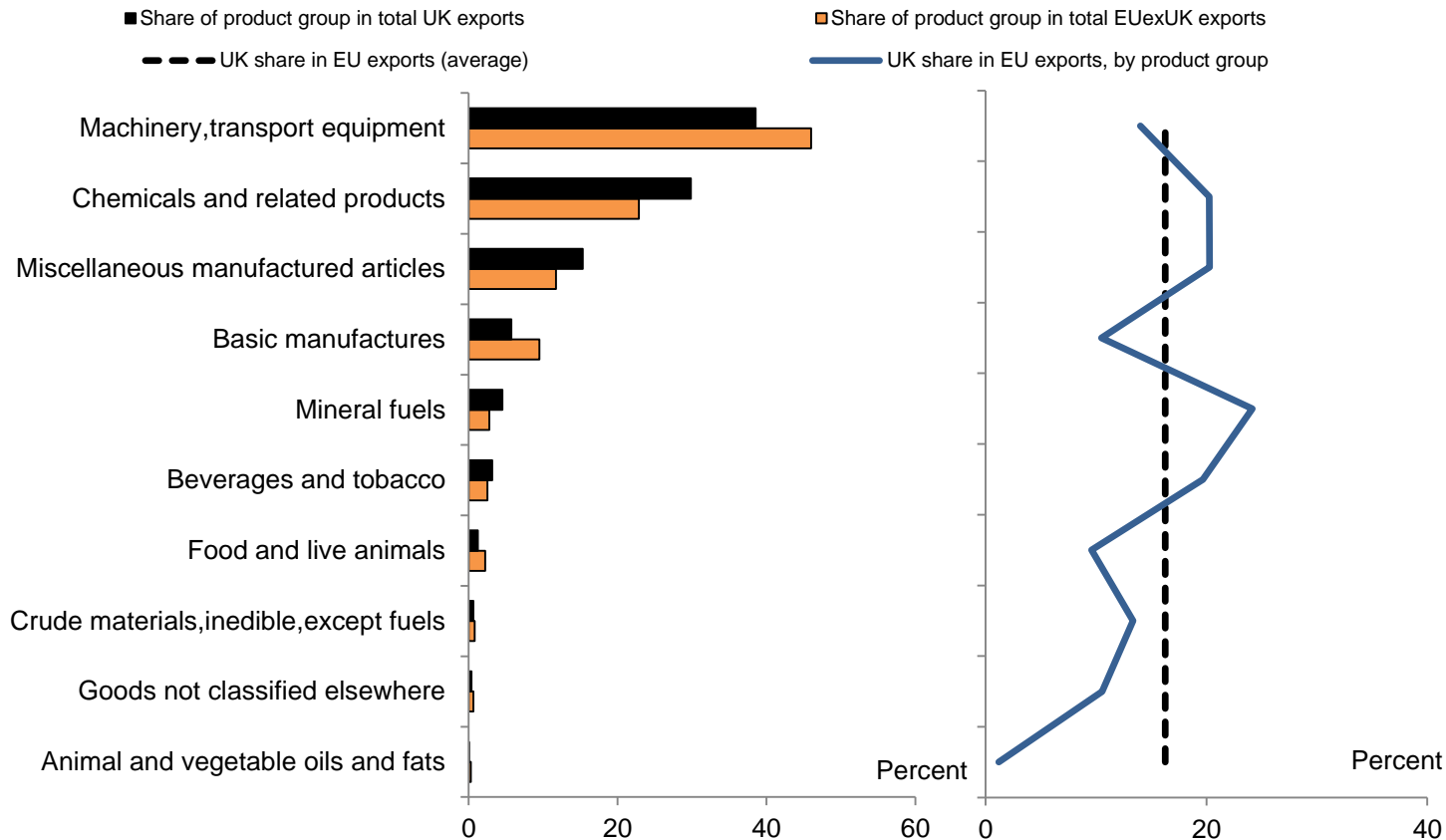
- Other business services
- Travel
- Financial services

- **EUexUK share > UK share**

- » Transport
- » Maintenance services
- » Personal, cultural and recreational services

# Exports of goods to the United States by product group (Cont'd)

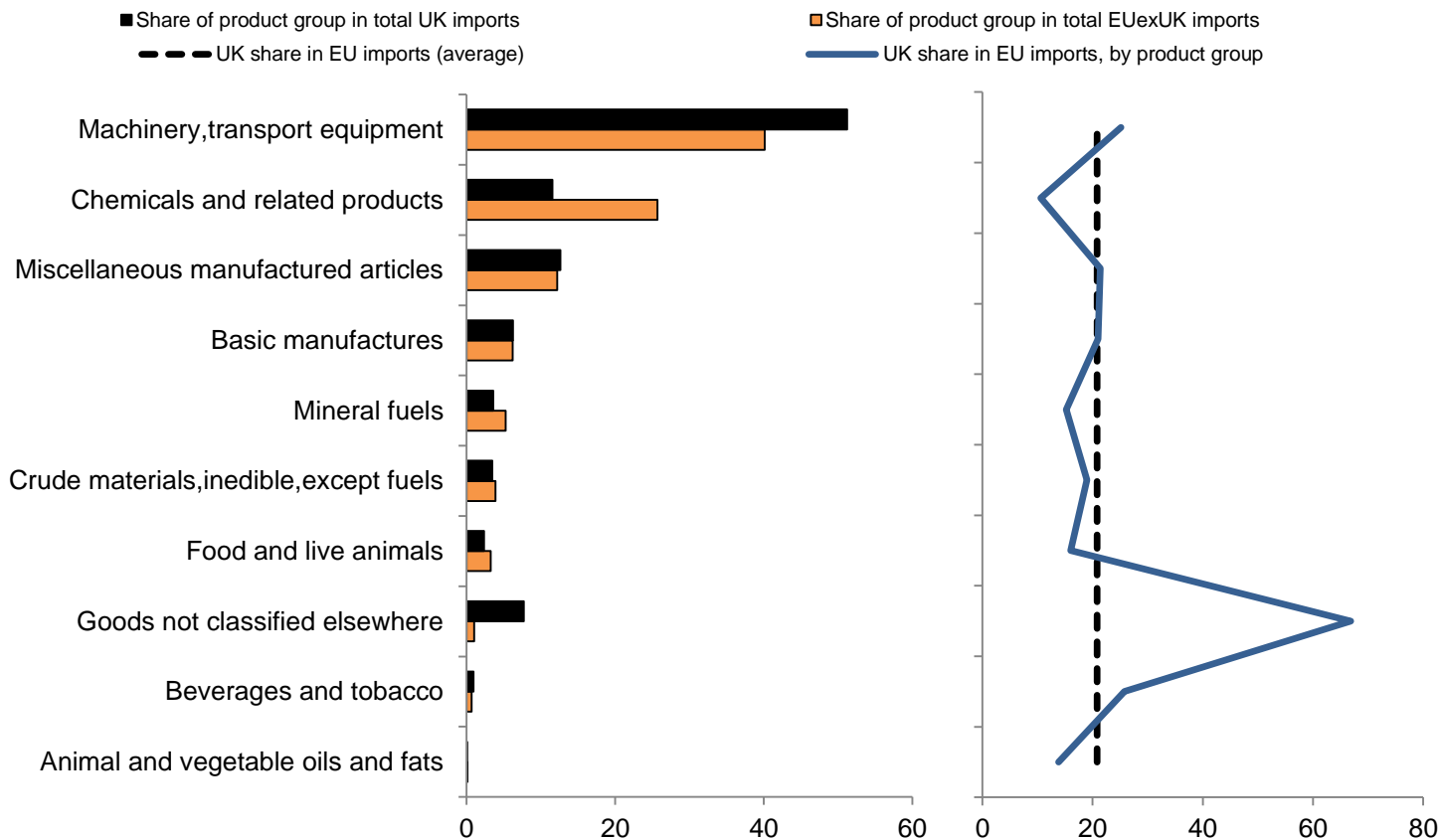
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Left panel: Shares of SITC product group in total exports to the US from the EU excl. UK and from the UK, in percent. Right panel: Exports to the US from the UK, relative to exports to the US from the EU, in percent, average and by product group.

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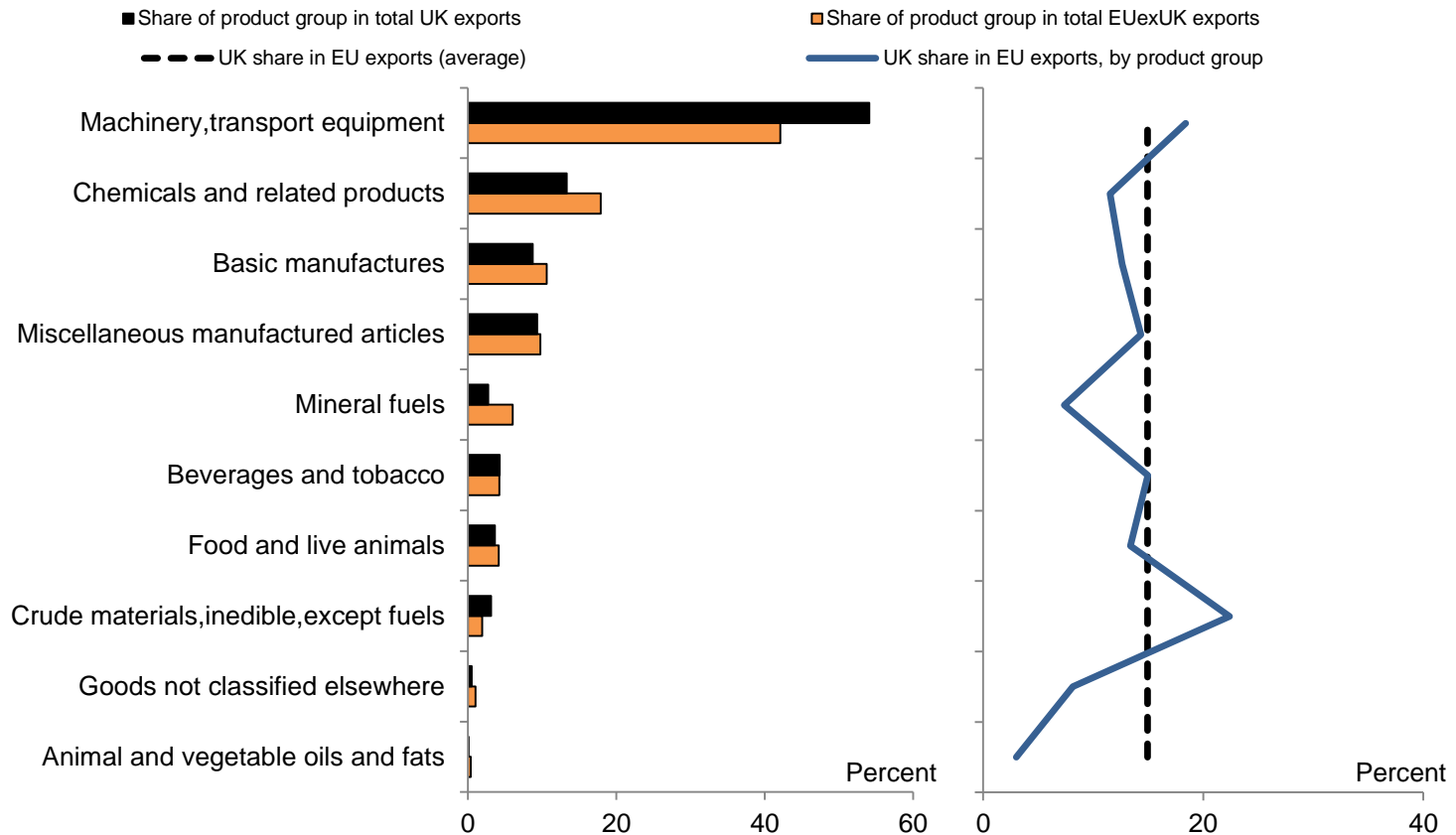
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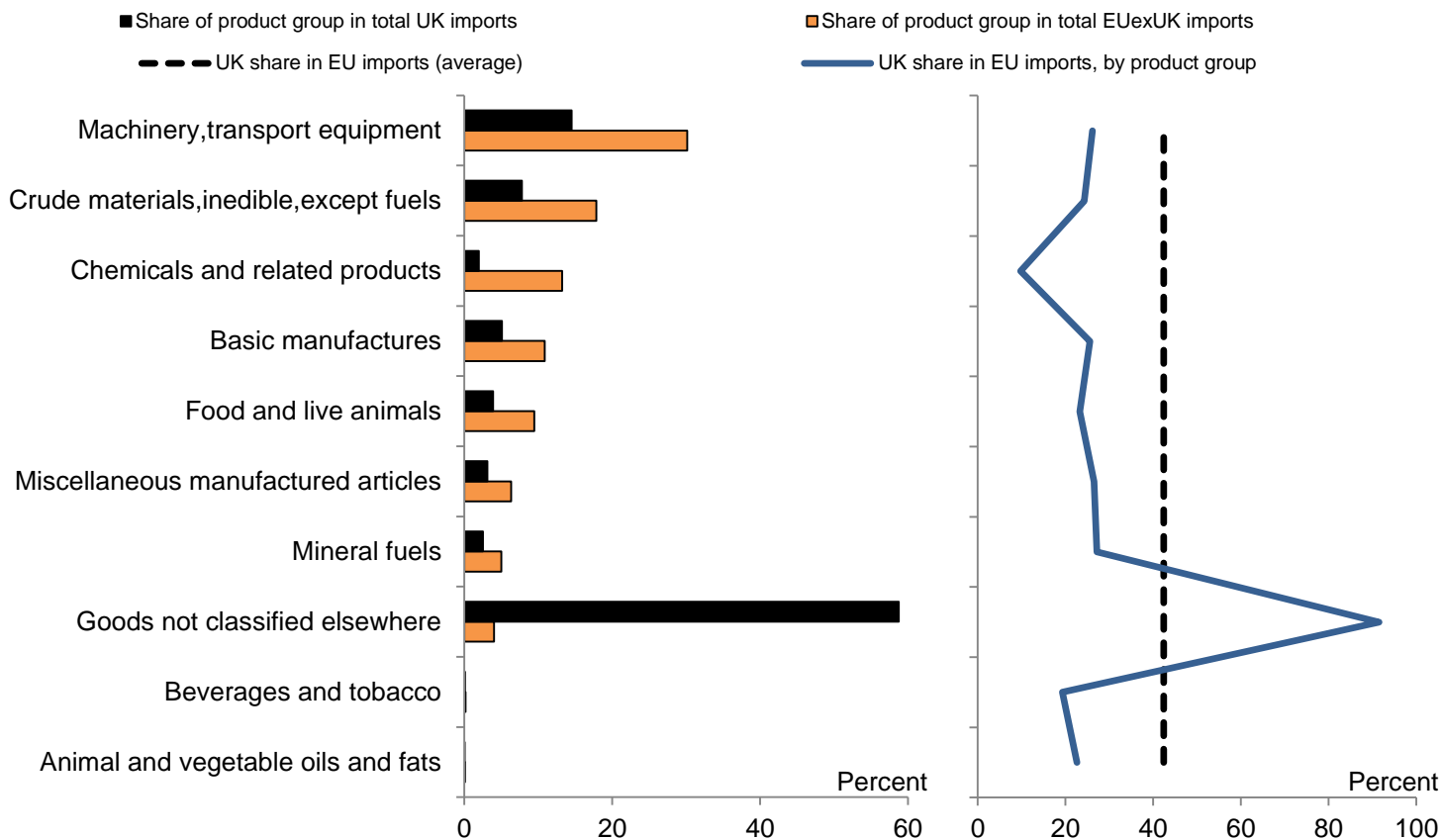
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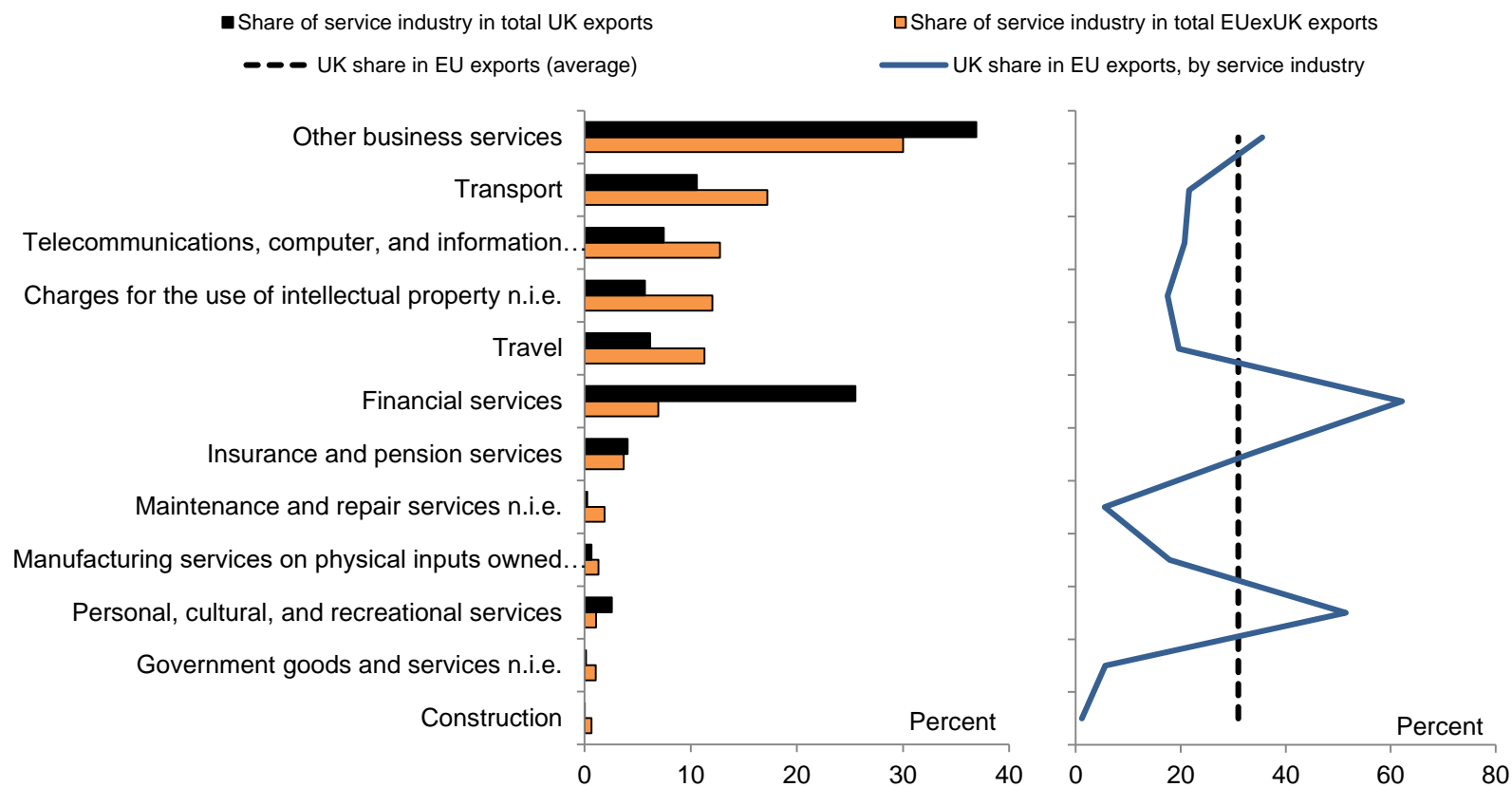
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# Exports of services to the US by industry (Cont'd)

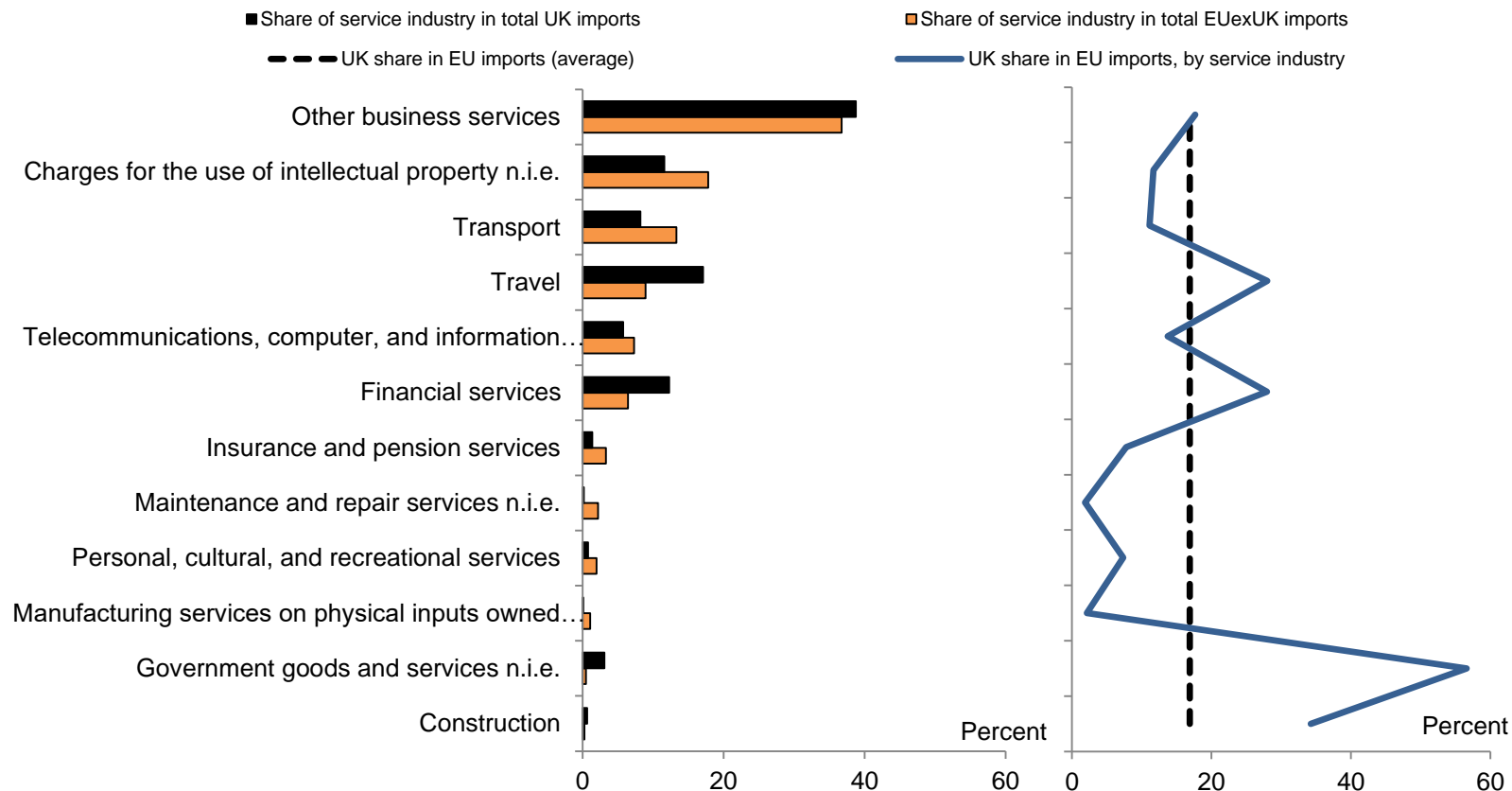
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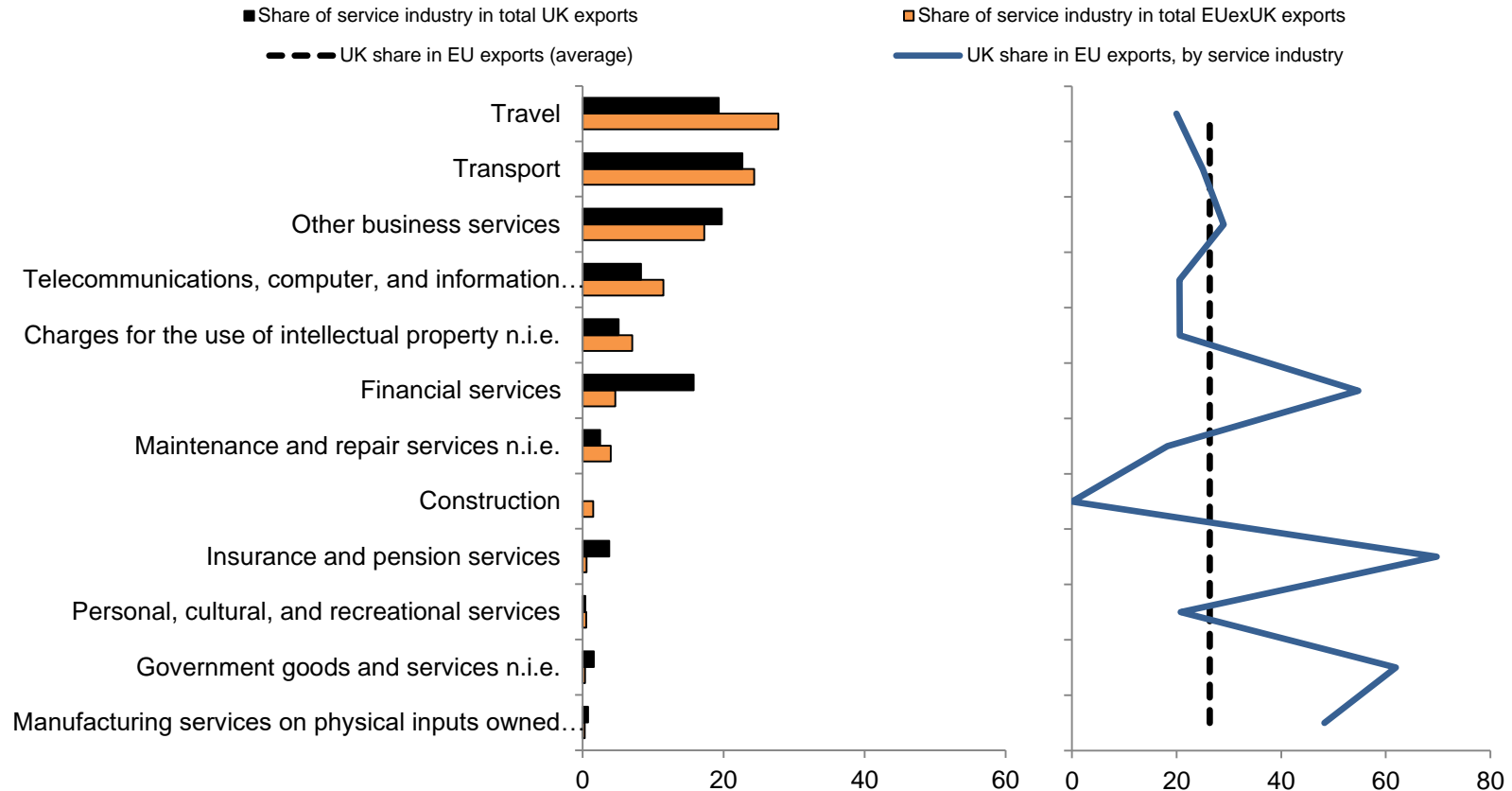
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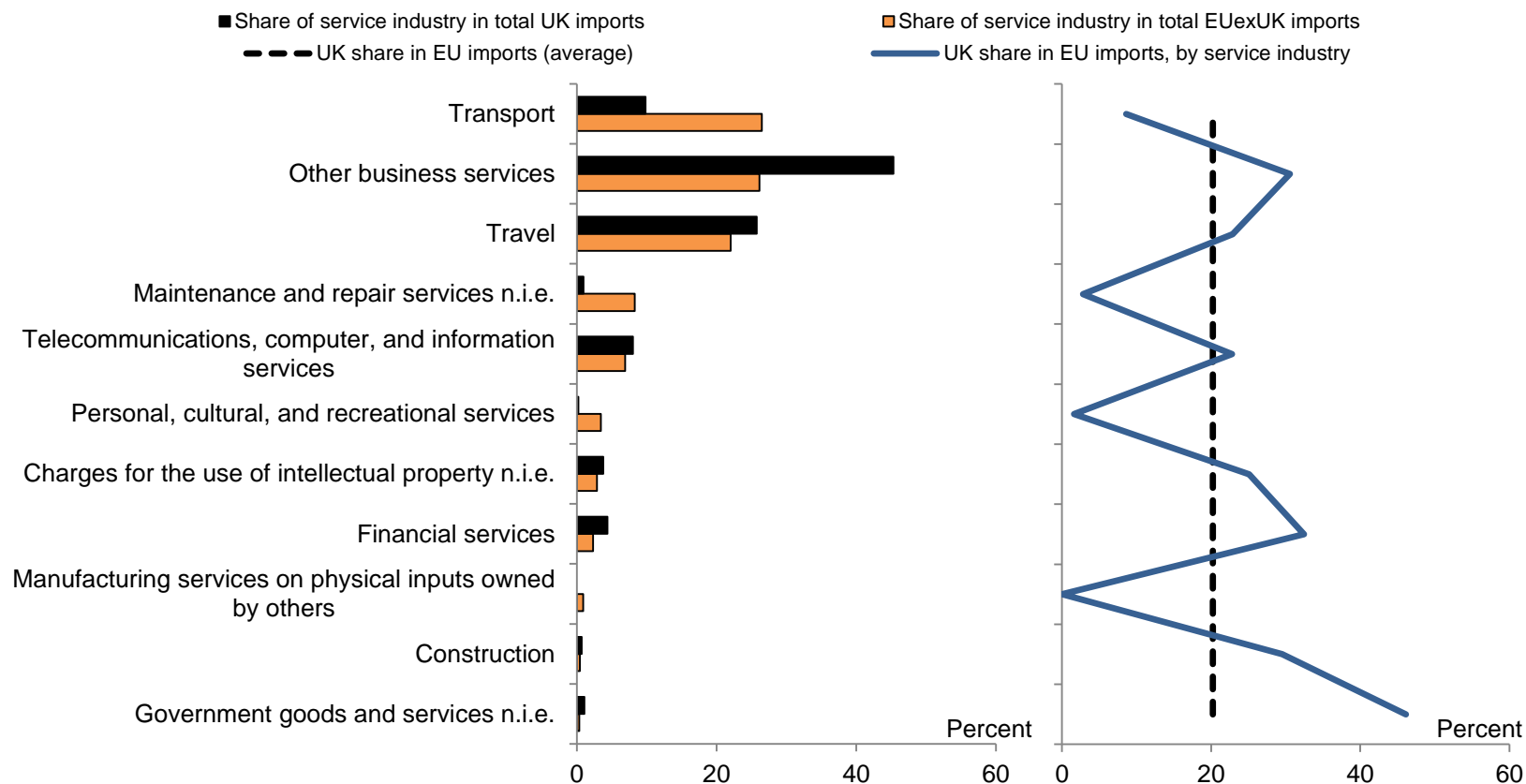
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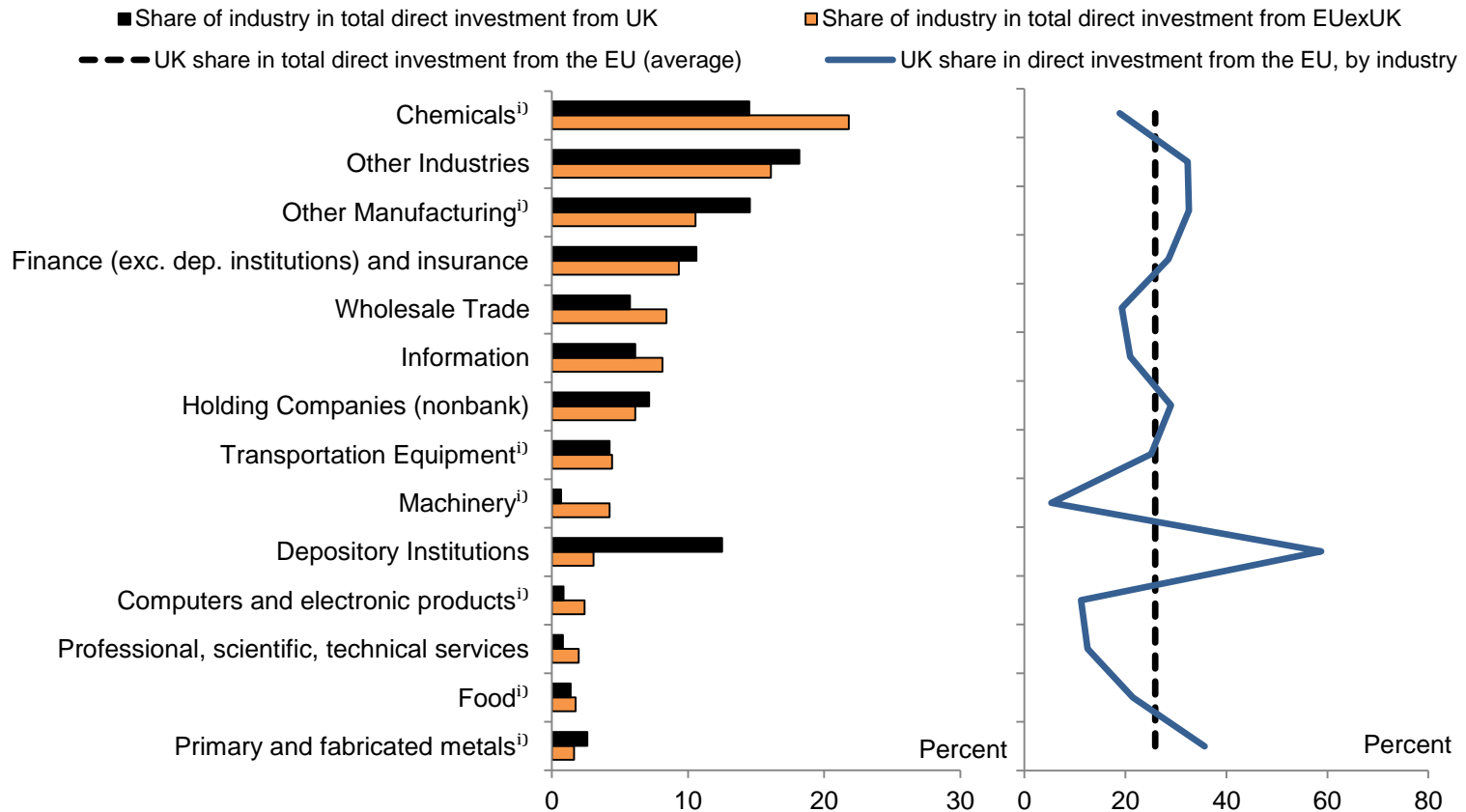
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# United States: Inward FDI by industry (Cont'd)

Direct investment positions in the United States, by industry, 2015



Left panel: Shares of industry in total direct investment positions from the US the EU excl. UK and from the US to the UK, in percent.

Right panel: Direct investment positions from the US to the UK, relative to direct investment from the US to the EU, in percent, average and by product group.<sup>1)</sup>Part of product group manufacturing.

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Direct investment positions of the United States, by industry, 2015

