

EU-China and U.S.-China Trade in Goods and Services

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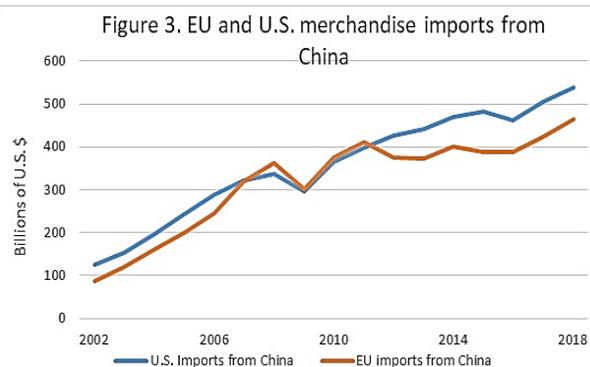
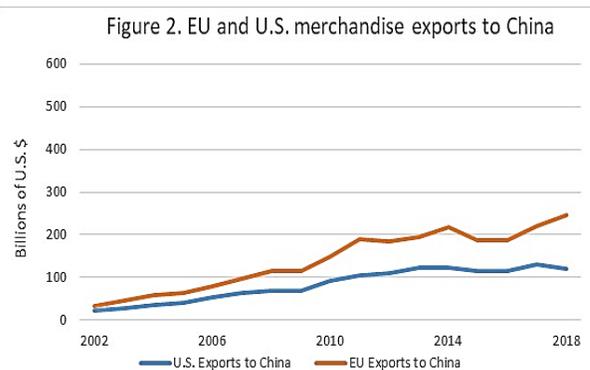
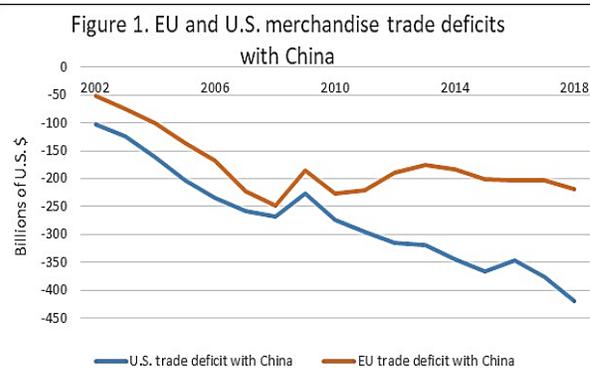
EU trade with China resembles U.S. trade with China (with some differences). EU and U.S. merchandise imports from China are at similar levels and have similar composition. The EU exports more merchandise goods to China compared to the United States (and so the EU merchandise trade deficit with China is smaller than the U.S. merchandise trade deficit with China). The EU exports a similar amount of services to China as the United States does, but imports more services from China than the United States does.

Overall EU-China merchandise trade balance compared to overall U.S.-China trade

As shown in figures 1-3, China runs a merchandise trade surplus with the EU, as it does with the United States. However, the Chinese merchandise trade surplus with the EU is currently about half that with the United States, and it has not grown since 2008. The value of EU merchandise exports to China is double U.S. merchandise exports to China. While U.S. and EU merchandise imports from China follow similar trends, U.S. merchandise imports from China exceed EU merchandise imports from China.

The largest categories of EU and U.S. merchandise imports from China are very similar, and are led by electrical machinery, machinery, furniture/bedding, toys/games, and apparel.

The top EU and U.S. merchandise exports to China, by 2-digit HS code, are shown in the tabulation on the next page. Other top U.S. exports to China that were not tabulated (since they are more prominent in U.S. trade with China) include mineral fuel, plastics, oil seeds (mostly soybeans), and wood products. Regarding the EU's top exports to China, in HS 84 (machinery), the EU exports a wide variety of products to China, many of which are inputs or capital equipment useful in the production of other goods. In HS 87 (automotive vehicles), it is likely most EU exports to China are luxury, and not mass-market, vehicles.¹



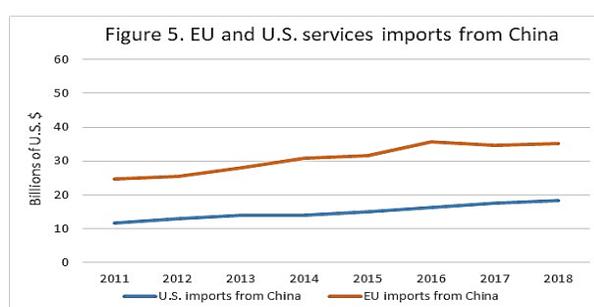
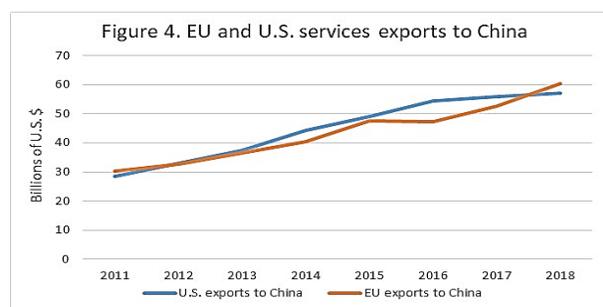
¹ The average unit value of EU passenger vehicles exports to China in 2018 was \$49,771, similar to the average unit values of EU cars exported to countries that are not known for mass-market automobile consumption, such as Bangladesh, Cambodia, and the United Arab Emirates. That value was also well above the average unit value of EU cars exported to Canada (\$31,263) and the United States (\$34,200).

Table 1: 2018 EU and U.S. exports to China, six largest 2-digit HS codes

Product	2018 EU exports to China (Billions of U.S. dollars)	2018 U.S. exports to China (Billions of U.S. dollars)
HS 84- Machinery	45.8	14.2
HS 87- Automotive vehicles	41.3	9.4
HS 85- Electrical machinery	29.3	12.8
HS 90- Optical and medical	16.5	9.8
HS 88- Aircraft	13.9	18.2
HS-30 Pharmaceutical products	12.1	2.8

China-EU Services Trade

The United States and EU export similar amounts of services to China, but the EU imports more (by more than \$15 billion in 2018) services from China than the United States does. Both the United States and the EU run trade surpluses in services with China, albeit not large enough to offset their merchandise trade deficits with China.



EU-China Trade Issues

EU-China trade issues are similar to U.S.-China trade issues. They include EU concerns (for example, those expressed by the European Council on Foreign Relations) with the nature of Chinese investment in Europe, restrictions on EU investment in China, the EU goods trade deficit with China, intellectual property rights protection in China, forced technology transfer by China, and state ownership of companies in China.² One issue that is more relevant to EU-China trade than U.S.-China trade relates to China's Belt-and-Road Initiative, which may end up deepening connections between China and the EU (as one terminus would be the EU).

Sources: Data from BEA.gov; Global Trade Atlas, Eurostat, and St. Louis Fed, with author's calculations; Bloomberg.com "EU Is Ready to Fight Back Against China's Growing Trade Dominance." May 2, 2018; Deutsche Bank Research, "China-EU relations-Gearing up for growth," July 31, 2014; European Commission, "Elements for a new EU strategy on China," June 22, 2016; European Council on Foreign Relations, "China at the Gates. A New Power Audit of China EU Relations," December 2017; FT.com, Brussels ramps up criticism of China's investment strategy in EU," March 12, 2019; ING. "Trade Impacts of the Belt and Road Initiative," June 6, 2018.

² See, for example, European Commission (2016), European Council on Foreign Relations (2017), and FT.com (2019).