

Strong Increase in German-US Trade Ties

The significance of German-US trade is currently the subject of intense discussion. Against this background, this article outlines the extent, development, and structure of the trade in goods between Germany and the United States.

Since 1991, Germany's trade with the United States has developed more dynamically, both in terms of exports as well as imports, than its total foreign trade. The United States has now become Germany's second most important trading partner: in 2001, goods worth 68 billion euro were exported to the United States, while goods worth 46 billion euro were imported from there. In other words, 10.6% of all German exports are now exported to the United States, and 8.5% of all German imports originate from there. The worldwide cyclical downturn in the second half of 2000 meant that foreign trade with the US at times experienced a disproportionate slump. While German exports to the United States were able to stand their ground during the difficult economic situation in 2002, the decline in German imports from the US continued.

Traditionally, the US is Germany's most important trading partner outside the European Union, and German-American merchandise movements have significantly increased in the last 10 years. In the early 1990s, the United States was Germany's sixth most important trading partner in terms of both exports and imports;¹ by the late 1990s it occupied second place,² behind France.

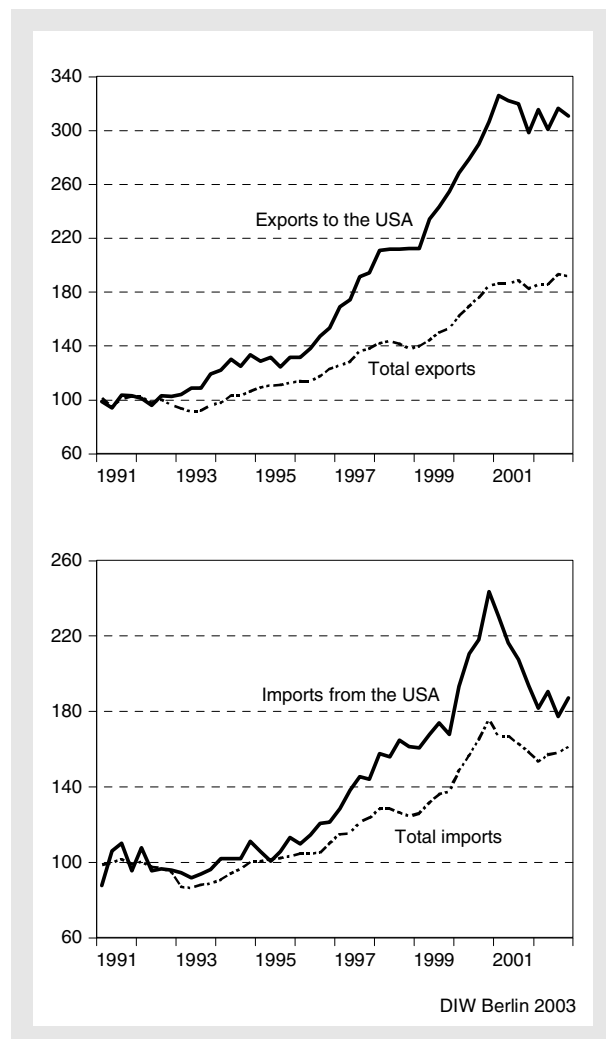
The development of German-US foreign trade

Between 1991 and 2001, the development of Germany's foreign trade with the US was more dynamic than its total foreign trade (cf. figure 1). During this period, exports of goods to the United States rose by 217% in nominal terms, while total German exports rose by almost 90%. The main reasons for this export boom during this period were the United States' continuous,

and by international comparison strong, economic growth, and the increased competitiveness of German exporters due to the US dollar's revaluation by over 25% in real terms (cf. figure 2).

Imports to Germany from the United States also saw a strong increase during this period. While total German imports rose by almost 65% in nominal terms between 1991 and 2001, imports of goods from the US increased by 112%. With Germany's cyclical revival in the second half of the 1990s, imports grew more rapidly, in particular those from the United States, despite the considerable rise of the US dollar. It is remarkable that there was still a double-digit increase in imports from the United States in 2000, given the rather significant fall in the value of the euro against the US dollar (cf. table 1).

Figure 1
Germany's Special Trade¹ with the USA
1991 = 100

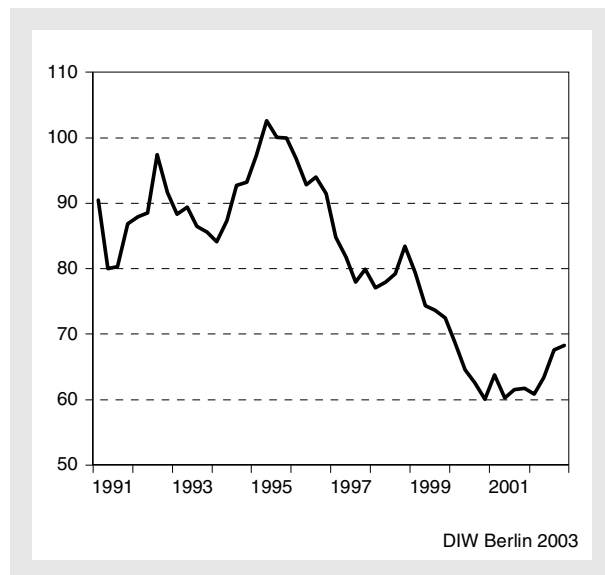


¹ Cf. M. Abdin: 'Der deutsche Außenhandel mit den Vereinigten Staaten.' In: *Wirtschaft und Statistik*, 11/2002, p. 942-951.

² Cf. Federal Statistical Office: 'Rangfolge der Handelspartner im Außenhandel der Bundesrepublik Deutschland 2001.' See: http://www.destatis.de/download/aussh/aussh_d/rang1_d.pdf

¹ Nominal, seasonally adjusted according to X12-ARIMA.
Sources: German Bundesbank; DIW Berlin calculations.

Figure 2
**Real External Value of the Euro
 Against the US dollar¹**
 1995 = 100



¹ From 1991 to 1998: rates for the German mark converted into euro using the corresponding fix euro conversion rate; from 1999 onwards: rates for the euro.
 Sources: German Bundesbank; DIW Berlin calculations.

With the US economic slowdown towards the end of 2000, the demand for German goods weakened. In 2001, exports to the US slowed quite noticeably, but stabilised

the following year at a high level (cf. figure 1). At present, the euro's current strong upward trend is an obstacle to a marked increase in exports to the United States.

In the course of worldwide cyclical cooling towards the end of 2000, the import dynamism also fell noticeably in Germany. Thus, there was a rapid drop in the growth rates of German imports from the United States during the first six months of 2001, followed by a sharp slump in the second half of the year. German imports from the US recorded an annual average of -2% for 2001, while total German imports still rose by 1.3%. The downward trend of imports from the US continued in 2002; the decline stood at 13% over the previous year.

Structure of goods in German-US trade

Trade in finished products dominates Germany's foreign trade with the United States. This category of products constituted approximately 85% of all goods exports in 2001; in the case of imports, it accounted for about 82%. These figures are very high compared with total German foreign trade in finished products (exports stand at almost 73%, imports at almost 60%).³

The goods trade with the US is dominated by the same types of products in exports and imports: motor

³ Cf. M. Abdin, op. cit., p. 948.

Table 1
Quarterly Overview of German Foreign Trade Trends
 Change on the previous year (%)

	German exports ¹		German imports ¹		Memo Item: real GDP	
	To the USA	Total	From the USA	Total	USA	Germany
2000 I	26.4	15.9	20.1	18.1	4.2	4.1
II	19.2	17.4	25.4	19.0	4.9	4.0
III	19.0	17.1	25.1	21.3	3.7	2.4
IV	20.4	20.7	45.0	27.9	2.3	0.9
2001 I	21.3	15.0	19.3	12.0	1.5	1.4
II	15.5	9.9	2.9	6.5	-0.1	0.6
III	10.4	7.1	-4.8	-1.5	-0.4	0.4
IV	-2.7	-1.1	-20.5	-9.8	0.1	-0.1
2002 I	-3.1	-0.6	-21.1	-7.9	1.4	-1.2
II	-6.7	-0.2	-11.9	-5.8	2.2	0.4
III	-1.0	2.5	-14.5	-2.8	3.3	1.0
IV	4.2	5.0	-3.1	1.6	2.8	0.5

¹ Special trade.
 Sources: Federal Statistical Office; German Bundesbank; Bureau of Economic Analysis; DIW Berlin calculations.

Table 2

Germany's Foreign Trade with the USA, by Product Category¹

	1997	1998	1999	2000	2001
Exports					
In million euro, nominal					
Chemical products	5 672	6 676	7 430	7 845	9 026
Machinery	7 993	9 282	9 251	10 520	10 699
Medical, precision and optical instruments, watches and clocks	2 335	2 740	3 138	3 651	4 025
Motor vehicles and motor vehicle parts	10 223	12 733	15 066	17 739	19 542
Other vehicles	2 129	2 494	3 509	5 176	7 625
Other goods	10 822	11 735	13 031	16 833	16 908
Total	39 174	45 660	51 425	61 765	67 824
Structure, as %					
Chemical products	14.5	14.6	14.4	12.7	13.3
Machinery	20.4	20.3	18.0	17.0	15.8
Medical, precision and optical instruments, watches and clocks	6.0	6.0	6.1	5.9	5.9
Motor vehicles and motor vehicle parts	26.1	27.9	29.3	28.7	28.8
Other vehicles	5.4	5.5	6.8	8.4	11.2
Other goods	27.6	25.7	25.3	27.3	24.9
Total	100.0	100.0	100.0	100.0	100.0
Imports					
In million euro, nominal					
Chemical products	3 432	4 153	4 353	5 744	5 768
Machinery	2 975	3 427	3 717	4 882	4 767
Office machines; data processing equipment and installation	4 061	4 313	4 884	5 356	4 853
Communications technology, radio and television equipment, electrical components	2 925	3 145	3 566	5 089	5 346
Medical, precision and optical instruments, watches and clocks	2 587	2 915	3 371	4 361	4 639
Motor vehicles and motor vehicle parts	1 855	2 053	1 988	2 047	2 831
Other vehicles	3 121	4 484	6 102	8 430	7 068
Other goods	9 232	9 926	8 808	11 216	10 711
Total	30 186	34 416	36 790	47 124	45 982
Structure, as %					
Chemical products	11.4	12.1	11.8	12.2	12.5
Machinery	9.9	10.0	10.1	10.4	10.4
Office machines; data processing equipment and installation	13.5	12.5	13.3	11.4	10.6
Communications technology, radio and television equipment, electrical components	9.7	9.1	9.7	10.8	11.6
Medical, precision and optical instruments, watches and clocks	8.6	8.5	9.2	9.3	10.1
Motor vehicles and motor vehicle parts	6.1	6.0	5.4	4.3	6.2
Other vehicles	10.3	13.0	16.6	17.9	15.4
Other goods	30.6	28.8	23.9	23.8	23.3
Total	100.0	100.0	100.0	100.0	100.0
Memo item: trade Balance	8 987	11 244	14 635	14 640	21 842

¹ Goods categories according to the goods classification index for census of production.
Sources: Federal Statistical Office, Series 7 (Foreign Trade), Row 7; DIW Berlin calculations.

vehicles and motor vehicle parts, machinery, chemical products, other vehicles (mainly aircraft), as well as medical, measuring, steering, process control, and optical products and equipment. In 2001, 75% of total Ger-

man goods exports to the US fell into these product groups; in the case of imports, they accounted for 54%. On the import side, office machinery and data processing equipment, and also communications technology

and radio and television equipment, were further important product groups, accounting for almost 11% and 12%.

Importance of main export goods in recent years remains unchanged ...

Between 1997 and 2001, the position of motor vehicles, machinery, chemical products, other vehicles, and medical and measuring products among the most important export goods remained virtually unchanged (cf. table 2). Exports of motor vehicles and motor vehicle parts rose slightly during this period, clearly ranking at the top of the list in 2001 with a share of almost 29%. Machinery exports remained in second place – although with declining importance: their share of total German goods exports to the US fell from almost 20% to almost 16% during the period observed. A drop, albeit only marginal, was also recorded in exports of chemical products, which most recently accounted for 13%. The share of total exports accounted for by medical and measuring equipment stands at 6%, a figure that has been constant for a number of years. Distinct increases have been achieved in exports of other types of vehicles, primarily aircraft, in recent years. Here, the share rose from 5% in 1997 to more than 11% in 2001.

Over the past years, Germany consistently recorded a surplus in the balance of trade with the United States (cf. table 2). This was positively affected primarily by the motor vehicle and motor vehicle parts, machinery, and chemical products and equipment categories; in terms of the office machinery and data processing equipment and medical and measuring equipment product categories, on the other hand, the trade balance was negative.

Sabine Stephan

... but there have been shifts in imports

In terms of imports, there has been a decline in the significance of office machinery and data processing equipment in recent years; their share fell from 13.5% in 1997 to 10.6% in 2001. Thus, this product category dropped from first to fourth place in the ranking of main import goods. On the other hand, imports of machinery, chemical products, and medical and measuring equipment rose slightly; somewhat more noticeable has been the increase in communications technology and radio and television equipment. In terms of total German imports, the share of these four product categories ranges from 10% to 12.5%. Also, following the decline in 2000, imports of motor vehicles and motor vehicle parts have once again risen substantially – their share currently accounts for 6%. However, the most remarkable increase was recorded in imports of other vehicles, in this case also primarily aircraft. Here, the share of total imports jumped from 10% in 1997 to almost 18% in 2001; it currently stands at 15%. As such, this category of products now occupies first place among the main import goods from the United States.