

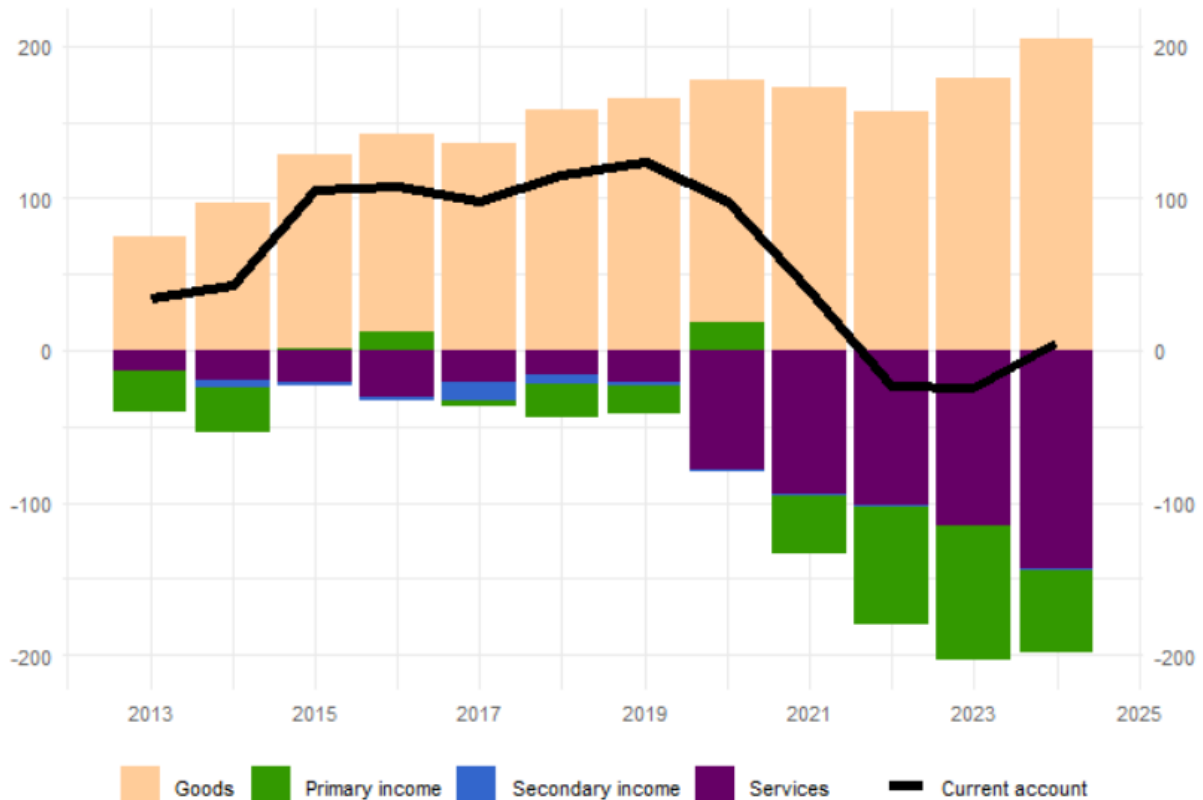
Looking beyond trade in goods: the United States has a slight current account surplus with the euro area

By Barbara Castelletti-Font and [Antoine Lalliard](#)

In the context of the recent hardening of US trade policy, it would be simplistic to limit the analysis of financial flows between the United States and the euro area to trade in goods alone. Including services and income in the analysis alters the picture, particularly on account of intra-group service flows resulting from direct investment by US multinationals in Europe.

Chart 1: Euro area current account with the United States

(EUR billions, gross data)



Source: ECB

Since 2022, the United States has recorded a slight current account surplus with the euro area

In the spring of 2025, the new US administration radically overhauled its trade policy. This change resulted in the introduction of a universal tariff on imports and additional tariffs targeting certain geographical areas, including the European Union. This hardening of policy is based on a US analysis that highlights the persistence of bilateral deficits with its trading partners, taking into account only trade in goods.

Trade in goods between the euro area and the United States remains particularly significant, both in terms of volume and product diversity. In 2024, the euro area's trade balance in goods with the United States was close to EUR 200 billion, underpinned notably by Germany, Ireland and Italy. Medical and pharmaceutical products were the most significant exports followed by road vehicles, general industrial machinery, electrical equipment and specialised machinery.

The bilateral current account balance nevertheless provides a more comprehensive picture of trade flows between the two regions. Up until 2021, the euro area did indeed run a current account surplus with the United States (see Chart 1). However, this situation has reversed in recent years, due to the widening deficit in services and income; the euro area now records a slight current account deficit with the United States, or is close to balance.

Since 2020, euro area trade in services and primary income has been increasingly in deficit. This gradually offset the goods trade surplus with the United States, which was eliminated completely from 2022 onwards. In 2024, the income and services deficits with the United States reached record levels, amounting to EUR 144 billion for services and EUR 55 billion for income.

Intellectual property services: the main driver of euro area imports from the United States

A country-by-country analysis of the services trade balance highlights the major role played by Ireland and, to a lesser extent, the Netherlands, whose deficit in services with the United States reflects the activity of US multinationals operating in these countries (see Chart 2a). In 2024, Ireland contributed EUR 141 billion to the euro area's services deficit, primarily in intellectual property-related services (see Chart 2b). Furthermore, other business services — in particular research and development services — accounted for approximately EUR 51 billion in additional imports. Thus, the euro area's services deficit with the US economy is a phenomenon that is both new and of significant magnitude.

Charts 2a and 2b: Euro area's services trade balance and imports vis-à-vis the United States

(EUR billions)



Source: Eurostat.

Key to Chart 2b: In 2024, Ireland's imports of intellectual property-related services from the United States amounted to EUR 141 billion. On a logarithmic scale, this figure remains the highest among euro area countries, reflecting Ireland's significance as an importer of intellectual property services from the United States, relative to other EU Member States.

Imports of intellectual property-related services reflect payments made by users of technologies developed abroad, for example for the use of software or pharmaceutical patents developed by leading US companies. These imports are particularly highly concentrated in Ireland, notably in the information technology and pharmaceutical sectors. Imports from the United States mainly reflect the rise in purchases of rights or licences — as well as recurring royalties — by euro area entities from US holders of intellectual property rights.

These service flows largely concern intra-group flows, i.e. royalty payments by a European subsidiary – often based in Ireland – to a parent company based in the United States. Among the companies based in Ireland are tech giants such as Apple, Google and Microsoft, and pharmaceutical groups such as Pfizer, Johnson & Johnson and Novartis, as was already highlighted in a [2019 Blog post](#). The choice of country in which to file patents thus plays a decisive role in the trade in intellectual property-related services, influencing both the direction and the intensity of cross-border flows. This choice is partly guided by changes in the tax regimes applicable to transnational firms.

In particular, recent studies in the [United States](#) and [Ireland](#) show that changes in tax policy have coincided with a shift in intellectual property assets to these countries. Indeed, from 2015 onwards, the phasing out of the "Double Irish" tax scheme put an end to an arrangement that allowed

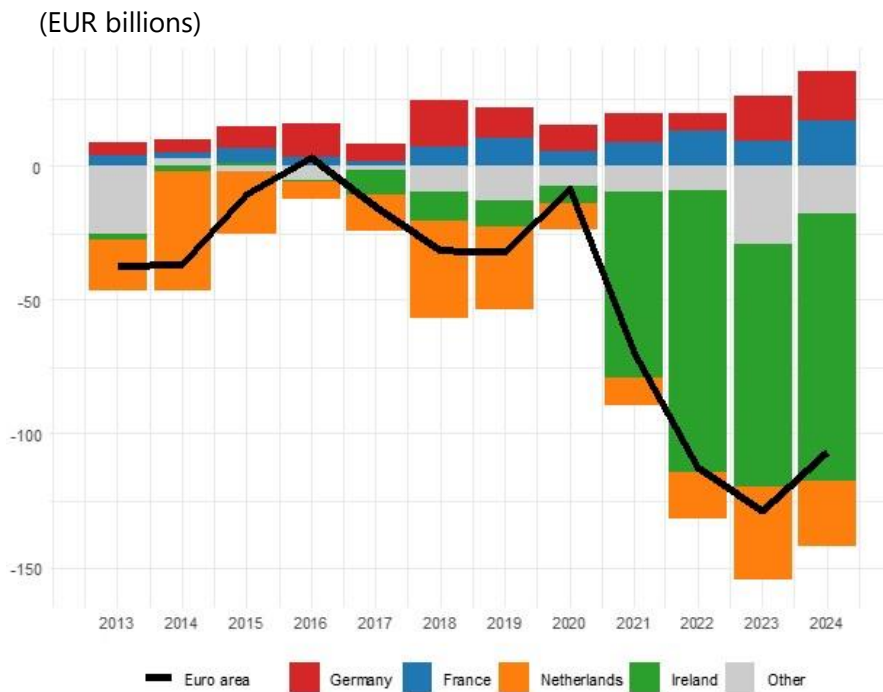
companies to locate certain profit centres in low-tax countries whilst retaining an entity registered in Ireland.

In addition, the 2017 US tax reform (the Tax Cuts and Jobs Act) lowered the federal corporate tax rate to 21%, as part of a broader shift away from a global taxation system — in which corporate income is taxed regardless of the country in which it is generated — towards a territorial regime, where only locally generated profits are taxed, in order to boost domestic investment. Furthermore, a minimum tax rate of 10.5% applies to profits generated abroad (the Global Intangible Low-Taxed Income scheme), aimed at preventing the transfer of profits to very low-tax countries, which partially offsets the advantage of the territorial regime.

Dividend flows and US investment: an indicator of transatlantic economic interdependence

Whilst services appear to be the main contributor to the euro area's current account deficit with the United States, a more comprehensive analysis of the balance of payments highlights the link with stocks of foreign direct investment. Since 2020, the euro area's income balance with the United States has reflected a net flow of income from Europe to the United States, notably in the form of intra-group dividends paid to US parent companies. According to a [2021 Blog post](#), these transfers also have a significant impact on Irish GDP. A parallel can thus be observed between the breakdown by country of the bilateral balance of services and that of the bilateral balance of income, particularly in Ireland and the Netherlands (see Chart 3).

Chart 3: Euro area bilateral balance of investment income with the United States



Source: ECB

These developments can be attributed to an increase in investment by US transnational firms in the euro area. This has led to a strengthening of subsidiaries operating as European bridgeheads, particularly for digital technology companies (known as “GAFAM”) and pharmaceutical companies. Indeed, these US multinationals generally adopt structural organisation models based on the “principal” model. European subsidiaries remit their dividends to their parent company, whilst the latter invoices its subsidiaries for services, particularly those relating to the rights to use intangible assets held by the parent company.

The strong concentration of European headquarters of major US firms in Ireland and, to a certain extent, in the Netherlands, thus contributes to the recent developments observed in the balance of payments, particularly in light of the boom in digital services and artificial intelligence.