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Abstract

The article examines international trade and services and foreign direct investments (FDI) between the littoral states of the Baltic Sea and the USA. The trends of international trade figures, the proportion of international trade for individual economies of the region are described. The importance of the USA as a trade and investments partner is evaluated. The analysis covers also importance of particular groups of goods and services in trade between the Baltic Sea littoral states and the USA. The article evaluates also possible impact of the Inflation Reduction Act (IRA) adopted by the US Congress, particularly its local content requirement on international trade and investments. The article ends with estimates of the prospective developments in international trade and investments between the Baltic Sea littoral states and the USA.

Key words: international trade, foreign direct investments, trade agreements, the Baltic Sea region, the EU trade relations

1. Introduction

The report analyzes the economic interaction between a group of countries on the coast of the Baltic Sea on one side and the United States of America (USA) on the other side. The littoral states of the Baltic Sea comprise the Nordic countries, i.e. Denmark, Finland, Norway and Sweden, the Baltic States, namely Estonia, Latvia and Lithuania, and the large European economies Germany and Poland with only some regions located on the coast of the Baltic Sea Russia is also a littoral state of the Baltic Sea, but included only in some parts of the report. It has invaded Ukraine and has excluded itself from several regular relationships with the international organizations. For example, Russia does not provide the UNCTAD with statistical information on its international trade since 2022.

All the above mentioned states, except Norway, belong to the European Union (EU). Norway belongs to the European Free Trade Area (EFTA) and through that organization is included in the European Economic Area (EEA), the joint EU and EFTA economic space. The EEA Agreement provides for Norway the inclusion in the EU legislation covering the four freedoms – the free movement of goods, services, persons and capital – through the EEA states. The agreement covers cooperation in other important areas such as research and development, education, social policy, consumer protection, tourism and culture and guarantees equal rights and obligations within the internal market to the citizens and economic operators in the EEA. From international trade point of view, it is important that the EEA Agreement does not cover Common Agriculture and Fisheries Policies, the Customs Union, the Common Trade Policy, the Common Foreign and Security Policy and the Justice and Home Affairs (though the EFTA countries are part of the Schengen area allowing the free movement of people) (EFTA, 1994).

Denmark, Estonia, Germany, Latvia, Lithuania, Norway and Poland are members of the North Atlantic Treaty organization (NATO). Finland joined the NATO in April 2023 and Sweden is currently in the association process with the NATO.

The countries which belong to the EU, have their economic interactions with the USA regulated by the respective EU-USA legal framework. Though the EU countries are part of the EU common market and their economic relationships with the USA are regulated by the joint institutional framework, the countries still have their individual international trade structure, resource patterns and economic strengths and weaknesses. These assumptions design also the individual international trade and investments patterns of the respective countries. The countries have their individual development path, which has also impact on the current economic development and internationalization. The countries around the Baltic Sea have traditionally traded with each other and there is a quite high penetration rate of international capital coming from the neighboring countries in the geographical area. These countries used to look for economic models and experiments applied in the area and to learn from these, see (Ali-Yrkkö et al., 2021; Gänzle, 2017; Gylfason et al., 2010; Jonung et al., 2009; Lindbeck, 1997).

Foreign trade with the USA varied during different time periods, but especially due to development of Information and Communication Technology (ICT) related goods and services, the share of USA in the foreign trade and especially of exports of the Nordic countries increased during the past ten years. The US market started to be even more important destination for foreign direct investments (FDI) for the Nordic countries and Germany. Though, the EU and the USA have the largest bilateral trade and investment relationship in the world, several trade disputes are still going on and there is no free trade agreement between the two large economic areas.

The report starts with discussion of the legal framework of bilateral economic relationships between the EU and the USA. Then analysis of foreign trade follows, which consists of a description of foreign trade flows between the littoral states of the Baltic Sea and the USA. The analysis of inbound and outbound FDI of the Baltic Sea countries follows, with special emphasis on the role of USA. The article ends with conclusions.

2. Trade disputes between the EU and the USA

In the context of the trade disputes between the EU and the USA, it is important to remember, that in the European Economic Community (EEC) the introduction of the common trade tariffs was a step-by-step process. The customs duties between the then six members were abolished only in July 1968, ten years after the Rome Agreement (creating the EEC), which was signed in 1958. Additionally, a common customs tariff replaced the national customs duties on products from the rest of the world in 1968. The Customs Union in the meaning of the common border for the international trade was introduced in 1977. In 1987, the Single Administration Document replaced the national documents for recording products from the rest of the world and the common transit system was created. The EU adopted the Community Customs Code in 1992. For the first time, it assembled in a code the provisions of customs legislation that was previously contained in a large number of the community regulations and directives. In 1993, for the first time, uniform customs legislation became directly applicable in all members of the EU, which was an assumption of the free movement of goods. The integrated tariff system on the EU in digital format (TARIC) was introduced in 1994. A new computerized transit system became operational in 2003. It was the first European customs system, which used electronic declaration and processing of data. Ten countries joined the EU and the EU Customs Union in 2004, which was the largest expansion of the EU customs system (Customs, 2023). From the group of countries covered on the current study, Germany is a founding member of the European Economic Community (EEC), Denmark joined the EEC in 1973, Sweden and Finland joined the EU in 1995 and Poland, Estonia, Latvia and Lithuania in 2004.

As the EU is a Customs Union, the EU country level economic relations with the USA have been regulated in the framework of the EU and the USA regulations. Norway does not belong to the European Customs Union, but its international trade relationships with the USA are currently very similar to the EU members, because all those relationships are currently regulated in the WTO framework. The two parties launched the Transatlantic Trade and Investment Partnership (TTIP) negotiations in 2013, which however ended without conclusions at the end of 2016 and were formally closed in 2019 without any result. Nevertheless, transatlantic trade continues to enjoy very low average tariffs of lower than 3% and is governed by the WTO rules. The disputes affect only around 2% of trade between the EU and the USA and the WTO dispute settlement handles some part of those disputes (The EU-USA trade policy, 2023).

The EU and the USA launched the EU-USA Trade and Technology Council (TTC) at their summit in Brussels on 15 June 2021. The TTC serves as a forum for the EU and the USA to coordinate approaches to key global trade, economic and technology issues, and to deepen transatlantic trade and economic relations based on shared democratic values. At the TTC's inaugural meeting in Pittsburgh on 29 September 2021, the USA and the EU published a Joint Statement, agreeing to deepen, for example, cooperation to strengthen semiconductor supply chains (Ibid).

The new lively debate started in summer 2022. The background of that debate was the aggressive Chinese policies towards the USA, the Russian attack on Ukraine, accompanied by the increase of the world oil and gas prices, and the inflationary tendencies on the US domestic market, partly connected to the rising oil prices and partly to the fast increase in money supply during the COVID-19 crises in the USA. In August 2022, the US Congress adopted the Inflation Reduction Act (IRA), which according to the EU officials threatens with a trade war (Casert, 2022; Scott, Moens and Stolton, 2022). The IRA consist of three sets of measures: 1) a tax reform, 2) a healthcare reform, and 3) energy and climate subsidies. The measures most relevant to the IRA's international impact are energy and climate subsidies.[1] It is said that the IRA is a significant and welcome climate law. The expected IRA green subsidies are of similar size to those available in Europe, except in renewable energy production, where EU subsidies remain by the Bruegel think-tank estimate far larger (the USA renewable energy subsidies will be USD 200 billion, while the EU respective subsidies will be EUR 800 billion for the period 2022-2031) (Kleimann et al., 2023, p. 6).

The reason for the discussion about the potential trade war is related to the local-content requirements included in the law, which basically requires that certain products should be realized in the USA territory. The EU's renewable energy subsidies do not have the local-content requirement. According to the Bruegel study, the IRA marks for the first time that the USA has enacted WTO-inconsistent local-content requirements. This is a further blow to the international trading system, both as a signal that the system's historically most powerful sponsor no longer cares, and because it may trigger protectionist responses in other countries, rendering international trade in green technology more fragmented and less efficient,

1 The IRA's name justified by the fact that it is expected to reduce net public spending, as new expenditures of USD 499 billion (USD 391 billion for energy and climate, and USD 108 billion for healthcare) are expected to offset by USD 457 billion in tax revenues and USD 281 billion in healthcare savings (Kleimann et al., 2023).

and hence less effective in supporting the net-zero transition (Kleimann et al., 2023, p. 2). One of the IRA's goals is to diversify away from China, which is a world leader in battery production and produces over seventy percent of the critical raw materials, required to produce batteries for electrical vehicles.

At the same time, major European companies feel discriminated by the economic framework created by the IRA. Valdis Dombrovskis, the EU Trade Commissioner, said that "many of the green subsidies provided for in the Act may discriminate against the EU automotive, renewables, battery and energy-intensive industries." President Emmanuel Macron claimed, that "the USA risked 'fragmenting the west' with the IRA by subsidizing American companies to the detriment of the European industries" (Bergmann and Steinberg, 2022, p. 3). The political efforts to reduce the tensions has been made by the USA officials. In a joint press conference with President Macron on 1 December 2022, the US President Joe Biden said: "There's tweaks that we can make that can fundamentally make it easier for European countries to participate." He also said that he "never intended to exclude folks who were cooperating with us. That was not the intention…And we are going to create manufacturing jobs in America, but not at the expense of Europe." He also said that exemptions have been made for companies from countries that had free-trade agreements with the USA but suggested that this should be extended more generally to 'allies' (Bergmann and Steinberg, 2022, p. 3).[2]

One possible solution to the problems related to the IRA would be to work out a free trade agreement between the EU and the USA, but that will take time. Kleimann et al. provides a list of suggestions, what to do and what not to do. They suggest structural improvements in competitiveness, single market regulations favoring clean technology, green public procurement, lowering the cost of electricity through sound market design, development of qualified workforce to implement clean projects (skills), develop further banking and capital markets union to move decisively from a fragmented collection of national financial systems to a single European financial system that can finance projects on a European scale. The things not to do would be not to introduce the local-content requirements on the EU level. While these requirements might help the EU competitiveness in the short-run, they would hurt the EU on several other fronts by harming the objectives to speed up climate transition, by harming the EU export interests, as trading partners reciprocate, and by harming the EU credibility as a global actor committed to multilateral cooperation. They suggest also not to loosen of state aid rules because that would risk fragmenting the EU single market, as COVID-19 demonstrated (Kleimann et al., 2023. pp. 10-17). A Chinese economist refers to China's support to the EU's potential attempt to use the WTO mechanism to tackle the US IRA (Yongsheng, 2023).

There are critical voices also in the USA. Adam Posen underlines that American policies actually cost jobs. Investing in productive capacity tied to jobs in specific localities is misguided, because it does not create new jobs, but merely shifts jobs from one place to another. To create jobs in one place, a hand-picked publicly subsidized investment has to draw workers with the relevant skills from other American employers, unless those workers come via immigration or are sitting idle and willing to move. When the United States imposes to buy the American requirements or the local content requirements, that raise the costs of any government purchases undertaken, they cost sales in foreign markets and they erode the competitiveness of the US goods by making exports too expensive (Posen, 2023).[3]

It is clear that these trade negotiations have impact also on companies in the littoral states of the Baltic Sea. Foreign trade and FDI could be in very general terms treated as substitutes, meaning that if the customs barriers are introduced for the exports or imports, the companies could create a new company on the destination market or purchase the company there and that company will be treated as a domestic company on that market. In the context of these foreign trade discussions between the EU and the USA, the Swedish electric vehicle battery maker Northvolt, for example, said it would consider using an IRA subsidy to relocate some future production to the USA (Ross Sorkin et al., 2022).

2 That concerns first of all Canada and Mexico, which are the members of the United States-Mexico-Canada Free Trade Agreement (USMCA). The EU and the USA launched the Transatlantic Trade and Investment Partnership (TTIP) negotiations in 2013, which target was to introduce a free trade agreement and which failed.

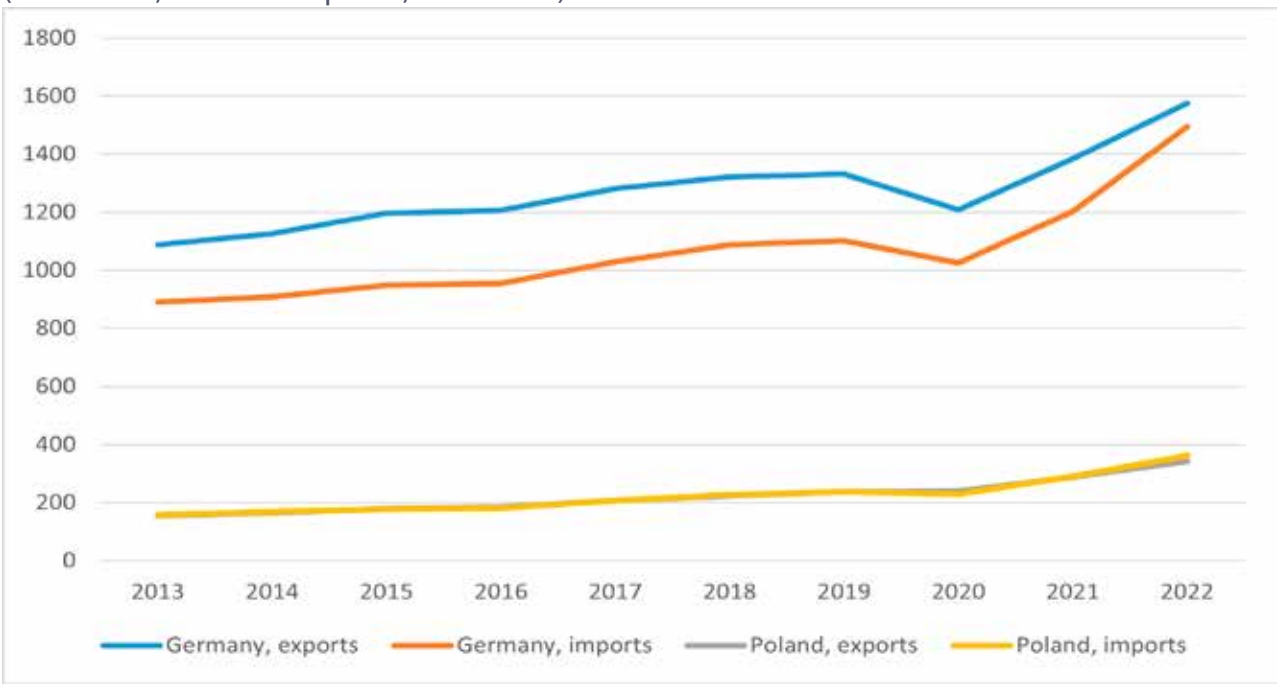
3 Posen also states that there is no question that many Chinese policies, including economic ones, are aggressive. They pose a threat to China's immediate neighbors, to the USA national security, and more broadly to human rights and democratic sovereignty. But the extent to which China poses a direct threat to the US economic security is overblown. Those involved in the US economic policy-making face two difficult questions: first, what parts of the economic relationships are fueling Chinese military aggressiveness, either in capacity or intent? And second, what economic as opposed to diplomatic or military tools would be effective in stymieing Chinese threats to the US security? The further decoupling from China will have costs: not just to consumers and businesses but to the US military and intelligence capabilities. These includes losing access to the Chinese technologies that the US military can benefit from and forgoing intelligence derived from the commercial engagement with the Chinese companies (Posen, 2023).

3. Trends of foreign trade in goods and services

3.1. General trends

International economic interactions are important for the Baltic Sea area countries, because practically all of them (except Germany) are small economies on a global scale. International economic relations make it possible to widen the scope of their economic production, create economies of scale for their companies by selling their products also on foreign markets and widen variety of goods and services consumed by their population. At the same time, the USA is a dominant global economy with huge and rich domestic market, which creates enough possibilities for local economies and is attractive for small countries, such as the Nordic or the Baltic countries. The trends of exports and imports of the Baltic Sea littoral states are presented in Figures 1-3.

Figure 1. Total exports and imports of Germany and Poland
(billion EUR, the current prices, 2013-2022)



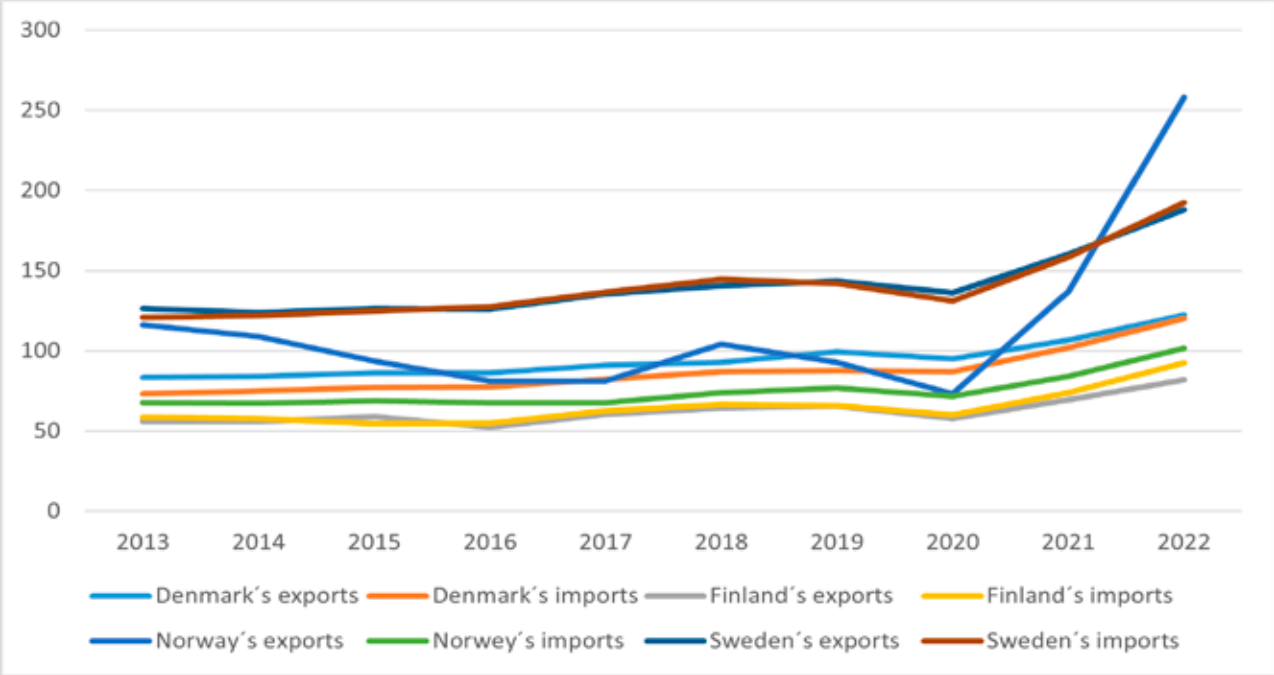
Source: Eurostat

Germany's total exports and imports of goods increased substantially during the period and achieved the level of EUR 1,574.9 and EUR 1,494.5 billion, respectively. The foreign trade surplus was EUR 80,4 billion in 2022. Though the German economy is substantially smaller than the US economy (the German GDP was EUR 3,602 billion and the US GDP was USD 23,111 billion or EUR 19,529 billion[4] in 2021), the difference between the absolute values of their exports of goods was quite small (Germany's goods exports were EUR 1,384 billion and the USA's respective figure was USD 1,754 billion, or EUR 1,482 billion in 2021). One conclusion based on these figures is that Germany is much more open economy with the exports/GDP ratio of 38.4% in 2021 than the USA. The US exports/GDP ratio was just 7.6% in 2021, which means that the exports were much less important for the US businesses. A very large number of US companies just sold their products on the rich domestic market. The US goods imports amounted to USD 2,935 billion or EUR 2,480 billion and the German imports were at the level of EUR 1,576 billion in 2021. The US trade of goods balance was negative by USD 1,181 billion or by EUR 998 billion or 5.1% of the US GDP in 2021. The German foreign trade surplus was at the same time EUR 181.2 billion in 2021 or 5% of Germany's GDP in 2021 and EUR 80.4 billion or 2.1% of Germany's GDP in 2022.

4 The exchange rate USD 1 = EUR 0.845 has been applied here and in other parts of the current paper, which is used by the UNCTAD for 2021.

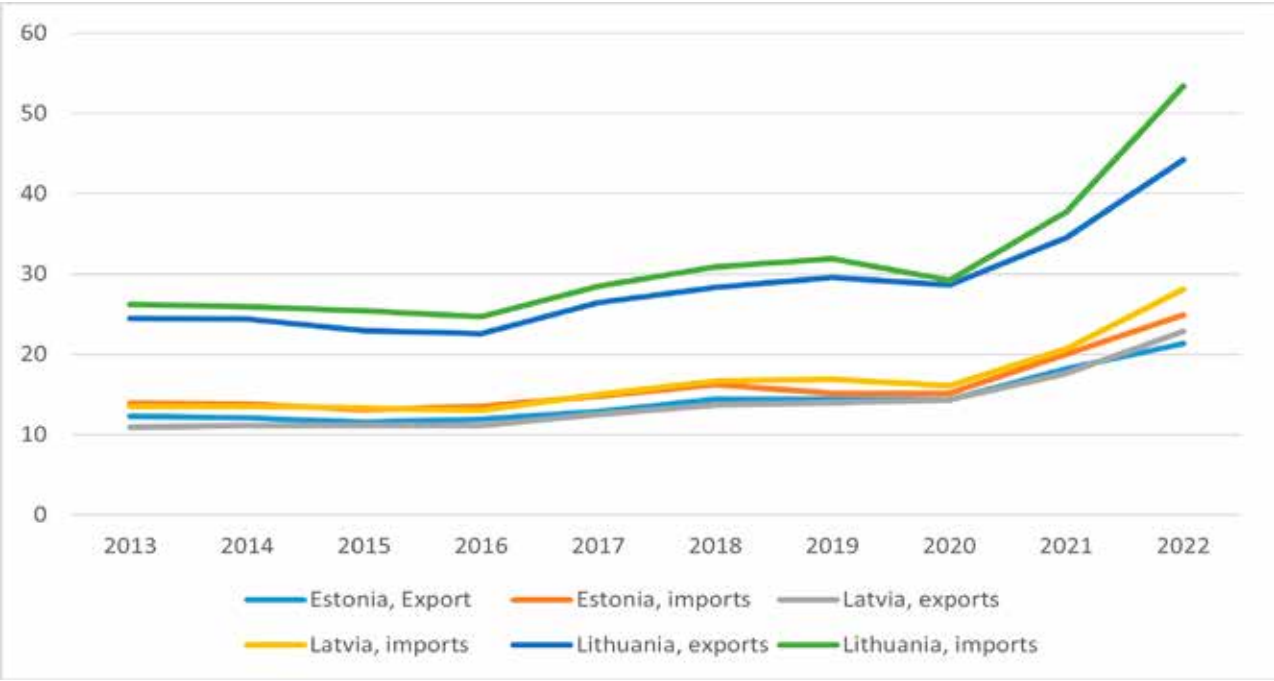
Figure 2 and 3 describe the trade of goods trends in the Nordic countries and the Baltic States respectively. Denmark and Norway have a positive balance of foreign trade of goods, in all other countries imports surpassed exports, making the foreign trade balance negative in 2022. For Norway, the main reason for the surplus of exports was large exports of oil and gas products, the prices of which have increased substantially during the past three years. Denmark has a very competitive chemical production sector, particularly in medicaments and pharmaceuticals. The details of the foreign trade of these countries, particularly their trade with the USA is described further in the article.

Figure 2. Total exports and imports of Denmark, Finland, Norway and Sweden
(billion EUR, the current prices, 2013-2022)



Source: Eurostat

Figure 3. Total exports and imports of Estonia, Latvia and Lithuania
(billion EUR, the current prices, 2013-2022)



Source: Eurostat

The foreign trade in services have a positive balance in all the examined European countries. The ratio of the exported services to the goods exports was in general between 10-25%, except for Denmark, where the proportion was on the level of 48% in 2021. The absolute balance of the international trade in goods and services and the shares of exports in the GDP are presented in Table 1.

Table 1. Balance of international trade of goods and services of Baltic Sea littoral states

Country	Balance of international trade of goods and services, billion EUR, 2021			Exports of goods/GDP, 2022	Exports of services/GDP, 2021
	Balance of goods	Balance of services	Total balance		
Denmark	+4,7	+12.3	+17.0	32,6 %	15.2 %
Estonia	-1.8	+1.3	-0.5	58.8 %	9.9 %
Finland	-3.4	+5.0	+1.6	30.6 %	6.0 %
Germany	+181.2	+36.5	+217.7	40.7 %	5.4 %
Latvia	-3.1	+0.4	-2.7	58.6 %	5.1 %
Lithuania	-3.2	+1.0	-2.2	66.0 %	10.0 %
Norway	+63.1	+1.0	+64.1	46.8 %	4.0 %
Poland	-7.6	+10.7	+3.1	52.4 %	4.3 %
Sweden	+1.9	+10.5	+12.4	33.7 %	7.6 %

Source: Eurostat

All the region's economies are relatively open according to estimates of the exports/GDP ratios.[5] The Baltic States have the most relatively open economies, the reason being that as the small countries, they have to export a larger proportion of their total output and they also depend more on imports than the larger economies. At the same time, they are well-integrated into international trade of goods and services. The Nordic countries have been highly competitive during the past thirty years, their positive total balance of international trade reflects that. Poland is very closely linked to European and first of all to the German market. Germany is the only country in the region, which has a very strong economy on a global scale.

3.2. The EU's international trade in goods with the United States

The USA is the largest global economy, at least in terms of current prices. The USA is a large global economy also in the foreign trade of goods. In the global exports of goods, China contributed 19.1%, the EU 14.7% and the USA 10.0% of the world´s total exports in 2021. At the same time, the USA was the largest importer of goods with 16.8%, followed by China with 14.8% and the EU with 13.9% of the world total imports of goods. In terms of international trade of goods balance, China has a very large surplus of exports of goods over imports of goods, the EU's international trade of goods is approximately balanced and the USA has a deep international trade deficit. The USA's international trade of goods deficit was USD 1,181 billion, or EUR 998 billion, in 2021, which was only partly covered by the surplus of international trade of services of USD 245.2 billion, or EUR 207.2, billion (the US service exports were USD 795.3 billion and imports USD 550.0 billion in 2021).

5 Here should be mentioned that these widely used proportions are conditional, because the trade figures are measured in the output terms and the GDP is measured in the value-added terms. It means that the trade figures consist also double calculation of certain material costs what are missing in the GDP values.

In our sample of the European countries, all of them had a surplus of international trade with the USA, which means that the US market has been more attractive for these countries than these countries for the US companies. At the same time, the US market is integrated through global supply chains with many countries in the world and it is attractive for producers of final products in many countries. The international trade arrangement has an important role in access to the markets and the United States-Mexico-Canada Free Trade Agreement (USMCA) especially supports trade and integration of supply chains of the members of that agreement. Table 2 describes the proportions of different countries in the US exports and imports of goods.

Table 2. Share in the US exports and imports of goods with 10 main countries in 2021

US total exports		US total imports	
1. Canada	17.5 %	1. China	18.4 %
2. Mexico	5.8 %	2. Mexico	13.2 %
3. China	8.6 %	3. Canada	12.4 %
4. Japan	4.3 %	4. Japan	4.7 %
5. South Korea	3.7 %	5. Germany	4.7 %
6. Germany	3.7 %	6. Vietnam	3.7 %
7. Great Britain	3.5 %	7. South Korea	3.4 %
8. Netherlands	3.1 %	8. Taiwan	2.7 %
9. Brazil	2.7 %	9. India	2.6 %
10. India	2.3 %	10. Ireland	2.5 %

Source: UNCTAD

The scale of integration of the economies of the USA, Canada and Mexico is demonstrated by the proportion of exports to the USA in the total trade of Canada and Mexico, which is 74.5% and 78% respectively. A very large part of that trade is related to components and semi-final products exported to the US market. That integration has been very strongly supported first by the USA-Canada Free Trade Agreement in force from 1988, followed by the North American Free Trade Agreement (NAFTA) enacted in 1994, and superseded by the United States-Mexico-Canada Free Trade Agreement (USMCA), which substituted the NAFTA and entered into force from 1 July 2020. The volumes of goods circulating between the three countries are enormous and the Inflation Reduction Act (IRA) is targeting an even large role for the free trade zone of the USA, Mexico and Canada, partly through increased decoupling from China.

Looking at the country pattern of the US international trade of goods, it is possible to see, that Germany is the only country in the EU which has sustained some competitiveness on the USA market. This partly due to the Germany's wide global economic interactions, especially with the rapidly growing economies in Asia. Great Britain and France have lost a large part of their visibility on the US market being respectively 14th and 15th country in terms of the value of imports to the US market.

The littoral states of the Baltic Sea have all positive balance of foreign trade of goods with the USA. Table 3 describes the value of exports and imports of these countries with the USA and the share of international trade with the USA in their total exports and imports.

Table 3. The exports and imports of goods of the littoral states of the Baltic Sea with the USA
(billion EUR, the current prices, 2015, 2020 and 2022)

Country	Exports to the USA						Imports from the USA					
	2015		2020		2022		2015		2020		2022	
	billion EUR	%	billion EUR	%	billion EUR	%	billion EUR	%	billion EUR	%	billion EUR	%
Denmark	7.3	8.5	11.7	11.0	11.7	9.7	2.2	2.8	3.3	3.1	4.9	4.1
Estonia	0.5	3.8	1.1	7.9	1.2	5.5	0.2	1.1	0.2	1.4	0.3	1.3
Finland	3.8	7.1	4.9	8.5	7.7	9.4	2.0	3.7	2.1	3.5	4.1	4.5
Germany	113.7	9.5	103.5	8.6	156.1	9.9	60.2	6.3	67.7	6.6	91.7	5.8
Latvia	0.2	1.4	0.3	1.7	0.6	2.6	0.1	0.7	0.2	1.0	0.3	0.9
Lithuania	1.0	4.4	1.1	3.9	2.4	5.4	0.4	1.4	0.5	1.7	4.0	7.6
Norway	5.1	4.4	2.9	4.0	4.9	1.9	4.4	6.4	4.8	6.7	6.2	6.1
Poland *	5.9	3.3	8.9	3.7	10.1	3.5	3.5	2.0	4.8	2.1	5.8	2.0
Russia *	7.1	2.4	9.3	3.3	14.9	3.5	6.9	4.5	7.3	6.2	10.2	4.2
Sweden	9.7	7.7	11.6	8.5	17.3	9.2	3.5	2.8	3.8	2.9	7.1	3.7

* Poland's and Russia's latest figures are for 2021.
Source: Eurostat

All countries, except Norway, had a positive international trade of goods balance with the USA during the whole period, except Lithuania in 2022. In absolute terms, Germany has the largest exports and imports values in trade with the USA. Germany's exports to the USA are above 100 billion EUR annually, which makes the country an important player in comparison with the other major American and Asian trade partners. The US share in Germany's exports was 8-10% and in imports 5-7%. The US share in Denmark's, Finland's and Sweden's exports was 7-11% and in imports 2-4.5%. In the exports of Estonia, Latvia, Lithuania and Poland, the USA accounted for 2-8% and in imports 0.7-7%. That means that the USA was not a very important trade partner, though its share increased in exports and imports in all these countries in 2022.

Table 4 presents the structure of exports of the Baltic Sea littoral states by SITC 1 level classification and the importance of their exports to the USA in the particular product group. In Germany's international trade of goods, the USA accounted for 8.8% in 2021. The US share was larger in Germany's exports in chemicals (SITC group 5), where these exports accounted for 11.1% of the total of Germany's exports in that group of products, followed by the machinery and transport vehicles group (SITC group 7) with 10.8% of total exports of these products.

Table 4. The structure of the exports by the littoral states of the Baltic Sea
(SITC 1 level classification, billion EUR, 2021)[6]

Country	Total exports			Exports to the USA	
	billion EUR	%	billion EUR	%	As a % of a commodity group's exports
Germany	1,384.1	100.0	122.3	100.0	8.8
SITC 0+1 Food, beverages and tobacco	74.7	5.4	2.0	1.6	
SITC 2+4 Crude materials	119.9	8.6	9.2	7.5	
SITC 3 Mineral fuels	36.0	2.6	1.2	0.1	
SITC 5 Chemicals	243.6	17.6	26.9	22.0	11.1
SITC 7 Machinery	617.3	44.6	64.2	52.5	10.4
SITC 6+8+9 Other manufactured goods	293.4	21.2	19.8	16.3	6.8
Poland	288.2	100.0	7.3	100.0	2.5
SITC 0+1 Food, beverages and tobacco	38.0	13.2	0.6	7.8	
SITC 2+4 Crude materials	15.8	5.5	0.4	6.1	
SITC 3 Mineral fuels	6.3	2.2	0.1	0.2	
SITC 5 Chemicals	26.8	9.3	0.4	5.2	
SITC 7 Machinery	104.3	36.2	3.4	46.7	3.5
SITC 6+8+9 Other manufactured goods	96.9	33.6	2.4	34.0	2.5
Denmark	106.5	100.0	9.7	100.0	9.2
SITC 0+1 Food, beverages and tobacco	21.1	19.8	0.7	7.0	
SITC 2+4 Crude materials	6.9	6.5	0.3	2.6	
SITC 3 Mineral fuels	5.0	4.7	0.1	1.7	
SITC 5 Chemicals	20.3	19.1	4.6	47.0	22.7
SITC 7 Machinery	28.5	26.7	2.5	26.1	8.8
SITC 6+8+9 Other manufactured goods	24.7	23.2	1.5	15.6	
Finland	69.5	100.0	3.7	100.0	2.7
SITC 0+1 Food, beverages and tobacco	1.9	9.3	0.9	23.0	7.0
SITC 2+4 Crude materials	6.2	9.9	0.5	14.6	
SITC 3 Mineral fuels	6.0	66.7	0.7	19.1	
SITC 5 Chemicals	6.0	2.7	0.2	5.7	
SITC 7 Machinery	26.6	6.9	0.7	18.8	7.5
SITC 6+8+9 Other manufactured goods	22.8	4.5	0.7	18.8	11.5
Norway	137.0	100.0	3.7	100.0	2.7
SITC 0+1 Food, beverages and tobacco	12.7	9.3	0.9	23.0	7.0
SITC 2+4 Crude materials	13.6	9.9	0.5	14.6	
SITC 3 Mineral fuels	91.4	66.7	0.7	19.1	
SITC 5 Chemicals	3.7	2.7	0.2	5.7	
SITC 7 Machinery	9.5	6.9	0.7	18.8	7.5
SITC 6+8+9 Other manufactured goods	6.1	4.5	0.7	18.8	11.5
Sweden	160.3	100.0	12.9	100.0	8.0
SITC 0+1 Food, beverages and tobacco	10.1	6.3	0.3	2.0	
SITC 2+4 Crude materials	24.2	15.1	1.9	14.4	
SITC 3 Mineral fuels	11.1	6.9	0.8	6.5	
SITC 5 Chemicals	20.7	12.9	1.8	13.7	
SITC 7 Machinery	58.0	36.2	5.8	45.1	10.1
SITC 6+8+9 Other manufactured goods	36.2	22.6	2.3	18.3	

Source: UNCTAD, National statistics

6 The exchange rate USD 1 = EUR 0.845 has been applied here, which is used by the UNCTAD for 2021

Table 4 continues

Country	Total exports		Exports to the USA		
	billion EUR	%	billion EUR	%	As a % of a commodity group's exports
Estonia	18.2	100.0	1.7	100.0	8.9
SITC 0+1 Food, beverages and tobacco	1.6	9.0	0.0	0.0	
SITC 2+4 Crude materials	2.4	13.4	0.05	5.0	
SITC 3 Mineral fuels	3.0	16.6	0.2	15.0	
SITC 5 Chemicals	1.1	5.8	0.05	5.0	
SITC 7 Machinery	5.3	28.7	1.2	63.0	19.5
SITC 6+8+9 Other manufactured goods	4.8	26.5	0.2	12.0	
Latvia	17.6	100.0	0.45	100.0	2.3
SITC 0+1 Food, beverages and tobacco	3.1	17.5	0.05	10.0	
SITC 2+4 Crude materials	3.2	18.0	0.05	10.0	
SITC 3 Mineral fuels	1.0	5.7	0.0	0.0	
SITC 5 Chemicals	1.7	9.8	0.0	0.0	
SITC 7 Machinery	3.6	20.6	0.15	35.0	
SITC 6+8+9 Other manufactured goods	5.0	28.4	0.2	45.0	4.0
Lithuania	34.5	100.0	2.2	100.0	6.4
SITC 0+1 Food, beverages and tobacco	5.7	16.4	0.05	2.0	
SITC 2+4 Crude materials	2.6	7.6	0.0	0.0	
SITC 3 Mineral fuels	3.4	10.0	0.7	32.0	19.5
SITC 5 Chemicals	6.7	19.4	0.9	42.0	14.0
SITC 7 Machinery	6.6	19.1	0.1	4.0	
SITC 6+8+9 Other manufactured goods	9.5	27.5	0.45	20.0	4.5
Russia	422.0	100.0	14.9	100.0	3.5
SITC 0+1 Food, beverages and tobacco	32.1	7.6	0.1	0.5	
SITC 2+4 Crude materials	60.8	14.4	7.4	49.6	12.2
SITC 3 Mineral fuels	232.5	55.1	3.4	23.0	
SITC 5 Chemicals	24.9	5.9	1.0	6.5	4.0
SITC 7 Machinery	22.4	5.3	0.6	4.2	
SITC 6+8+9 Other manufactured goods	49.3	11.7	2.4	16.2	4.9

Source: UNCTAD, National statistics

From the Nordic countries, Denmark has with 9.8% the largest share of exports to the USA in its total exports of goods. A relatively high share belongs to chemicals (SITC group 5), where exports to the USA accounted for 22.7% of total exports of that group of goods. In the chemicals group, the subgroup of medicinal and pharmaceuticals subgroup (SITC group 55) accounted for approximately half of the chemicals group and from that subgroup, 49.6% of total exports of that subgroup went to the USA.

In Finland's exports, the share of exports to the USA was 6.6% in 2021. The combined product group of other manufacturing industries (the SITC groups 6+8+9) contributed EUR 1.8 billion of exports (37.8% of Finland's total exports to the USA), followed by the group of machinery and transport vehicles (SITC group 5) which accounted for 32% of Finland's exports to the USA, and had the largest value of EUR 1.5 billon. Exports to the USA accounted for 8% of total exports of the combined products group (SITC 6+8+9) and 6% of the machinery and transport vehicles group (SITC 7).

In Norway's total exports, the share of the USA was 2.7%. In Norway's total exports, mineral fuels (SITC 3) accounted for 66.7% of total exports in 2021, but only a small part of it went to the USA. In Norway's exports to the USA, the largest share was food products (SITC 0+1) and in that group, fish and fish products accounted for 90% of the value of that product group.

In Russia's total exports, the share of the USA was 3.5%. In Russia's total exports, mineral fuels (SITC 3) accounted for 55% of total exports in 2021, but only a small part of it went to the USA. In Russia's exports to the USA, the largest share was crude materials (SITC 2). Russia´s exports were under several sanctions

since March 2022. The United States banned imports of Russian oil, liquefied natural gas and coal with the government decree on 8 March 2022 (White House Factsheet, 2022).

In the other countries of the area, the share of exports to the USA was 2-6%. An exception is Estonia. In Estonia's export, the share of USA started to grow rapidly in 2017 and in 2021, the US exports contributed 8.9% of Estonia's total exports. In Estonia´s exports to the USA, machinery and transport vehicles (SITC group 5) contributed 63% and the USA exports accounted for 19.5% of total exports of that product group. In a small country, business decisions of a single company could change the foreign trade structure substantially and in the case of Estonia case, it was the electronics company Ericsson Estonia, which has since 2017 exported most of its output to the USA increasing in this way the US share in Estonia's exports.

3.3. The US imports of electronics and transport vehicles and their parts

In global competition, the USA's decoupling with China and increase in the proportion of domestic supply chains in the electronics and car industry are quite critical parts of economy. These industries created together 23.8% of the US total imports in 2021. It is easy to see that these sectors are quite concentrated globally, which is reflected in a high proportion of the ten largest importing countries in the US total imports of the respective commodity groups. Table 5 and 6 describe the most important players and the positions of some Baltic Sea littoral states in that global business.

Table 5. The US imports of electronic goods and parts and components
(billion USD, 2021)

Country, US imports from that country	Electronic goods (SITC 751+752 +761+762+763+775)		Parts and components of electrical and electronics goods (SITC 759+764+772+775)	
	billion USD	%	billion USD	%
US total imports	**194.1**	**100.0**	**280.3**	**100.0**
China	92.1 (1)	47.4	87.9 (1)	31.4
Mexico	49.7 (2)	25.6	25.9 (5)	9.2
Thailand	12.2 (3)	6.3	8.2 (8)	2.9
Taiwan	11.3 (4)	5.8	26.2 (4)	9.3
Vietnam	6.6 (5)	3.4	31.1 (3)	11.1
South Korea	4.5 (6)	2.3	20.4 (6)	7.3
Japan	2.5 (7)	1.3	10.6 (7)	3.8
Malaysia	2.4 (8)	1.2	31.9 (2)	11.4
Philippines	2.0 (9)	1.0	5.0 (9)	1.8
Germany	1.7 (10)	0.9	4.1 (10)	1.5

Source: UNCTAD

In the electronic goods sector, the ten largest importing countries produced 95.3% and in imports of electronic components 89.7%. In the electronic goods sector, China's import to the USA created close to 47% of the US total imports of that product group and around 31% of the electronic components imports. These figures describe also the size of the task when decoupling from China would be rapidly realized in future. Germany was the tenth global importer of both electronic goods and components of the electronic sector.

In the US imports of motor vehicles for the transport of persons a share of the ten largest importing countries was as high as 96.6% of the total US imports and in the parts and accessories of vehicles sector it was 93%.

Table 6. The US imports of transport vehicles for persons and parts of vehicles
(billion USD, 2021)

Country	Motor vehicles for the transport of persons (SITC 781)		Parts and accessories of vehicles (SITC 784)	
	billion USD	%	billion USD	%
US total imports	**148.1**	**100.0**	**74.8**	**100.0**
Japan	33.4 (1)	22.6	7.2 (4)	9.6
Mexico	29.9 (2)	20.2	26.4 (1)	35.3
Canada	25.5 (3)	17.2	9.6 (3)	12.8
South Korea	20.4 (4)	13.8	5.2 (6)	6.9
Germany	15.3 (5)	10.3	5.2 (5)	6.9
United Kingdom	6.9 (6)	4.7		
Slovakia	3.6 (7)	2.4		
Italy	3.0 (8)	2.0	0.8 (10)	1.1
Sweden	3.0 (9)	2.0		
China	2.1 (10)	1.4	10.3 (2)	13.8
Taiwan			2.1 (7)	2.8
India			1.7 (8)	2.3
Thailand			1.1 (9)	1.5

Source: UNCTAD

Figures in Table 6 describe that the geographical location of motor vehicles for the transport of persons is much closer to the US borders and approximately 38% of imports of transport vehicles and 48% of components for transport vehicles came from Canada and Mexico in 2021. These countries belong to the joint free trade are with the USA. The strategic position of the European countries is stronger in the motor vehicles sector and in the Baltic Sea region, Germany and Sweden are the two important exporters to the US market. Another detail of that position is that the requirements introduced by the IRA, especially the local content requirement, are more critical for the European producers in that sector and the potential free trade agreement between the EU and the USA is very important for them.

3.4. International services trade

International trade in services is a rapidly growing area in international trade. Table 7 presents the value of service exports and imports in the Baltic Sea littoral states. The highest relative value of service trade to the total value of trade is remarkable in the Nordic countries, especially in Denmark. The country is a large provider of transport services, especially in marine transport. Denmark demonstrates also interrelationship between the trade in goods and services. As one important group of exports is medicinal and pharmaceutical products, those products need additional packing and distributing related services in order to be sold in foreign markets, which could be purchased from foreign companies or from Danish special companies. That business creates goods exports connected services for exports or imports.

On special group of services is mentioned in the classification as other exported or imported services, which consist R&D, professional and management consulting services, technical, trade related or other business services. These services are both exported and imported and the countries specialize in certain sector of those services. Very often those services accompany competence in particular production and exports of goods in those industries. These industries create in additional to exports of goods also exports of services. For example, the Danish exports of pharmaceutical products is accompanied both by exports and imports of other services related to R&D and consulting services. ICT related foreign trade in goods is also accompanied by imports and exports of services connected with that sector. Norway's oil and gas industry also creates a lot of transport services and other business services

In Germany's international services trade also other services related to R&D and consulting services dominate. Germany has very high competence in machinery and transport vehicles sector and a big part of services is also related to production and foreign trade of goods in that sector. At the same time, the relative share of Germany's foreign trade in services is smaller in comparison with foreign trade of goods or GDP of the Nordic countries.

In the Baltic States and Poland´s international trade of services an important role is played by transport services, which are very often connected to their exports of goods. They also export some ICT services and even some knowhow. On their imports side, the other imports and transport services are significant.

Russia's international trade of services is also relatively modest in comparison with the trade of goods or as share in GDP. In Russia's service exports, the leading share was for transport services and other services (business services). Russia imported business services and transport-related services. Relatively high in Russia's imports was also share of travel (tourism)-related services and construction-related services.

In the international trade of services of the Baltic Sea littoral states, the share of the United States was larger than in international trade of goods. The USA played an important role in international trade of services in Germany (14% of the country´s total services exports and 13% of imports), Denmark (14% of exports and 15% of imports), Sweden (12% of exports and 15% of imports) and Finland (17% of exports and 9% of imports). In Germany's service exports to the USA dominated other business services (R&D, business consultations etc.) with 30%, followed by transport related services with 16% and the goods related services with 6%. In Germany's imports, the share of other business services was 39%, followed by transport and travel-related services with respectively 16% and 11% of the German total imports of services from the USA. In Denmark's exports and imports of services dominated transport services with respectively 54% and 30% of total international trade of services with the USA. Both exports and imports of other business services stand at the level of 10% of the Danish service trade with the USA. In Sweden's international trade of services with the USA, also other business services dominated in exports and imports with 40%, followed by telecommunications, computer and information services with 30% and in the Swedish imports from the USA, other business services contributed also 30% of imports from the USA. In Finland's exports of services to the USA, the leading sector of services was telecommunications, computer and information services with 60% and in imports, other business services dominated with 60% of total imports of services from the USA. In Finland's case, the exports of services were approximately 1.6 times larger than imports of services from the USA. In Poland's exports and imports of services, the share of the USA was 7% and 5% respectively. Both in exports and in imports with the USA, telecommunications, computer and information services was the leading group of services. In Estonia, Latvia and Lithuania as well in Norway's exports and imports, the share of trade with the USA was between 3-5%. In the Norwegian service exports to the USA, transport was the leading article with 20% of the total exports

of services to the USA, followed by telecommunications, computer and information services. In Estonia, Latvia and Lithuania, telecommunications, computer and information services were the leading article of service exports to the USA and other business services was a leading article of imports from the USA.

Table 7. Exports and imports of services of the littoral states of the Baltic Sea
(billion EUR, 2015 and 2021)

	Exports		Imports	
Country	**2015**	**2021**	**2015**	**2021**
Germany	237.2	318.7 The largest items of exports: other exports[7] 28.7%, transport services 17.5%, telecommunications, computer and information services 11.1%, travel 7.1%	255.2	262.9 The largest items of imports: other imports 30.5%, transport services 21.1%, telecommunications, computer and information services 13.6%, travel 12.6%
Poland	37.3	68.2 The largest items of exports: transport services 28.1%, other exports 27.3%, telecommunications, computer and information services 14.2%, travel 12.4%	27.0	47.7 The largest items of imports: other imports 24.7, transport services 17.6%, telecommunications, computer and information services 11.8%, travel 10.8%
Denmark	54.4	78.9 The largest items of exports: transport services 56.3%, other exports 13.5%, telecommunications, computer and information services 8.7%, travel 5.2%	49.2	69.0 The largest items of imports: transport services 45.5%, other imports 22.0%, goods related services 14.7%, telecommunications, computer and information services 11.0%
Finland	20.4	27.8 The largest items of exports: telecommunications, computer and information services 43.5%, other exports 21.1%, transports 10.2%, goods related services 7.8%	23.4	27.0 The largest items of imports: other imports 40.8 %, transport services 16.9%, telecommunications, computer and information services 16.0%, goods related services 7.8%
Norway	35.2	34.1 The largest items of exports: transport services 43.5%, other exports 27.5%, telecommunications, computer and information services 7.2%, travel 5.1%	40.0	44.4 The largest items of imports: other imports 33.1%, transport services 24.7%, telecommunications, computer and information services 14.5%, travel 9.7%

Source: UNCTAD, National statistics

7 In the BPM6 classification, the other services consists of research & development, professional and management consulting services, technical, trade related and other business services.

Table 7 continues

	Exports		Imports	
Country	**2015**	**2021**	**2015**	**2021**
Sweden	61.4	66.8 The largest items of exports: other exports 28.9%, telecommunications, computer and information services 22.2%, transport services 11.4%, travel 6.4%	52.1	67.6 The largest items of exports: other exports 37.7%, telecommunications, computer and information services 15.7%, transport services 12.7%, travel 9.0%
Estonia	5.0	8.4 The largest items of exports: transport services 27.7%, other exports 27.5%, telecommunications, computer and information services 16.9%, travel 9.4%	3.4	7.0 The largest items of exports: telecommunications, computer and information services 40.3%, transport services 24.2%, other imports 27.5%, travel 16.1%
Latvia	4.1	4.8 The largest items of exports: transport services 32.0%, other exports 24.0%, telecommunications, computer and information services 20.0%, travel 8.0%	2.2	4.0 The largest items of exports: other imports 37.9%, transport services 27.6%, telecommunications, computer and information services 10.3%, travel 10.3%
Lithuania	5.7	12.8 The largest items of exports: transport services 62.9%, other exports 12.1%, telecommunications, computer and information services 8.9%, and goods related services 5.6%	4.0	6.5 The largest items of exports: transport services 53.7%, other imports 20.9%, telecommunications, computer and information services 7.5%, travel 7.5%
Russia	43.6	47.8 The largest items of exports: transport services 38.2%, other exports 23.6%, telecommunications, computer and information services 12.1%, travel 8.0%	75.0	64.1 The largest items of exports: other imports 24.5%, transport services 18.2%, travel 14.0%, construction related services 11.6%

Source: UNCTAD, National statistics

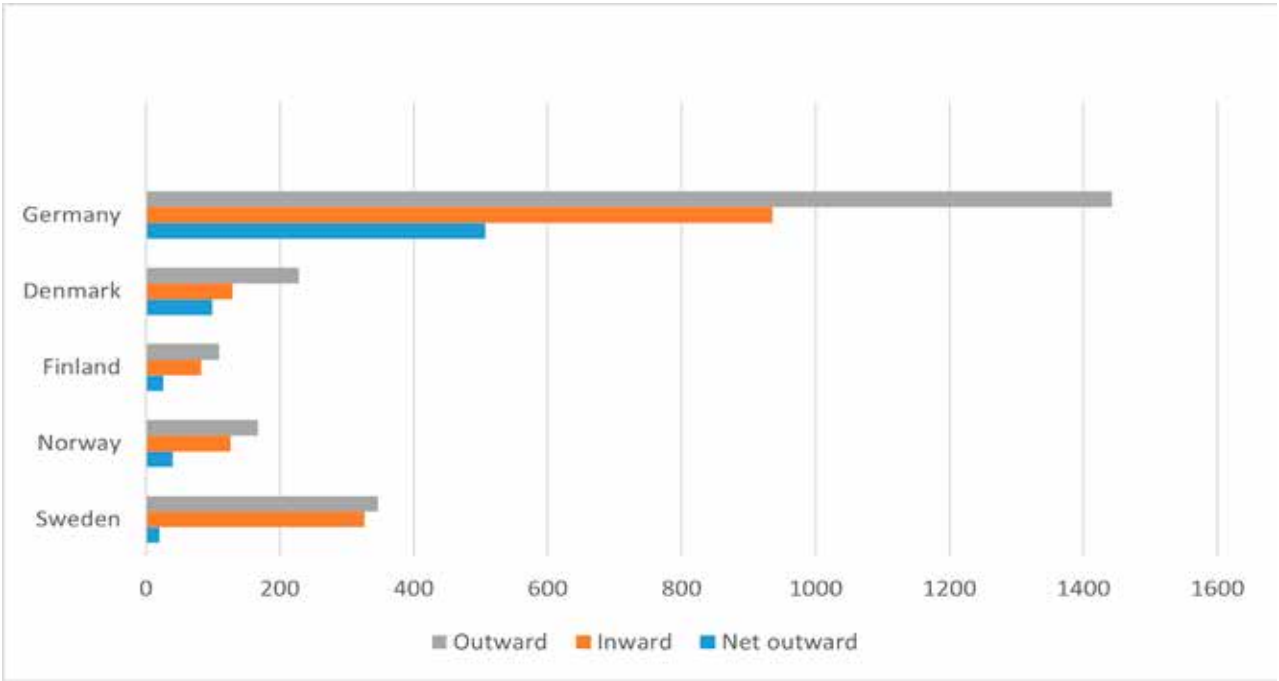
4. Foreign direct investments

Foreign direct capital investments (FDI) is the way to increase domestic capital in a country which has not enough domestic savings to finance domestic capital accumulation or a possibility to earn capital income in other countries, if the investment opportunities there are better than at domestic market. In the littoral states of the Baltic Sea, the dominating pattern has been, that Germany and the Nordic States have been sources of capital for neighboring countries and also globally for other economies. As the numbers in Figure 8 and 9 demonstrate, the outward FDI was larger than the inward FDI in Germany, Denmark, Finland, Norway and Sweden. The largest surplus of the outward stock over the inward stock of FDI was in Germany with EUR

507 billion, followed by Denmark with EUR 99 billion Norway with EUR 39 billion EUR, Finland with EUR 26 billion and Sweden with EUR 21 billion at the end of 2021. That means that more capital from these countries works outside of the borders of these countries in comparison with foreign FDI working in these countries.

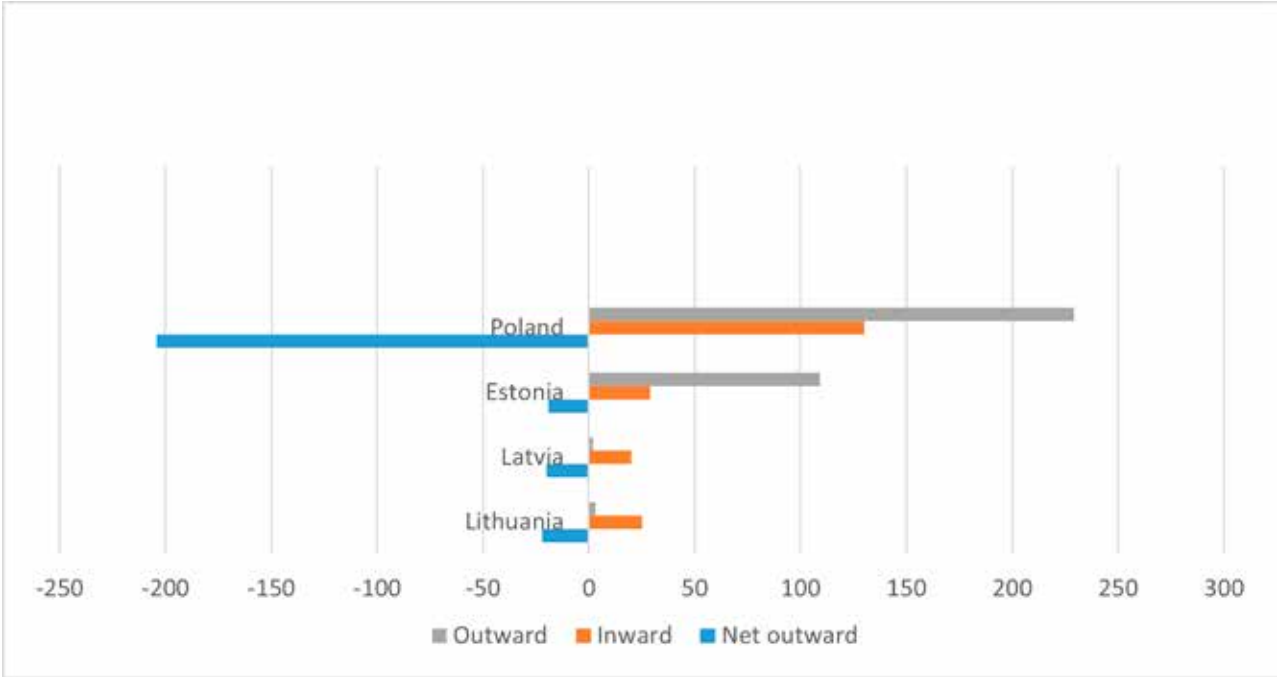
Poland, Estonia, Latvia and Lithuania were net receivers of FDI. These countries have a much larger inward than outward FDI stock and their net FDI stock is in that sense negative. A large proportion of their faster than the EU average economic growth is due to the foreign capital invested into companies located on their territories and accompany their due to historical reasons modest domestic capital accumulation. Russia's outward stock of FDI was EUR 441 billion, the inward stock 337 billion and the net outward capital at the level of EUR 104 billion at the end of 2021. However, due to the invasion into Ukraine, international sanctions on Russia by Western countries and confiscation of foreign capital in Russia, there is no reliable data on Russia´s related FDI since 2022.

Figure 4. The FDI balance of Germany, Denmark, Finland, Norway and Sweden
(billion EUR, 2021)



Source: UNCTAD

Figure 5. The FDI balance of Poland, Estonia, Latvia and Lithuania
(billion EUR, 2021)



Source: UNCTAD

The USA has been a net receiver of capital during the past few decades, which is reflected in the total amount of inward FDI stock at the level of USD 13,619 billion, or EUR 11,508 billion, of the inward FDI stock, and in the USD 9,813 billion, or EUR 8,292 billion, level outward FDI stock at the end of 2021.[8] From the balance of payments point of view, the USA has a large international trade of goods deficit, which was partly covered by the international trade of service surplus. One target of the IRA type regulations under those circumstances is a change in the conditions of international competition to balance the international trade.

The FDI into the USA had a larger proportion in the total FDI than the share of exports to the USA of goods or services for Germany and the Nordic countries. Germany's stock of FDI in the USA was USD 404 billion, or EUR 341 billion, and they accounted for 22% of Germany's total outward FDI at the end of 2021. Germany was the fifth largest source of the FDI for the USA after Japan, the Netherlands, the United Kingdom and Canada. In the structure of Germany's FDI in the USA, the largest share was for manufacturing with 44% of the total German FDI in the USA followed by the financial sector with 15% and ICT with 4%. In manufacturing, machinery and transport vehicles, chemicals and computer and electronic goods production were dominating. In turn, the US FDI stock in Germany was USD 170 billion at the end of 2021, more than two times smaller than the German FDI stock in the USA. The leading sectors were financial sector with 27%, manufacturing with 22%, wholesale trade with 8% and ICT with 7% of total FDI stock in Germany at the end of 2021.

In Sweden's outward FDI stock, the USA was a leading country with USD 71.5 billion or EUR 60.4 billion, which created 22% of Sweden's total outward FDI stock at the end of 2021. Manufacturing with 65% was the leading sector, followed by retail trade with 16% and FDI into the professional scientific and technical services companies with 6% of total Sweden's FDI stock in the USA. In Sweden, the US FDI stock was USD 57.7 billion or EUR 48.8 billion and manufacturing with 19%, finance with 11% and ICT with 6% were the leading sectors for the US FDI stock.

In Denmark's outward FDI into FDI stock, the total was USD 34.6 billion or EUR 29.2 billion. Manufacturing with 39% and wholesale trade with 34% were the leading sectors of the FDI stock in the USA. The US FDI stock in Demark was USD 16.4 billion, or EUR 13.9 billion, at the end of 2021. The dominating sectors of the US FDI in Denmark were manufacturing with 35%, ICT services with 15% and wholesale trade with 7% of the US total stock of FDI in Denmark.

8 The FDI statistics between the countries is distorted by the global financial centers which attract the FDI due to supportive tax schemes and other preferences. A large part of those FDI is reinvested into other countries. That complicates also the FDI statistics. The UNCTAD FDI statistics and the FDI data provided by the US Bureau of Economic Analysis differ considerably. For analyzing the structure of FDI into the USA, the US Bureau of Economic Analysis has been used. See (US Bureau of Economic Analysis, 2023). The exchange rate USD 1 = EUR 0.845 has been applied here, which is used by the UNCTAD for 2021.

In Norway's FDI stock in the USA with total value of USD 32.5 billion at the end of 2021, the leading sectors for FDI were the different service sectors with one third and manufacturing with 6% of the FDI stock in the USA. The US FDI stock in Norway was USD 30.6 billion, or EUR 25.9, at the end of 2021.The leading sectors for FDI of the USA were mining with 13%, financial sector with 8%, ICT services with 6% and manufacturing with 6% of the US total FDI in Norway at the end of 2021.

Finland's FDI stock in the USA was USD 10.1 billion, or EUR 8.4 billion, the leading sectors were manufacturing with 61% and wholesale trade with 22% of the total FDI stock in the USA. The USA FDI stock in Finland was USD 6.5 billion or EUR 5.5 billion and manufacturing had received 75% of the stock of FDI.

Poland's FDI into the USA has been small, but the USA has been quite important foreign investor for the Polish FDI stock. The total US FDI stock in Poland was USD 13.4 billion, or EUR 11.3 billion, at the end of 2021 and manufacturing with 36% was the leading area of interest (two thirds of the FDI in manufacturing went to the transport vehicles production sector). In the Baltic States, the US FDI was between 1-3% of the total FDI stock and the leading sector for both inward and outward FDI, was the ICT sector.

FDI are a major force of economic integration bringing economic activities in different countries together. The economic meaning of FDI is somewhat different for high income countries and developing countries. FDI of high income level capital abundant countries, which in the Baltic Sea littoral states are Germany and the Nordic countries, is very much related to international specialization. For the Baltic States and Poland, FDI was first of all an additional source of resources for capital accumulation. These major features are reflected also in FDI to and from the USA.

FDI can be substitutive or complementary to foreign trade. If trade is obstructed by formal or informal barriers, FDI can be substitute for trade by facilitating physical and human capital. FDI can act as a complement to foreign trade if it is used to develop industry, which products in addition to selling on the local market, can also be exported. The FDI and foreign trade of the Baltic Sea littoral states with the USA clearly demonstrate close interrelationship between these phenomena. The economic stimulus and restrictions introduced by the IRA will surely initiate additional FDI into the USA to adjust to new economic conditions.

5. Conclusions

The analysis demonstrates that the economic interactions between the USA and the Baltic Sea littoral states are important. The US market is more important for the region's states and companies than the region is interesting for the US businesses. At the same time, there are particular industries which have achieved a strong position at the US market, such as the Danish chemical and pharmaceutical industry or the German and Swedish car industries. The US market is globally very attractive for many economies and the trade is strongly influenced by political relationships between the countries, e.g., the USA–China relationships. The figures demonstrate also huge economic importance of the USA–Mexico–Canada free trade agreement, which created for European companies in several sectors quite complicated situations for entrance to the North American market. The situation would not be easier if the dramatic shifts, such as adaption a free trade agreement between the USA and the EU would not be achieved. The potentially close political relationships between the EU and the USA would hopefully increase the 'friendly offshoring' between these countries and their companies.

The different position of Germany, Poland, the Nordic and the Baltic countries in trade with the USA reflect also inner distribution of the economic roles between the littoral states of the Baltic Sea region. Germany has been the only globally competitive economy in the regions (partly due to primary energy resources imported from Russia and other countries). For the Nordic countries, Germany has been the most important European market. Poland's economy, and especially its manufacturing, is closely tied to Germany's market (Germany´s share in Poland's exports and imports was close to 30% of total in 2022). The Baltic States' international trade is first of all with each other and the Nordic countries. The Baltic States' industries have been providers of components and semi-final products, first of all to the Nordic countries. Germany's globally competitive position is relying partly on cooperation between and integration within the economies of the region. In the international economic interactions with the USA, the littoral states of the Baltic Sea region meet a quite specific economic environment. There are represented the global flows of goods and services, which come from the countries with much larger population and production capacities. In several areas, the USA–Mexico–Canada free trade agreement

creates competitive positions, which are hard to overcome by companies of the countries, which do not have a free trade agreement with the USA. The potential decoupling of the USA from China creates huge economic and political tensions, the outcomes of which are hard to foresee. Probably that creates in some fields additional opportunities for companies from other areas, but these developments are very uncertain and involve also high risks for companies making respective business decisions. Cooperation between the countries of the littoral states of the Baltic Sea region is certainly a complement, not a substitute to the economic interaction between the countries of the region and the USA.

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