



RECOMMENDATIONS OF THE TRADE AND
INVESTMENT STEERING COMMITTEE

Transatlantic Agenda for Trade and Investment



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Introduction

In external economic policy, Germany and the European Union (EU) should focus more on transatlantic relations with the United States and Canada. The United States has long been Germany's most important export market outside the EU. At the same time, Germany is an important trading partner and investment location for the United States. Many German companies are hopeful that existing trade challenges with the United States will be resolved soon and that transatlantic cooperation will be strengthened. Amid increasing global protectionism exacerbated by the Covid-19 pandemic, cooperation as equal partners remains as important as ever. In recent months, policymakers on both sides of the Atlantic have been able to defuse a number of trade challenges. However, the improvements have also been met with new restrictions, for example, in the area of public procurement. This makes transatlantic cooperation on open and secure bilateral markets and on strengthening multilateral institutions and treaties all the more important. This applies equally to the WTO, the WHO, and important climate agreements.

The basic principle also for future discussions should be that quality takes precedence over speed. All agreements should be WTO-compatible. A united front on the part of the EU and its ability to act in foreign trade policy issues are crucial for this. The interests of small and medium-sized German companies should also be considered as they are disproportionately affected by trade barriers and bureaucracy.

In the interests of successful transatlantic cooperation, German business is particularly keen to make progress on the following issues:

- Transatlantic leadership in trade and climate;
- Transatlantic leadership in trade and technology and standards;
- Market access and resolution of trade disputes;
- Ratification of CETA;
- WTO reform.

FOCUS ON SMALL AND MEDIUM-SIZED ENTERPRISES

Trade barriers disproportionately affect small and medium-sized enterprises (SMEs) due to their limited personnel and resources. Transatlantic agreements should therefore address SME-specific trade challenges. SMEs in particular can benefit from increased transparency, the elimination of technical barriers to trade, and simplified customs and visa procedures. The confidentiality of trade secrets in customs procedures should be preserved at all times. All parties should commit to establishing SME contact points to facilitate trade.

01

Transatlantic Leadership in Trade and Climate

CHALLENGE

Different approaches by the EU and United States in trade and climate could lead to trade challenges and the loss of business competitiveness.

EUROPEAN UNION

The EU's Green Deal seeks to implement unilateral measures such as the carbon border adjustment mechanism (CBAM) that has a higher level of ambition than other trading partners.

UNITED STATES

Unlike the EU, the United States does not have a CO₂ pricing mechanism. Thus, climate targets are also used for market protection.

SIMILARITIES AND DIFFERENCES

Both the EU and the United States are striving for a leading role in the transformation of the global economy. The individual approaches and measures to this end differ greatly in some cases.

RECOMMENDATIONS

Reliable access to energy and raw materials is a basic prerequisite for a functioning economy. Transatlantic cooperation in energy and climate, as well as in research and development in future-oriented key technologies, is in the

interests of the economy. This applies to issues related to the EU Green Deal, the development of sustainable hydrogen technologies, the expansion of renewable energies, CO₂ pricing, circular economy, and energy efficiency.

Instead of unilateral carbon border adjustment mechanisms, the details of the existing federal CO₂ pricing systems could be harmonized between Germany/EU and Canada (carbon leakage protection, refunds, etc.) in order to achieve a level playing field. While the U.S. Administration seems reluctant to move on the issue, the transatlantic partners could agree on measures promoting climate-friendly trade, including climate protection in the steel sector. These measures should not impede fair competition, but rather should strengthen it. The transatlantic climate partnership is an important building block for this. If carbon border adjustment measures are introduced, they should be strictly aligned to WTO requirements. Their design should be coordinated by transatlantic partners to avoid new trade barriers. Uniform global standards should apply to internationally active companies, for example with regard to the taxation of sustainable economic activities or in terms of reporting. The digital transformation is a key instrument for achieving global and EU climate targets. Here, special emphasis should be placed on efficient data processing to optimize energy efficiency and flexibility of industry and infrastructure. The promotion of sustainable financing mechanisms for the modernization and digitalization of power grids, key industrial sectors, buildings, transport, electromobility infrastructure, and healthcare systems are an essential part of achieving climate targets.



02

Transatlantic Leadership in Trade and Technology and Standards

CHALLENGE

Ongoing digitalization requires a secure digital environment and transatlantic cooperation in cybersecurity, for example through joint information and action mechanisms as well as international norms and standards. The competitive advantage for companies through these standards depends on the extent to which the standards are adopted and recognized globally. Further decoupling in the areas of trade, investment, research and technology should be prevented through improved transatlantic cooperation.

EUROPEAN UNION

The EU aims to cooperate with the United States on standards to prevent a possible threat of fragmentation of international standardization. In this context, the EU is relying on international standards.

UNITED STATES

The United States is open to cooperating more closely to prevent the threat of fragmentation of international standardization driven by China but has so far given priority to U.S. standards over international standards.

SIMILARITIES AND DIFFERENCES

Both sides seek greater cooperation but hold differing views on regulation in the digital sector and on the adoption of international standards.

RECOMMENDATIONS

The United State and the EU can jointly set international norms and standards in artificial intelligence, cybersecurity, cryptography for the post-quantum age, and data transfers. The competitive advantage for companies through these standards depends on the extent to which these standards are adopted and recognized globally. Future-proof rules on digital commerce should aim to ensure the cross-border flow of data streams. To this end, the ongoing negotiations between the EU and the United States are crucial to protecting data and intellectual property of companies as well as to jointly shaping standards and norms for digital trade. European norms in data protection should be safeguarded in the process. Advancing digitalization also requires a secure digital environment and transatlantic cooperation on cybersecurity, for example through joint information and control mechanisms. Modern trade rules are also needed for the share of

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Mutual recognition of conformity assessment test results as well as issued certificates requires prior harmonization of the underlying norms and standards. This can only be achieved through international standardization within a multilateral framework.

services that flows into the production of physical goods (“Mode 5”). In the space sector, there is also considerable potential for technological cooperation for transatlantic partners, which includes the prospect of a joint manned moon mission.

Stronger transatlantic cooperation on supply chain security and the prevention of the use of forced labor is necessary. For the EU, a go-it-alone strategy without coordination with the United States is not ideal. Cooperation could avoid the threat of digital, technological, or trade decoupling. Improved transatlantic coordination in export controls and sanctions has become more urgent with the United Kingdom leaving the EU. This could provide relief for companies since extraterritorial U.S. sanctions and U.S. controls on re-exports present a significant trade burden. This even affects German companies without their own business presence in the United States. The coordination of transatlantic investment control regimes should be intensified through a constant exchange by relevant authorities. In this regard, the United States and the EU should operate with more predictable threshold criteria. The launch of the Transatlantic Trade and Technology Council (TTC) is an important step toward consolidating cooperation between the United States and the European Union in these areas. Close bilateral cooperation in trade and investment, the reduction of trade barriers, and the strengthening of global cooperation in digitalization, technology and supply chains are in the interests of the transatlantic economy. Therefore, the TTC should pursue tangible goals that take into account the interests of various stakeholders.

Improved cooperation in the area of standards, norms, product testing, and certification is also of particular importance. The European and U.S. standardization systems should be integrated into the international system. Still, European standards as well as European decision-making autonomy must be preserved. Therefore, the EU and the United States should launch negotiations on the mutual recognition of conformity assessments and the United States should improve the adoption of international standards such as the International Organization for Standardization (ISO) and the United Nations Economic Commission for Europe (UNECE). Mutual recognition of conformity assessment test results as well as issued certificates requires prior harmonization of the underlying norms and standards. This can only be achieved through international standardization within a multilateral framework. U.S. conformity assessment bodies (Nationally Recognized Testing Laboratory, or NRTL) should accept certificates based on U.S.-wide standardized labels to break up monopoly-like positions. Regulatory cooperation should not aim to lower standards but instead pursue the goal of simplifying procedures while maintaining a high level of protection based on international standards.

Additionally, the EU and the United States should seek possible forms of cooperation in developing international standards for cutting-edge digital technologies such as autonomous driving, industrial Internet of Things (IIoT), Industry 4.0, artificial intelligence (AI), and quantum computing. They should also look for meaningful approaches to how international, European, and U.S. standards can be used in market access-determining regulations.



03

Transatlantic Leadership in Rules-Based Trade

WTO reform

CHALLENGE

The United States continues to prevent the appointment of Appellate Body judges, which has caused the WTO Dispute Settlement Body to stop functioning. This has in turn strained bilateral trade relations between the United States and the EU and created a lack of predictability for companies engaged in international trade.

EUROPEAN UNION

The EU is committed to rules-based global trade and supports the WTO reform process in the areas of rulemaking and dispute settlement.

UNITED STATES

The United States keeps voicing its commitment to the WTO and its reform, yet continues to prevent the appointment of Appellate Body judges.

SIMILARITIES AND DIFFERENCES

The EU and the United States agree on the need to reform the WTO, for example with regard to subsidy rules, but have different views on the WTO's dispute settlement mechanism.

RECOMMENDATIONS

The United States should stop preventing the appointment of Appellate Body judges as quickly as possible. In addition, the United States and EU should work together to advance an ambitious agenda for WTO reform that includes the dispute settlement mechanism, transparency obligations (especially in subsidies), clear and objective exceptions for developing countries, and new WTO agreements. The goal should be a rules-based trading system that guarantees non-discriminatory trade. This should also include a WTO agenda for SMEs, plurilateral and multilateral agreements on e-commerce, healthcare and environmental goods, investment facilitation, a climate agreement with regulations on plastics and fossil subsidies,

and the expansion of the Agreement on Government Procurement (GPA). The narrowing window of opportunity to strengthen the WTO should be used before the multilateral, rules-based trade order suffers lasting damage to the detriment of all businesses.

Level Playing Field for Fair Competition

The EU, the United States, Japan, and other partners have made proposals to strengthen government transparency obligations and ban subsidies that distort competition, especially in industrial sectors. For a global level playing field, especially vis-à-vis China, these proposals should be implemented within the WTO. This approach is economically more sensible than a competition for subsidies. It should include modern global rules that guarantee fair conditions for private companies to compete with state-subsidized and state-owned enterprises. Current U.S. plans to support electric vehicles should not discriminate against foreign companies. Joint global connectivity initiatives, for example in response to China's Belt and Road Initiative, can create business opportunities for companies, but should not introduce cumbersome bureaucratic structures. The focus here should be on high-quality, transparent, sustainable, and visible infrastructure projects in third countries.

Value creation from global supply chains requires social responsibility. It is important that the EU coordinates with transatlantic partners and does not address this issue alone. The United States' Dodd-Frank Act on conflict minerals and the California Transparency in Supply Chains Act could be useful starting points.

Ratification of CETA

The EU-Canada Comprehensive Economic and Trade Agreement (CETA) has improved market access for German companies in Canada and facilitated bilateral trade ever since its provisional application in 2017. CETA's rules of origin should serve as a blueprint for future EU agreements. Germany (as well as the other remaining EU member states) should therefore ratify CETA to allow companies long-term planning security in their Canadian business.

04

Transatlantic Leadership in Simplifying Trade

Market access and settlement of trade disputes

CHALLENGE

Tariffs on key foreign trade products and the United States-Mexico-Canada Agreement's (USMCA) more restrictive local content requirements are straining transatlantic trade relations. Market access for German companies in the United States is also restricted, particularly in public procurement and services. Added to this are a number of temporarily suspended trade disputes for which final solutions have yet to be found.

EUROPEAN UNION

The EU calls for non-discriminatory market access and the permanent resolution of trade disputes.

UNITED STATES

Lowering tariffs is not currently a goal in U.S. trade policy; discriminatory local content requirements in procurement and infrastructure projects are being expanded. The United States reserves the right to reintroduce tariffs against the EU at any time in the Airbus-Boeing and steel/aluminum disputes.

SIMILARITIES AND DIFFERENCES

The EU is committed to reciprocal market opening, which the United States rejects. Recently, both sides were at least able to agree on the temporary suspension of various trade disputes.

RECOMMENDATIONS

Dismantling tariff barriers to trade, especially in the industrial sector, should be pursued. Facilitation of trade in services is also important. Access by EU companies to public procurement contracts in the United States should be improved to ensure equal opportunity. Improved market access offers companies on both sides of the Atlantic the chance to capture new export markets and additional business opportunities, particularly in view of the current infrastructure and recovery programs. When awarding public contracts in the United States, all interested companies should have the same level of transparency and access to all relevant information for the respective procedures. The remaining thirteen U.S. states of Alabama, Alaska, Georgia, Indiana, Nevada, New Jersey, New Mexico, North Carolina, North Dakota, Ohio, South Carolina, Virginia, and West Virginia that are not yet party to the WTO Agreement on Government Procurement should join in.

On July 1, 2020, USMCA replaced the North American Free Trade Agreement (NAFTA). Stricter localization requirements have made trade more difficult for German companies, particularly in the automotive sector. Relief is needed here especially as regards the implementation of more restrictive rules of origin.

Regulations restricting foreign investment pose an obstacle to German direct investment in the United States. The Committee on Foreign Investment in the United States (CFIUS) should add Germany to the list of excepted foreign states to ensure that direct investment can continue.

The five-year moratorium on reciprocal tariffs in the decades-old Airbus-Boeing dispute was a very important first step. However, the case should also be permanently settled in a legally binding manner. To this end, a plurilateral WTO agreement could commit all relevant aircraft-producing countries to creating a level playing field.

The suspension of the Section 232 tariffs on steel and aluminum and the EU countermeasures on U.S. imports partially improved bilateral trade relations. However, the EU considers the imposition of Section 232 tariffs to be non-compliant with WTO obligations. At the same time, it sends a signal in favor of managed trade and global economic decoupling. Trade relations should not be restricted by quota regulations. Instead, the underlying U.S. tariffs and EU countermeasures should be permanently abolished and global agreements on a level playing field should be reached in the WTO.

The continuing Section 301 tariffs against China also adversely affect German companies, and the temporarily

suspended Section 301 tariffs based on digital taxation could do the same if implemented. Sustainable negotiated solutions should therefore be quickly adopted to create planning certainty. A new transatlantic consultation mechanism could address and prevent emerging trade conflicts at an early stage in the future.

Exchange of Skilled Workers and Dual Education

Securing a sustainable transatlantic economy is only possible with skilled workers. German companies make a significant contribution here. The United States should not reinstate pandemic-related travel restrictions on travelers from the Schengen zone. At the same time, the entry

and residence of skilled workers and the recognition of equivalent professional qualifications should be simplified. In particular, the exchange of best practices, as offered by the German apprenticeship system, should be promoted.

The apprenticeship training system is respected worldwide and is considered a successful concept in industry and commerce. In North America, there is a shortage of skilled workers, to which training

programs supported by the network of German Chambers of Commerce Abroad offer a viable solution.

German companies pay the third highest wages per employee out of the top 5 largest foreign employers in the United States. This also puts them significantly above the average U.S. employer wages.



Trade relations should not be restricted by quota regulations. Instead, the underlying U.S. tariffs and EU countermeasures should be permanently abolished and global agreements on a level playing field should be reached in the WTO.

05

German Business in the United States and Canada

German Chambers of Commerce Abroad in the United States and Canada

The contact for German companies in the United States are the German American Chambers of Commerce (GACCs) in Atlanta, Chicago, New York, San Francisco, and Washington, DC (some with additional representative offices as branches) as well as the Representative of German Industry and Trade (RGIT).

The contact for German companies in Canada is the Canadian German Chamber of Industry and Commerce.

The chambers are the official membership organizations of German companies in North America. With up-to-date market information and practical business advice, they help their local members conduct their business successfully. The chambers provide platforms for the transatlantic business community and represent the interests of their members to stakeholders such as policymakers and the public.

Transatlantic Trade Relations

For the German economy, the United States is the most important export market and the third largest trading partner. According to the U.S. Bureau of Economic Analysis, in 2020 Germany was the largest foreign investor in the United States. In 2020, the bilateral trade volume of 171 billion euros included German exports worth 103 billion euros. Key industries are automotive, chemicals, electronics and mechanical engineering, services, electronics, and plastics and metal processing. German direct investment in the United States totals 471 billion euros (2019) with nearly 5,600 companies and creates more than 900,000 jobs in all states. Nearly 1,300 U.S. companies are active in Germany. The stock of U.S. direct investment is 73 billion euros (2019), and U.S. companies create 210,000 jobs in Germany.

The volume of German-Canadian trade amounts to 15 billion euros (ranked 30th). This includes German exports of 9.3 billion euros (ranked 25th) and German imports of 5.5 billion euros. Direct investment by the 537 German companies operating in Canada amounted to 22 billion euros in 2019. They have 70,000 employees in Canada. Direct investment by the 82 Canadian companies operating in Germany in 2019 amounted to two billion euros. They employ 7,000 people in Germany.¹

¹ Foreign direct investment, number of employees, number of companies: *Deutsche Bundesbank* Foreign trade data (exports, imports, trade volume, trade balance): *Statistisches Bundesamt*

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Transatlantic Business Initiative (TBI)

c/o Bundesverband der Deutschen Industrie e.V. (BDI)

Breite Straße 29, 10178 Berlin, Germany

Breite Straße 29

D-10178 Berlin

Phone: +49 30 2028-0

www.transatlanticbusiness.eu

Editors

Melanie Vogelbach

Managing Director Department for International

Economic Policy

Association of the German Chambers of Commerce

and Industry (DIHK)

Phone: +4930203082310

E-Mail: vogelbach.melanie@dihk.de

Klemens Kober

Director Trade Policy, EU Customs,

Transatlantic Relations

Association of the German Chambers of Commerce

and Industry (DIHK)

Phone: +3222861611

E-Mail: kober.klemens@dihk.de

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