BUSINESSEUROPE

# EU-U.S. RELATIONS

## BUSINESS VIEWS ON THE WAY FORWARD

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# WHO ARE WE?

BusinessEurope is the leading advocate for growth and competitiveness at the European level, standing up for companies across the continent and campaigning on the issues that most influence their performance.

A recognised social partner, we speak for enterprises of all sizes in 36 European countries whose national business federations are our direct members.

## FOR FURTHER INFORMATION

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# KEY MESSAGES

**01**

For the European business community, the priority is to ensure that the Transatlantic relationship thrives and fulfils its potential as driver for growth on both sides. It should also spur joint action to address policy challenges when possible and desirable.

**02**

Decisions to impose additional tariffs on each other's products will harm businesses and consumers on both sides of the Atlantic. The Transatlantic economy is the largest and most important in the world and supports millions of jobs in both the EU and the U.S. Tariffs will increase costs, making trade and investment flows across the Atlantic more expensive and less attractive. They also hinder innovation, undermine efforts to secure supply chains, result in both short-term and long-term growth losses and create uncertainty in international markets.

**03**

The priority should be to reduce the costs of doing business across the Atlantic. Instead of increasing duties, the EU and the U.S. should look at ways to eliminate tariffs and non-tariff barriers whenever possible. The EU and the U.S. should work to prevent new disputes from arising and always endeavour to avoid imposing tariffs on each other. Moreover, any ongoing disputes should be solved in a permanent way.

**04**

BusinessEurope calls on the EU and the U.S. to establish a permanent platform for high-level dialogue. This should focus on finding durable solutions to disputes and irritants, strengthening cooperation on shared challenges, including non-market economy practices, and generating shared commercial benefits building a positive bilateral agenda.

# 01 THE STRATEGIC IMPORTANCE OF THE TRANSATLANTIC ECONOMY

The European Union (EU) and the United States (U.S.) have the largest and most integrated economic partnership in the world, which is a strategic pillar of the global economy.

The transatlantic economic relationship remains a robust and vital component of global trade, with a substantial impact on job creation and economic growth. In 2023, **US exports to the EU** reached record levels, with **goods exports** totalling $347 billion[1] and supporting approximately 1.29 million jobs across the U.S. In parallel, **services exports** amounted to $427 billion, contributing to the creation of nearly 1 million additional jobs. In 2023, EU goods exports to the U.S. amounted to €503 billion and services exports to €319 billion.

However, it is investment that is the key driver of the transatlantic economy. US investment in the EU reached $2.7 trillion in 2022 while **European investment**[2] in the U.S. generated a remarkable $2.4 trillion in economic activity, directly supporting 3.4 million jobs in the U.S. The scale of investment demonstrates the important role it plays in this dynamic relationship, the deep interlinkages between the two regions and the shared benefits of continued collaboration. The **EU-U.S. Trade and Technology Council (TTC)** was introduced as a key mechanism to advance the relationship further. The TTC has served as a welcome forum for the two economies to coordinate on global trade and technology issues, with an emphasis on strengthening semiconductor supply chains, shared digital leadership, and curbing non-market trade practices. These efforts reflect a shared commitment to secure and resilient supply chains, as well as fostering cooperation on emerging technologies.

Both parties have demonstrated time and again the **capacity to find cooperative solutions**, highlighting the enduring strength of the EU-U.S. trade relationship.

Looking ahead, the transatlantic relationship stands at a **critical juncture.**

As the EU's largest trading partner in services and a critical player in investment, the U.S. remains central to the EU's competitiveness and vice versa, even as the global landscape continues to shift. For the European business community, **the priority is to ensure that the relationship thrives**, fulfils its potential, is mutually beneficial, and spurs joint action to address policy challenges when possible and desirable. In this respect, in the long run, a **transatlantic trade and investment agreement** not only strategically strengthens the partnership but is also a driver for growth on both sides. Strengthening cooperation, improving the business environment, and deepening transatlantic ties are crucial beyond growth and job creation in the transatlantic economy: they play a key role in promoting global geoeconomic stability and security, and addressing shared challenges including how to address market-distorting practices.

When considering solutions between the EU and the U.S., both parties should take into account **the close integration of some neighbouring countries in transatlantic value chains.** This is particularly important to ensure the integrity of the internal market, including in the EEA EFTA States. In this context, it is also important to strengthen the relationship with Türkiye and modernise the Customs Union.

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1 The European Union's Business Footprint in the United States

2 Major EU investments are concentrated in key states such as California ($159.9 billion), New York ($167.8 billion), and Texas ($302.7 billion), reflecting the strategic importance of these regions to transatlantic trade and investment flows.

## 02 A NEW DYNAMIC

We are at the beginning of a new phase in EU-U.S. relations following the inauguration of Donald Trump as the 47th President of the U.S., and the European elections last year. Over the next few years, we expect transatlantic relations will be heavily impacted by the **"America First" Trade Policy.** The U.S. is leveraging economic tools more strategically, including the creation of an External Revenue Service (ERS) to collect funds through tariffs. These tariffs are meant not only to boost US industry and bring back manufacturing and investment, but also to increase fiscal revenues and correct perceived trade imbalances. Furthermore, the **securitisation of the economy** as well as **industrial policy** actions, and **unilateral measures** taken on either shore of the Atlantic will be increasingly taken to support competitiveness and economic growth.

It is important that the two sides **do not hamper each other's competitiveness** but instead work together to **create synergies**, maximising the impact and effectiveness of their respective actions by adopting compatible approaches whenever possible. To this end, the EU and the U.S. should discuss and raise legislative proposals at an early stage, in order to avoid unnecessary trade barriers and assess to what extent alignment of respective approaches is possible. The EU should also prioritise identifying short-term opportunities to reduce unnecessary trade barriers in the context of its regulatory simplification agenda. Furthermore, the EU and the U.S. should assess the impact on transatlantic trade and investment flows before adopting legislative measures or using unilateral tools.

## 03 THE NEED FOR A HIGH-LEVEL PLATFORM FOR DIALOGUE

In this position paper, **BusinessEurope calls on the EU and the U.S. to establish a permanent platform for high-level dialogue**, which outlasts political cycles on either side of the Atlantic. A collaborative, consistent, and constructive bilateral discussion on key workstreams, to find durable solutions to disputes and irritants, to strengthen cooperation on shared challenges, including state-induced overcapacities and other non-market economy practices, **is important to generate shared commercial benefits.**

The high-level platform should primarily focus on **building a positive bilateral agenda**: it should find ways to remove obstacles to trade and investment flows; highlight opportunities to reduce cost of doing business across the Atlantic and to create new business opportunities. Cooperation on advancing EU and U.S. supply chain resilience, energy security and security of supply in strategic sectors (such as food and medicine security) should also remain a priority.

A significant step forward to remove obstacles to trade would be taken by fostering simplification and **regulatory harmonisation** to conclude a broad agreement on mutual recognition of conformity assessment for industrial products, covering clean energy technologies, machinery, automobiles, electrical equipment, agrifood products and medical products, alongside other relevant product categories.

New business opportunities should be unlocked by looking at **ways to facilitate trade and investment in several sectors including through mutually beneficial tariff elimination**[3]**, building on positive and pragmatic precedents.**

As regards the **format**, BusinessEurope calls for **a lean structure of engagement at high-political level combined with ongoing dialogue at technical level**, focusing on few, clearly defined and meaningful deliverables that are relevant for businesses and citizens. This transatlantic platform should also have a formal structure for engagement with industry stakeholders.

## 04 EU REACTION TO US ADDITIONAL TARIFFS ON EU IMPORTS

**The EU should act to protect its economic interests but in doing so, prioritise pragmatic solutions** to unblock the situation, while bearing in mind that these solutions may go beyond trade policy. The EU's reaction should be **legally sound, proportionate, targeted, avoiding unintended consequences on EU trade and economic operators in the internal market.**

To identify red lines and key interests, the European Commission should hold regular industry dialogues across sectors. Given the fast-moving trade environment and potential tariffs, frequent stakeholder engagement is crucial to prevent economic fallout. Prolonged trade disputes threaten EU competitiveness, disrupt supply chains, and erode investment trust. To stay responsive and proactive, the EU must develop faster tools for real-time coordination with industries and member states, avoiding delays and internal divisions.

In parallel, in particularly strategic sectors such as AI, 6G, data, biotechnology, semiconductors, clean tech, and quantum computing, the EU should quickly carry out dependency and flexibility assessments and engage in intensive dialogues with EU industries and governments. The goal is twofold: to identify technologies which the EU wants to strategically promote and to identify mutual interdependencies. This will enable the EU to better inform and strengthen its negotiating position.

**The primary aim vis-à-vis the U.S. should be to find a negotiated solution** aiming at eliminating tariffs and achieving increased market access. For example, a tariff elimination agreement on industrial products and case by case solutions for other sectors where there is a common interest – building on existing precedents. The EU should be creative in identifying win-win solutions, including beyond the remit of trade policy.

[3] Examples include the zero-for-zero agreement on spirits, in place since 1997, on pharmaceuticals, in place since 1999, and in aerospace, in place since 1979.

# 05 RESOLUTION OF DISPUTES

As a general principle, the EU and the U.S. should work to **prevent** new disputes from arising and always endeavour to avoid imposing tariffs on each other. Tariffs hurt businesses and consumers on both sides of the Atlantic, driving up costs of imported intermediate goods and consequently of final products. They stifle innovation and go counter to the objective of securing supply chains, causing losses to growth both in the short and long term. By disrupting global supply chains, they also generate uncertainty in international markets.

The mere **threat of new tariffs** shakes market stability, impacts the business climate and dampens investors and consumers' confidence.

Retaliatory countermeasures adopted by both the U.S. and the EU damage the transatlantic economy. In the past, they also impacted several sectors that were not directly related to the dispute, such as the agri-food sector. This contributed to the weakening of global value chains and impacted economic actors and investments on both sides.

Instead, both the EU and the U.S. must continue to focus and collaborate on addressing non-market practices of third parties that threaten a level playing field.

The European business community urges the transatlantic partners to **reach an agreement and remove reciprocal tariffs fully and permanently in the coming months.** A solution needs to be found that respects existing EU legislation and international commitments.

Any ongoing disputes should be solved in a permanent way.

# 06 COOPERATION ON CHINA'S MARKET DISTORTIVE POLICIES

The EU and the U.S. face a shared challenge in addressing the economic impacts of China's state-driven economic model, which leads to market distortions that are too often absorbed by exports. This is particularly true for strategic industries like clean technology, electric vehicles, semiconductors, as well as steel and aluminium. Both the EU and the U.S. are increasingly concerned about these distortions, which disrupt global markets, undermine fair competition, and heighten strategic dependencies. While the EU and the U.S. agree on the analysis of the problem, they differ in their respective approaches. The objective of the EU is not to contain China's economic development but to make sure it develops without generating significant market distortions in global markets. **Despite differing strategies and sometimes different economic interests, it's important for the EU and the U.S. to address market distortive practices and try to find ways to cooperate.**

The common objective must remain to achieve a global market with free trade and fair competition. A first step of EU-U.S. cooperation in this area would be for both partners to ensure early information-sharing and understanding of each side's rationale, approach and concrete actions. **Raising awareness of each other's policies** would help avoid frictions and maximise the impact and effectiveness of their respective actions. In BusinessEurope's most recent position paper on China

(November 2024), we call on the EU to be assertive and show readiness to protect its economic interests by addressing market distortive policies, persuading China to further open its market. We also call on the EU to use trade defence measures[4] to safeguard the competitiveness of sectors that are relevant for the EU economy.

Secondly, BusinessEurope calls for a stronger EU-U.S. cooperation to **address such issues jointly**, based on an equal partnership that respects each other's distinct political and economic interests and has a sound legal footing. The EU should encourage joint initiatives on supply chain resilience and promote coalitions to address the root causes of the problem, namely **distortive industrial subsidies and other market distortions, including state-induced overcapacities.**

Transatlantic cooperation in these areas should be grounded in common objectives and involve others (e.g., Canada, Japan, United Kingdom), who are committed to preserving a rules-based multilateral trading system. Restarting negotiations to develop **rules on industrial subsidies** with willing partners would be a significant step toward addressing some of the market distortions that are hampering European competitiveness in an increasing number of sectors.

## 07 COOPERATION ON ECONOMIC SECURITY

Regarding **economic security**, we should build on the good cooperation and coordination in recent years. We support closer collaboration on **export control**s on dual-use items that allows ex-ante coordination and takes into account our respective security and economic interests. Unilateral export controls should be avoided. The EU and the U.S. should notably align on the scope and definition of controls on emerging technologies. This would reduce barriers for EU and US exporters and simultaneously ensure that exports of sensitive emerging technologies are consistently controlled.

Another area in which deeper dialogue should be explored is **screening of foreign investments, inbound and outbound**; for example, to keep communications secure and ensure a trusted environment for shared data. Because most trade and foreign investments do not pose a national security risk, BusinessEurope calls on the EU and the U.S. to strive for the right balance between security and economic interests, ensuring they support each other. Any policy action that limits the freedom of businesses must be precise, proportionate and predictable, and should be taken following a careful risk-benefit analysis. Finally, when the EU and the U.S., and possibly other partners, identify common risks, international engagement should be the first response, before adopting restrictive measures at home.

[4] Trade defence measures should be adopted when warranted and all the conditions are met and in consultation with the concerned industry. These include both classic tools like anti-dumping and anti-subsidies measures as well as more recent instruments like the International Procurement Instrument or the Foreign Subsidies Regulation.

# 08 COOPERATION ON DIGITAL

To achieve technological leadership, further outcomes could be pursued by continuing work on critical infrastructure, semiconductors, quantum, biotechnology, and artificial intelligence (AI).

Boosting cybersecurity and resilience in the face of ever-increasing threats to **critical infrastructures** should also continue to be a natural area of convergence for transatlantic partners.

The EU and the U.S. must continue to build upon the joint efforts to support deployment of secure and trusted **connectivity** around the globe, which includes undersea cables, satellites, 5G and other communications networks.

The EU and the U.S. must continue cooperation in the development of future mobile communication technologies, e.g. 6G including 6G research cooperation.

They must also foster continued transatlantic cybersecurity dialogue, including promotion of post-quantum encryption e.g. PQC, harmonized cyber-security rules and incident reporting. Cyber threat information exchange should be encouraged.

The EU and the U.S. should ensure, together with other like-minded partners, resilient supply chains of **semiconductors**. Policymakers must continue to put in place concrete instruments to alleviate supply chain bottlenecks, including availability of critical raw materials, and bolster the security of supply for both economies. Both should expand support for semiconductor research, prototyping, production, including deep and sustained transatlantic cooperation on R&D and skills programs.

Both the EU and the U.S. will need to strike a balance between innovation and regulation in the rapidly evolving **AI** landscape. As legislation is considered or implemented, we recommend joint work on taxonomies, cooperation between relevant agencies, in close consultations with EU and U.S. industry to enhance competition and investment in and safe use of AI. This is pivotal for boosting productivity, expanding our economies, and creating new jobs.

The EU and the U.S. should explore ways to **develop digital trade rules**, including to support cross-border data flows and address data localisation.

We urge the two sides to secure all conditions are met to maintain the **EU-U.S. Data Privacy Framework** (DPF) – the mechanism is critical for safe and trusted transfers of personal data from the EU to the U.S. and to support trade and economic growth. For the same reasons, the **adequacy decision** concluding that the U.S. has personal data protections that are essentially equivalent to those that citizens enjoy in the EU, is of utmost importance and must stay in place.

A new **EU-U.S. Digital Agreement** could be envisaged, too. Beyond provisions on data flows, it could include provisions on AI, such as interoperability of AI governance, AI standards and testing frameworks. It could also facilitate cross-border access across the Atlantic for AI technologies and solutions, as well as research collaboration on AI topics.

We welcome the new approach of the US Administration on e-commerce and hope that the U.S. can engage in discussions on e-commerce proactively, in particular finding a permanent moratorium on customs duties on electronic transmissions. We also hope the U.S. can once again join the Joint Statement initiative on Electronic Commerce in the WTO, including but not limited to taking a firm stance against provisions imposed by third countries mandating source code disclosure of solutions for civilian ICT uses.

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