

Coalition of the Willing: Standing up for Free Trade and International Cooperation

Interview with MdB, Dr. Joachim Pfeiffer, Economic and Energy Policy Spokesman for the CDU/CSU Parliamentary Group

Trade relations between the US and EU have gotten under pressure in recent years. Nevertheless, AmCham Germany members still believe in the transatlantic partnership and the value of it for their businesses. But the aftermath of the Corona pandemic is putting an additional strain on trade flows. What impetus can Germany, as the so called “Exportweltmeister”, give to strengthen international trade in the future?

Foreign trade is one of the key drivers of German economic wealth. Every fourth job depends on exports. Although 2019 was marked by a trend towards protectionism, exports and imports in Germany continued to rise. In my opinion, the future is crystal-clear: in order to emerge stronger from the crisis, the international community must forge a coalition of the willing that stands up for free trade and international cooperation. This is the only way to get the global economy back on its feet quickly.

Diversifying and consolidating supply chains and ensuring a stable and predictable rules-based trading system will be key to strengthen Germany and Europe as well as the trade relations with the US. Isolation and protectionism are in no way an answer to the existing challenges. Germany and the EU must push for a level playing field to ensure free trade and fair trading conditions at the same time.

The economies of all countries are integrated into global value chains and supply networks, which account for two thirds of world trade. These have been and continue to be severely affected by the effects of the COVID-19 pandemic, as well as by the measures that have been and are being taken to contain it. Global structures have generated many wealth-creating and job-creating effects. This now seems to be forgotten, as a return to national production and value chains for risk avoidance is the order of the day. To what extent can Germany and the German EU Council Presidency contribute to counteracting this development and to shape a European and multilateral approach?

On the one hand, the pandemic reveals the vulnerabilities of global supply chains. On the other hand, it is becoming increasingly clear that the consequences of the pandemic in our globalized world can only be solved at a global level and together.

Germany is not only the third largest export country in the world, it is also third in import behind the US and China. The EU in total is second and has a total share of 15 percent of global imports right next to the US.

Now is the time to take the opportunity to enable a new, stable and secure trade with a clear set of rules and robust supply chains. During the EU Council Presidency Germany should anchor corporate due diligence obligations more firmly and bindingly. A European solution will ensure a level playing field and contribute to more freedom of action and legal certainty for companies. As a trading and industrial nation, Germany will continue to press for

multilateral agreements. Nevertheless, the current situation also calls for bilateral and also plurilateral agreements such as Mercosur.

The European Union is the central framework and indispensable anchor for national foreign, security and development policies and the operating size in the globalized world. Only together as Europeans can international challenges be met effectively, interests be pursued cooperatively and European values defended.

Even before the outbreak of the COVID-19 pandemic there were clear signs of changes in global trade. The US has initiated a process of uncertainty with its strong domestic political strategy of “America First” and the associated “decoupling”, the decoupling and reduction of investment and production processes. How could this development be counteracted in the course of the German EU Council Presidency?

First of all, I want to underline that the transatlantic partnership remains the most important for Germany as well as for the European Union. Together they form the world's largest economic area with 15 million jobs and almost one third of global trade. Despite the associated decoupling the United States are still the number one country for German exports. Also in 2019, imports from the United States increased by almost 7 billion compared to the previous year. Moreover, the United States are our closest foreign and security policy partner outside the EU.

During the EU Presidency, it will be Germany's responsibility to help shape the world order in terms of greater international coordination and cooperation, sustainability and solidarity. A broad political dialogue and a positive transatlantic trade agenda will shape the comprehensive and active cooperation between the EU and the United States.

Global supply chains and open markets increase competition, stimulate innovation and reduce costs for consumers. For these reasons, I am a strong advocate of global multilateralism in trade policy and I believe that the European Union and especially Germany during its EU Policy Presidency have to take the drive seat to push forward. The trade policy dialogue between the EU and the US must continue.

The WTO Secretariat forecasts that global trade in goods could fall by 13% to 32% in 2020, depending on assumptions about the length and severity of the pandemic. What plans should Germany pursue to overcome this crisis?

Compared to past crises, COVID-19 affects not only individual sectors. Germany, Europe and the whole world are lastingly affected. Going back to “business as usual” will not be the answer. Now is the time to tackle the new challenges with courage and determination to break new ground and reinforce strengths.

Structural reforms are needed to create the framework conditions for a future open to innovation and technology. Small and medium-sized enterprises must be strengthened and relieved of burden. Therefore, bureaucracy must be further reduced. Germany needs a digitalization boost in all areas of business and life. This includes approval procedures, to develop better conditions for investments, including the expansion of renewable energies and infrastructure projects. The triad of more efficiency, more market, more Europe remains the

key to successful energy transition. And last but not least the crisis has shown the importance of free trade and international cooperation. In a globalized world, a united and strong Europe is the critical operating size and key to peace, prosperity and growth.

About AmCham Germany

The American Chamber of Commerce in Germany is the voice of transatlantic business. We enhance global economic and trade relations built on a strong foundation of the German-American partnership. We actively support and promote our members' interests through our global network in business, politics and AmChams worldwide and strengthen the exchange between our members and political decisionmakers. AmCham Germany enables cross-cultural understanding, cooperation and new investment. We stand for transparent dialogue, unrestricted trade and a competitive and open business climate.

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