

Promoting Transatlantic Trade: Germany Needs to Become More Active and Visible

Commentary by Frank Samolis, AmCham Germany Senior Advisor, Washington DC

Trade is one of AmCham Germany's key topics and we want to keep our members informed about recent developments in international trade. This time, AmCham Germany's senior advisor Frank Samolis analyzes the current state of transatlantic trade relations right after the US election and what to expect within the coming months under the new Biden administration.

Expecting a More Robust Transatlantic Dialogue

Currently, many experts assume that the transatlantic atmosphere will improve with Joe Biden. Immediately after Biden's election, the EU has imposed new punitive tariffs on American products. The most recent EU tariffs relate to a longstanding dispute in the WTO involving Boeing and Airbus. The dispute predates the Trump era as well. The good news is that Biden will be more open to negotiating a settlement. Of course, old disputes will remain, but a President Biden will reach out to the EU, in particular Germany, in reengaging on trade issues broadly. I expect a more robust transatlantic dialogue, and a possible resumption of a Free Trade Agreement.

"Buy American" will Affect EU Trade

Now, after a German and an American business have jointly developed a vaccine against corona, I expect the prospects of a better economic recovery, both in the EU and US to raise and also a positive impact on the GDP. The most significant impact of a Biden trade policy will be in reengagement and, with the EU, a sense of common purpose and more cooperation. Expect the US to be more engaged in WTO reform. The Biden industrial policy could be problematic, depending on how extensive his "Buy American" policy will be in affecting EU trade.

Global Structures Generate Wealth-Creating and Job-Creating Effects

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 fade into the background, as a return to national production and value chains for risk avoidance is the order of the day. In addition to Covid, supply chains are also being disrupted by the US-China trade war and anxiety about future actions. In the US, there are calls for "production sharing" and near shoring. The impetus the transatlantic alliance can give in order to stimulate the economy, is to respond by engaging in free trade discussions between the US and EU, and, more importantly, work to revitalize the WTO, which has been rendered ineffective in recent years.

The alliance should give priority to reforming and enhancing the WTO, particularly as a new Director General will be announced soon. The US and EU should also work to settle the ongoing Boeing- Airbus dispute, which, if unresolved, could increase the imposition of more tariffs and protectionist measures. The WTO is a meaningful international institution, reforming the dispute settlement mechanism is one key element for WTO reform, but we

need additional changes in clarifying rules and transparency of the process. Of course, the key requirement is a commitment of major trading nations to pursue this reform process.

How to Overcome Additional Strains on Trade Flows

Trade relations with the United States have been heavily burdened by new tariffs in recent years. The aftermath of the pandemic is putting an additional strain on trade flows. The impetus Germany, as the so called “Exportweltmeister” can give to frame international trade in the future more robust and more resilient is to become more active and visible in promoting transatlantic trade, taking the lead in setting the EU’s trade agenda. In the US, we have had the elections, and now there will be a new set of policy makers. I believe that Germany has an outstanding reputation in the US, but that story needs to be told on a regular basis in Washington. It is essential that German business meet with Members of Congress and Administration officials to underscore the importance of this relationship, and the huge investments Germany has made in the US, creating good jobs around the country. In my view, Germany associations should also look to host events elsewhere in the US, for example in cities where there are German consulates.

EU Open Strategic Autonomy should be a Model for Future Transatlantic Trade

Also the European Commission recently announced a realignment of its trading strategy, which should respond to the trade policy implications of the Corona pandemic and defines a model of “Open Strategic Autonomy”. In my eyes this initiative is a needed step in the right direction, and should serve as a model for the US. The US had not taken many steps to date in exempting Covid related medical items and PPE goods from the various new tariffs under section 301 and 232, and should be expanding efforts in this regard. The initiative should be a model for future transatlantic trade developments, since there is clearly a need to eliminate barriers to the free flow of goods for any items necessary to treat Covid.

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