Key recommendations for EU-US trade relations

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Introduction

The USA is the most important export market and investment location for the German mechanical and plant engineering industry. For example, our industry exported in 2020 goods worth around EUR 18.2 billion euros to the USA. That was 11.4% of the total German machinery exports. At the same time, the USA is also an important supplier for the German market. In 2020, for example, Germany imported machinery worth around EUR 4.9 billion from the United States. The US was thus the third most important foreign machinery supplier, accounting for 7.3% of the German machinery imports.

Hence, trade relations with the US are of key importance to the German Mechanical Engineering Industry Association (VDMA). This explains why we prepared in December 2020 the publication “Biden’s trade and economic policy election promises - A classification from the perspective of VDMA” in German.

Below you will be able to find the key recommendations of VDMA for EU-US trade relations, as outlined in this publication.

Key recommendations for EU-US trade relations

- **Transatlantic trade talks**
  VDMA strongly supports the negotiations on conformity assessment and the elimination of tariffs for industrial goods between the EU and the US. We hope that an agreement in these areas will be reached as soon as possible. Both agreements are in the vital interest of the German mechanical and plant engineering industry. An agreement on conformity assessment would in particular bring considerable advantages to our SME companies. We hope that the so-called mini agreement on lobsters of August 2020 will provide an impetus for constructive trade talks with the USA.

- **Retaliatory tariffs in the Airbus/Boeing dispute**
  VDMA calls once again upon the EU and the USA to engage in a constructive dialogue to find a negotiated solution that finally ends the Airbus/Boeing dispute and that regulates State aid for the civil aviation industry. Even though the retaliatory tariffs are WTO-compliant, they hit the engineering sector, which has nothing to do with these subsidies, on both sides of the Atlantic. Manufacturers of certain tools, induction furnaces and special excavators are for example subject to US retaliatory tariffs.

- **Punitive tariffs following Section 232 of the Trade Expansion Act of 1962**
  VDMA assumes that the inflationary threat of US punitive tariffs following Section 232 will cease under Joe Biden, e.g. EU cars and car parts. The existing US punitive tariffs on EU products (such as steel and aluminium) are also to be lifted, as imports from the EU do not endanger the national security of the USA.

- **Extra-territorial effects of US sanctions**
  The extra-territorial effects of sanctions of third countries are unacceptable in every respect. They are increasingly becoming a problem for VDMA member companies. The industry needs political, legal and financial support measures to avert extra-territorial sanction risks. This includes for example secure payment channels in all countries of the world. VDMA strongly supports the political discussions in the EU on measures against extra-territorial sanctions.
• “Buy American”
The US should ensure that public procurement procedures are transparent, open and predictable. Moreover, these procedures should always be based on the principle of equal treatment. VDMA, therefore, rejects any requirements for national supply shares in public tender procedures and “Buy American” provisions. Ultimately, full market liberalization must be pursued and national treatment must be guaranteed to foreign bidders at all levels of Government procurement, be it at federal, state or regional level.

• WTO reform
VDMA strongly believes that the role of the World Trade Organization (WTO) should be maintained and strengthened. Several measures can be envisaged to maintain and strengthen the role of the multilateral organization. Firstly, a reform of the WTO’s dispute settlement mechanism, including the Appellate Body, is urgently needed. The EU should continue to advocate that the US and other countries are on board when it comes to the multi-party interim appeal arrangement (MPIA). Secondly, the WTO Secretariat needs to be strengthened in the monitoring of rules as well as in the enforcement of rules. Thirdly, it is important for the engineering industry that new rules are created to address issues such as industrial subsidies, State-owned enterprises and forced technology transfers.

• EU-US-China trade relations
VDMA sees now a unique opportunity for the EU and the US to work closer together again. As open and democratic societies and market economies, both sides agree for example on the challenge that China poses to them. There are many fields where both parties can take joint action, for example in reforming the Agreement on Subsidies and Countervailing Measures and dispute settlement in the WTO. The EU and the US are the two largest pillars for German mechanical and plant engineering. Closer integration of the two regions can, therefore, only be beneficial.

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