

## Bilateral trade

The EU and the US are each other's biggest economic partners, but have not yet been able to conclude a free trade agreement. Politically sensitive bilateral trade issues include US access to EU agricultural markets, EU access to US public procurement markets, data privacy regulations, climate policies, and taxation and regulation of major – chiefly American – digital service providers in the EU market.

### Background

The EU and the US [together account](#) for almost a third of global gross domestic product and are each other's most important markets for trade and investment. The two also share a democratic and normative culture that produces comparable policy objectives. Nevertheless, despite past efforts, the EU and the US have so far failed to negotiate a bilateral free trade or investment agreement. Negotiations between 2013 and 2016 on a [transatlantic trade and investment partnership](#) (T-TIP) never concluded. Under the Barroso and Juncker Commissions and the Obama Administration, T-TIP was impeded by political differences on, for example, agricultural standards (including GMOs), the EU's regulatory 'precautionary principle', data privacy concerns, access to public procurement, and investor-state dispute settlement.

EU-US trade relations deteriorated early on in the Trump Administration, which imposed 'Section 232' national-security-based tariffs on steel and aluminium imports from several US trading partners, including the EU (which in turn imposed retaliatory tariffs), and threatened further Section 232 tariffs on EU car imports. In July 2018, President Trump and Commission President Juncker reached an informal [agreement](#) to de-escalate trade tensions. The Trump Administration subsequently [notified](#) Congress of its plan to negotiate a free trade agreement (FTA) with the EU. However, there were disputes over scope: the Trump Administration sought a comprehensive deal that would include the EU's agricultural market, whereas the Juncker Commission aimed for limited negotiations on industrial tariffs and conformity assessments. In August 2019, the two sides announced an increase in the US quota of EU imports of hormone-free beef. In August 2020, they further announced reciprocal tariff reductions on certain products worth \$200 million (€168 million) in trade: the EU on lobster imports, and the US on some glassware, ceramics, disposable lighters and prepared meals. In March 2021, the Biden Administration and the Von der Leyen Commission [agreed](#) to suspend for four months tariffs imposed as part of the long-running Boeing-Airbus subsidy dispute. That same month, US Trade Representative Katherine Tai and Commission Executive Vice President Valdis Dombrovskis held their first virtual [meeting](#). On 15 June 2021, they [announced](#) an EU-US understanding on a cooperative framework for large civil aircraft, extending the suspension of Boeing and Airbus-related tariffs for a period of five years, while the two sides assessed the commercial threat posed to both of them by non-market economies. The two sides also launched an EU-US Trade and Technology Council; and undertook to work towards an EU-US partnership on rebalancing global supply chains in semiconductors, an EU-US joint technology competition policy dialogue, and WTO reform.

### European Commission policy

In December 2020, the Commission issued a [joint communication](#) on a new EU-US agenda for global change, which included proposals on existing bilateral trade irritants, as well as ideas for working together to integrate new digital and climate policy objectives into EU-US trade relations.

On bilateral trade irritants, the Commission proposed that the EU and the US settle the Boeing-Airbus subsidy dispute. On digital and trade, the Commission called for a global solution for 'fair taxation' of the digital economy in the context of the Organisation for Economic Co-operation and Development (OECD) and the G20, and for bilateral and multilateral cooperation to facilitate data flows with safeguards. On climate and trade, the Commission proposed that the EU and the US adopt a 'transatlantic green trade agenda' in mid-2021, which would include a jointly developed, WTO-compatible carbon border adjustment

mechanism. In February 2021, the Commission published an updated [Trade Policy Review](#), proposing new trade defence legislation for an 'open, sustainable and assertive' trade strategy.

## Role of the European Parliament and the Council of the EU

The European Commission is responsible for negotiating international FTAs on behalf of the EU, subject to a negotiating mandate approved by the Council of the EU, which represents EU Member State governments. The most recent mandate for EU-US trade negotiations was [authorised](#) by Council in April 2019. The majority of traditional FTA provisions require approval at EU level only, by a decision (using [qualified majority voting](#)) of Council, and with the consent (up or down vote) of the European Parliament. However, modern EU FTAs increasingly include a 'mix' of provisions concerning exclusive EU competences, and others where authority is shared between the EU and its Member States; the latter require additional ratification at sub-EU level, in line with Member States' domestic procedures. A May 2017 [decision](#) by the Court of Justice of the EU determined that portfolio investment and investor-state dispute settlement were shared competences.

In the European Parliament, the committee of jurisdiction for FTAs is the Committee on International Trade ('INTA'), chaired by Bernd Lange (Social Democrat, Germany), who in July 2021 [met](#) Ambassador Tai in Washington DC. In a September 2018 [resolution](#) on the state of EU-US relations, the European Parliament said that a 'broad, ambitious, balanced and comprehensive agreement covering all trade areas would be in the interest of the EU'. However, in a July 2019 [resolution](#) on the EU-US agreement to increase the US quota of EU hormone-free beef imports, Parliament also advocated excluding agriculture from EU-US FTA negotiations.

## United States position

In October 2018, the Trump Administration [notified Congress](#) of its intention to negotiate an FTA with the EU. The summary of negotiating objectives identifies tariffs and non-tariff barriers to US exporters to the EU. Sensitive items include: **trade in goods**: (reduce the US trade deficit with the EU; enforce US exporters' intellectual property rights and prohibit 'improper use' of geographical indications); **sanitary and phytosanitary measures** (SPS): (oblige the EU to base SPS measures on science; open up EU rule-making to international consultation; oblige the EU to refrain from exporting its standards to third country markets through separate FTAs, in a way that limits US exporters' access to those markets); **trade in services**: (prohibit discrimination at EU and Member State level against foreign service-providers, including the local presence requirement for cross-border service-providers; commit the EU to allowing the free flow of data to support US financial service providers in the EU market; remove all tariffs and forms of discrimination against US digital exports, including cultural products); and **government procurement** (maintain 'Buy America' and other schemes and provisions that privilege US service providers over EU exporters in the US market). The Trump Administration also [criticised](#), and threatened countervailing measures against, the imposition of digital services taxes (DSTs) by the EU and certain Member States. In March 2021, the Biden Administration published a new [Trade Policy Agenda](#), including a summary of US-EU trade relations to date. It noted that tariff negotiations had made little progress, but did not indicate a significant change in US priorities for a bilateral FTA. However, consultations have continued on other aspects of the economic partnership, short of an FTA, and progress has been made in the Group of Seven on a multilateral agreement on taxation of multinational companies, which may reduce transatlantic friction over the issue of DSTs.

## Role of the US Congress

The President is responsible for negotiating international agreements, including FTAs, but the US Constitution gives Congress sole authority to lay tariffs and regulate foreign commerce. For much of the period since 1974, Congress has granted the Administration [trade promotion authority](#) to expedite the negotiation of FTAs, though this expired on 1 July 2021. The Congressional committees of jurisdiction for trade are the Senate Finance Committee and the House Ways and Means Committee. In October 2018, Ron Wyden (Democrat, Oregon), now Senate Finance chair, [welcomed](#) the Trump Administration's announcement of FTA negotiations with the EU. In December 2020, Richard Neal (Democrat, Massachusetts), chair of the US House of Representatives' Ways & Means Committee, [called](#) on President-elect Biden to re-prioritise FTA negotiations with the EU, but there is no indication of this happening as yet.

