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German Chamber of Commerce and Industry

Economic Priorities for the Transatlantic Initiative for Sustainable Trade (TIST)

- The EU and the United States should expeditiously establish targeted agreements to facilitate transatlantic trade and mutual investments in the environmental and climate sectors.
- In addition to tariff reduction, mutual recognition of conformity assessments is especially advantageous for businesses.
- Coordinating sustainability regulations across the Atlantic is crucial to avoid competitive disadvantages and establish common global standards.

The United States has long been Germany's most significant export market and a crucial investment destination outside of the EU. Conversely, Germany is an important trading partner and investment location for the United States.

For the German economy, it is crucial that increased ambition in climate protection in the United States creates new business opportunities and collaboration possibilities, including addressing carbon leakage.

Many German companies currently hold hope that the green transformation will strengthen transatlantic cooperation through joint action. Therefore, transatlantic collaboration is vital to secure bilateral market access and to reinforce multilateral institutions and agreements. All agreements should be WTO-compliant.

A united stance from the EU and its external economic policies' effectiveness is crucial.

In Detail

Market Access

Secure access to energy and resources is a fundamental requirement for a functioning economy. Beyond the environmental and climate sectors, the EU and the US should reduce tariff trade barriers, especially in the industrial sector.

Simplifications in the service trade and cooperation in customs, such as classifications, are important. The EU should pursue improved access for European companies to public procurement contracts in the US. Better market access provides opportunities for companies on both sides of the Atlantic, especially with ongoing infrastructure projects.

Additionally, the 13 non GPA signatory US states - Alabama, Alaska, Georgia, Indiana, Nevada, New Jersey, New Mexico, North Carolina, North Dakota, Ohio, South Carolina, Virginia, and West Virginia - should join the WTO procurement agreement.

Negotiations on Green Steel

In the important EU-US negotiations on the trade of sustainable steel (Global Arrangement on Sustainable Steel and Aluminum, GSA), the EU should reject US plans for new WTO-incompatible tariffs, maintaining WTO-incompatible 232 steel tariffs, and granting the United States an exemption from the Carbon Border Adjustment Mechanism (CBAM) without implementing their own ETS system. Instead, WTO-compatible transatlantic approaches that align with international climate agreements are needed.

For German industry, it is crucial to prevent a return to suspended mutual punitive tariffs. Simultaneously, managed trade should be rejected, and steel trade should not be limited by quota regulations.

Transatlantic Critical Minerals Agreement

The EU and US should swiftly conclude a critical minerals agreement to enhance European companies' access to US funding under the Inflation Reduction Act (IRA). The agreement should be WTO-compliant, improve bilateral market access in the raw materials sector, and restrict export bans. Beyond the critical minerals agreement, discriminatory IRA regulations for European companies should be eliminated.

Cooperation on Conformity Assessment

In many areas, cooperation on conformity assessments should be strengthened to facilitate the export and import of goods for companies. EU's legislative autonomy should be preserved. Mutual recognition of conformity assessments, especially in the Cleantech sector, machinery

manufacturing, and the chemical sector, is crucial, as significant obstacles such as costly double certifications still exist.

Additionally, products in the following areas are relevant: energy efficiency, sustainable water management, carbon-neutral energy production and storage, raw material and material efficiency, air quality, circular economy, and waste management.

Given increasing geopolitical tensions, strategic goods and resources are also of particular importance. Relevant goods include those requiring CE marking, such as machinery directive (2006/42/EC), eco-design (2009/125/EC), low voltage directive (2014/35/EU), medical devices (EU 2017/745), active implantable medical devices (EU 2017/745), in vitro diagnostics (EU 2017/746), goods covered by the general product safety directive (Directive 2001/95/EC), goods subject to the RoHS directive (2011/65/EU), and goods covered by the REACH regulation (EC) No. 1907/2006.

Focus on Key Sectors

Generally, DIHK advocates for technology-neutral regulations. This should also be pursued in negotiations for comprehensive market access in the United States. Since there are currently no political majorities for a comprehensive EU-US trade agreement, negotiations for the Transatlantic Initiative for Sustainable Trade (TIST) are essential to support German-US trade across a broad spectrum. Focusing TIST on sectors affected by the IRA, Important Projects of Common European Interest (IPCEIs), and the EU Net Zero Industry Act is sensible.

A significant number of environmental protection goods are manufactured in industries such as machinery manufacturing, rubber and plastics, the chemical industry, medical technology, and environmental technology, particularly for emissions control and air purification.

Furthermore, the Green Tech sector, including energy efficiency, water management, carbon-neutral energy production and storage, raw material and material efficiency, air purification, circular economy, and waste management, is becoming increasingly important.

In addition to renewable energy, resource-efficient mobility goods such as railway technology and emissions-reducing ships and aircraft, as well as electric vehicle charging infrastructure, are relevant for transatlantic trade. More specific areas include high-performance batteries and advanced recycling, industrial control systems - especially process control and industrial automation - photovoltaics & solar thermal, electrolysis & fuel cells, onshore and offshore wind energy, sustainable biogas/biomethane, batteries, and other storage technologies, CO2 capture, storage & utilization, heat pumps & geothermal, grid technologies, carbon-neutral vehicles (passenger cars/trucks/buses), and microelectronics, with a focus on semiconductor processing technologies and chip design and manufacturing. The entire supply chain should be a focus of TIST negotiations.

Digital Solutions for the Green Transition

The digital transformation is a key instrument for achieving climate goals. Efficient data processing to optimize the energy efficiency and flexibility of industry and infrastructure is one area of particular focus. Additionally, the entire transatlantic customs process should be simplified and digitized, for example, through the promotion of digital invoices and freight documents. Practical transition regulations and timeframes are necessary for a proper implementation.

Digital technologies provide a straightforward and efficient means of tracking, tracing, and mapping resources in global supply chains. Digital product passports will provide access to production, processing, sorting, or recycling information for a product, making it easier to manage the product throughout its lifecycle, along the entire value chain and across borders. These contribute to data-driven, efficient, and sustainable value chains in the circular economy. Transatlantic cooperation on information models for digital twins such as BIM or i4.0/AAS and their ontologies (W3C, WoT) and semantics (e.g., ECLASS) is also essential.

Additionally, uniform transatlantic standards for collecting and calculating emissions data are highly relevant. These standards could significantly reduce bureaucratic burdens for businesses and are a prerequisite for faster digitization.

Resilient Supply Chains

Promoting resilient and sustainable supply chains that support the green transition, particularly in the clean tech sector, must be a top priority in transatlantic relations. The creation of fair competition conditions and open trade should precede the promotion of resilient supply chains. All measures should apply to all TIST categories of goods.

Moreover, coordinated clubs for critical raw materials with key trading partners should be agreed upon as quickly as possible to enhance planning certainty for affected products. Establishing a functioning EU-US initiative with targeted and effective measures for procuring raw materials and intermediate products is essential to avoid unilateral dependencies and disruptions in supply chains. Enhanced cooperation in strategically important procurement fields would be necessary. Some IHK member companies advocate for reshoring initiatives, actively promoting the relocation of production to Germany.

Supply chain resilience is crucial in the following sectors: solar industry, wind turbine production, LNG technology, hydrogen production, battery production, medical devices, the chemical industry, semiconductors, and passive electronic components. A focus on promoting the trade of recyclables, such as applying simplified customs procedures, is also important.

Beyond the transatlantic relationship, comprehensive and ambitious EU agreements to eliminate trade and investment barriers with Mercosur, Mexico, and Chile, as well as trade partners in the Asia-Pacific region, are necessary for diversifying and securing the supply chains of the

German economy. Negotiations with Gulf states and trade partners in Africa should also be resumed.

A sustainable societal transformation can only succeed if rules are practical and strengthen European and German economic long-term competitiveness. It is more important than ever for the German economy that European ambitions in sustainability do not become an international competitive disadvantage.

Unilateral measures are less effective and pose the risk of economically damaging trade conflicts and increased protectionism. Regulations in sustainability, climate and environmental protection, and human rights should be promoted internationally by the EU to avoid new trade conflicts and competitive disadvantages.

In particular, standardization or at least compatibility of sustainability requirements should be ensured. EU requirements for due diligence in supply chains and the prohibition of products from forced labor should be designed to provide stronger incentives for companies to establish more sustainable supply chains, even in challenging locations, rather than impeding trade with more challenging partner countries or regions on a wide scale. This should particularly apply to EU-US relations to advance a global level playing field.

Due Diligence in Supply Chains

In 2020, the Federal Ministry of Labor and Social Affairs (BMAS) identified 29 sectors with human rights risks¹. Many of these sectors are relevant to the green transformation. Transatlantic cooperation on due diligence, for example, concerning products from forced labor and the Corporate Sustainability Due Diligence Directive (CSDDD), is essential. This can provide clarity for companies in shaping their business activities and reduce competitive disadvantages associated with unilateral European regulations.

Harmonizing EU and US due diligence standards can create an urgently needed transatlantic level playing field with global significance, including for competitors from third countries. In this regard, the OECD Guidelines for Multinational Enterprises can play a crucial role.

This is especially relevant for SMEs, as due diligence responsibilities are passed on in the value chain. Due diligence standards in the US and the EU should be subject to similar control measures and sanctions. To achieve transatlantic coherence, both partners should implement relevant labor standards.

¹ <https://www.bmas.de/SharedDocs/Downloads/DE/Publikationen/Forschungsberichte/fb-543-achtung-von-menschenrechten-entlang-globaler-wertschoepfungsketten.pdf? blob=publicationFile&v=2>

The EU and the US should also jointly address the ongoing erosion of the WTO, particularly in its dispute settlement mechanisms, and advocate for ambitious WTO reform. This would increase regulatory planning certainty for businesses. A digital product passport based on international standards could help ensure access to production, processing, sorting, or recycling information for a product throughout its entire lifecycle or value chain. This would be a step toward transparency and traceability in supply chains and should be coordinated transatlantically.

German Chambers of Commerce Abroad in the US

The German-American Chambers of Commerce (AHKs) in Atlanta, Chicago, New York, and San Francisco (with several branches as branches) are the contact points for German companies in the United States, along with the Representative of German Industry and Trade (RGIT) and the Delegation of German Industry and Commerce in Washington, DC.

They are the official member organizations of German companies in North America. They provide current market information and practical business information to help their members on-site, as well as interested German and European companies, successfully conduct their business and access US markets. The chambers provide a platform for the transatlantic business community and represent the interests of their members to stakeholders such as policymakers and the public.

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Who we are:

Under the umbrella of the German Chamber of Industry and Commerce (DIHK), the 79 chambers of industry and commerce (IHKs) have joined forces. Our common goal is to optimize the conditions for successful business operations.

At the federal and European levels, the DIHK advocates for the interests of the entire commercial economy in relation to politics, administration, and the public.

Several million businesses in trade, industry, and services are statutory members of the IHKs, ranging from kiosk owners to DAX-listed corporations. As a result, the DIHK and the IHKs serve as a platform for the diverse concerns of businesses. We consolidate these concerns through a

regulated process based on legal foundations to form common positions of the business community, thereby contributing to the economic policy opinion-forming process.

Furthermore, the DIHK coordinates the network of foreign chambers of commerce with more than 150 locations in 93 countries.