

Foreign Trade

Bavaria and the USA – Shaping a transatlantic future together

vbw

Position
January 2026

Bavarian Industry Association



Foreword

Meeting global challenges with transatlantic solutions

Relations between Bavaria and the United States of America are characterized by long-standing friendship and close economic ties. We are united by the values of democracy, freedom, and the rule of law, even though these are increasingly under threat. For decades, the United States has been the largest export market for Bavarian goods. In 2024, the US was Bavaria's second-largest trading partner with a total trade volume of 41.6 billion euros.

However, the importance of the Bavarian economy in the US is also significant: Bavarian companies secure around 728,000 jobs there and contribute more than 131 billion euros to gross value added.

In view of global challenges – increasing geopolitical rivalries, a changed world economic order, and climate change – we want to continue to work closely and trustingly with our transatlantic partner.

However, conditions have changed since Donald Trump took office as US President. His erratic and protectionist trade policy has unsettled and burdened companies. The political accord between the US and Europe in the summer of 2025 avoided a trade war but the tariffs make our exports more expensive, reduce our growth, and generally make trade with the US more difficult. The EU must try to achieve improvements in the trade deal. The medium-term goal must remain to remove tariff and non-tariff trade barriers.

In addition, the EU must quickly remove the remaining internal market barriers between member states and conclude partnership and trade agreements with as many countries and regions as possible in order to support and diversify our companies' foreign trade. The German government must play an active role at the EU level and work to promote unity.

Bertram Brossardt
January 20, 2026

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Position at a Glance

Under US President Donald Trump, transatlantic cooperation is once again being put to the test.

Since taking office, US President Donald Trump has placed a heavy strain on transatlantic relations. Many of the fears have been confirmed: his erratic and protectionist trade policy is causing great uncertainty. Planned investments are being halted or put on hold in some cases. US customs policy is slowing down the global economy. This is placing a particular strain on the economies of Bavaria and Germany, which are deeply integrated into global trade.

In July 2025, the US and the European Union reached a political agreement in the trade dispute. This at least gives companies more planning security. Compared to the status quo before Trump took office, however, trading conditions for Bavarian companies have deteriorated significantly. Agreements on the mutual abolition of tariffs on strategic products and duty-free quotas, the removal of non-tariff trade barriers, and stronger cooperation for economic security can serve as a silver lining.

Companies on both sides of the Atlantic are equally faced with the consequences of geopolitical conflicts, a changing global economic order, and climate change. A resilient supply chain setup is therefore becoming increasingly important.

The core demands of the vbw are:

- Ensure transatlantic economic security: In order to meet global challenges, partners who share the same values must work closely together. The Bavarian economy must not become a pawn in the conflict between China and the US.
- Maintain the balance of power in transatlantic relations: The EU must act on an equal footing with the US. It must advocate for a stable trade regime.
- Strengthen free trade: The EU must remain a global advocate for free trade and work to maintain a rules-based and multilateral world trade order. Trade agreements must be concluded with greater pragmatism.
- Cultivating regional partnerships: Through close relations with strategically important US states, Bavarian companies and the Bavarian state government can help to create favorable conditions for investment and cooperation and open up markets.
- Expand technology partnerships: While the US under Trump is focusing on deregulation, the EU risks falling behind in international competition with the AI Act. The cooperation on common standards and cross-border innovation projects initiated in the EU-US Trade and Technology Council must be continued.
- Finding ways to cooperate on climate protection and the energy transition: A level playing field is needed to combat climate change effectively.

1 Bavaria and the US – important partners in transatlantic cooperation

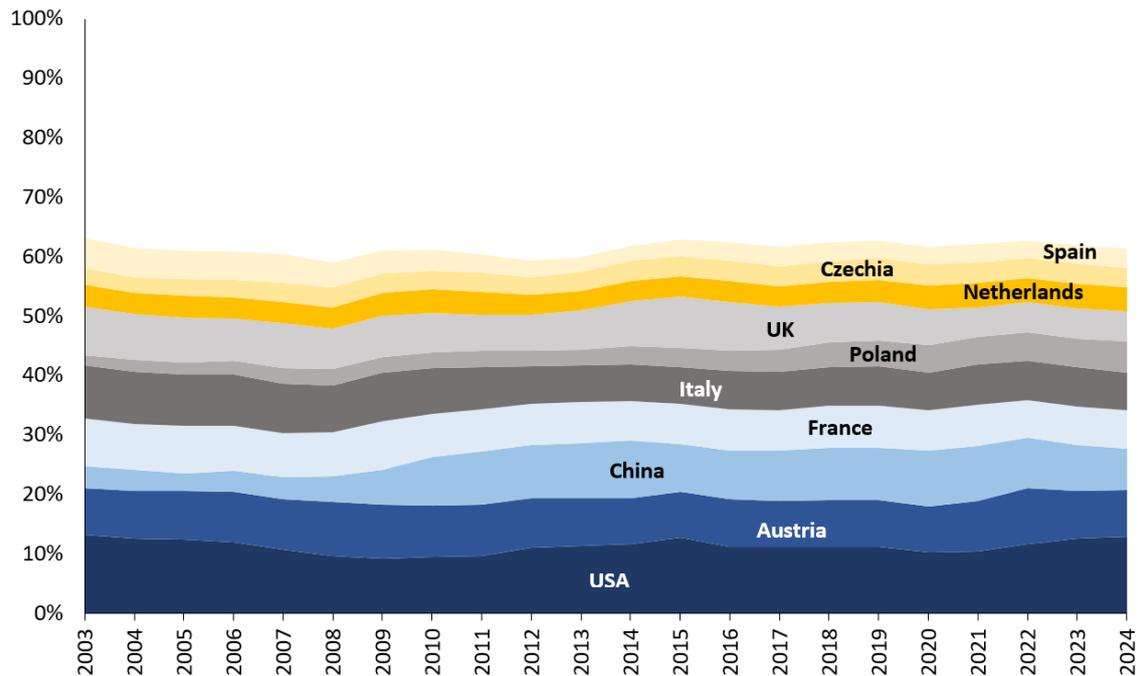
Strong and stable Bavarian-American economic relations are in the interests of both sides.

1.1 Foreign trade relations with the US

The US has traditionally been one of Bavaria's most important trading partners. For decades, the United States has been the largest export market for Bavarian products. In 2024, Bavarian companies exported goods worth 28.9 billion euros to the USA. This accounted for 12.8 percent of total Bavarian exports. Austria and China followed in second and third place, some way behind, with shares of 7.9 percent and 7.0 percent respectively.

Figure 1
 Bavaria's top 10 export markets

Share of total Bavarian exports 2024



Source: own calculations based on data from Destatis.

Bavaria and the US – important partners in transatlantic cooperation

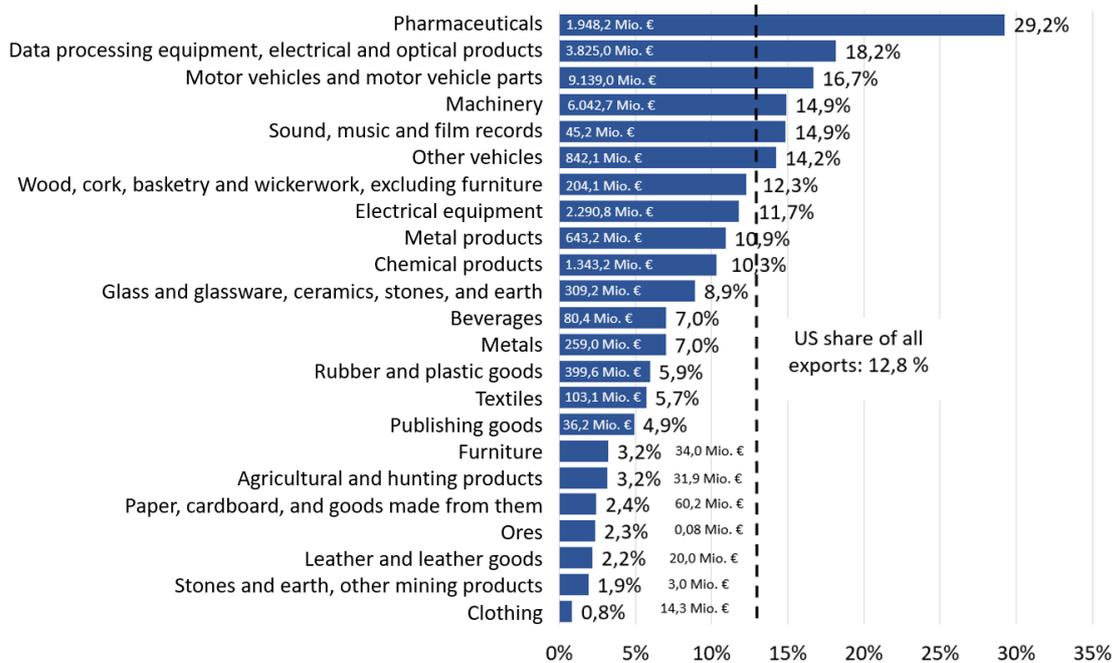
In terms of imports, the US ranks sixth among Bavaria's most important supplier countries. Its share of total imports was most recently 5.6 percent. With a trade volume of 41.6 billion euros, the US is Bavaria's second-largest trading partner.

Bavaria has been generating an export surplus in trade with the United States for years. In 2024, this amounted to 16.1 billion euros.

Figure 2 shows the respective share of corresponding exports to the US for various product groups. The export value is also indicated.

Figure 2
Significance of Bavarian exports to the US for various product groups

Exports to the US in Mio. € and share of total exports in this product group, 2024



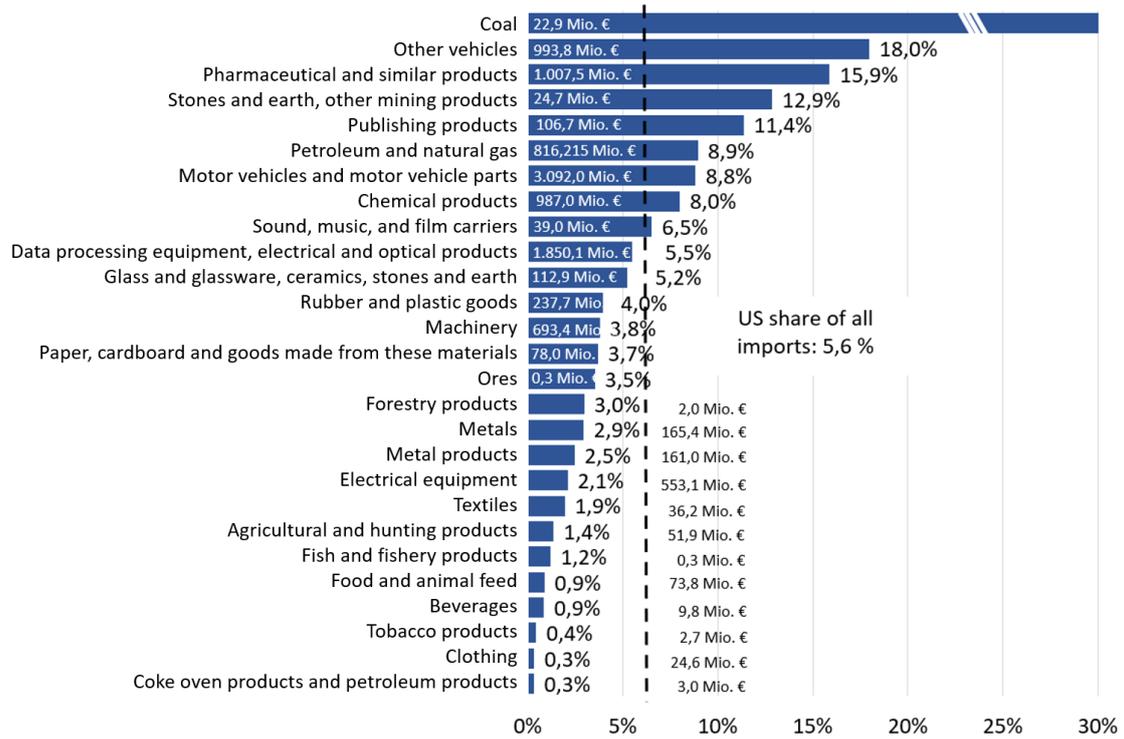
Source: Own calculations based on data from Destatis

The US market is clearly above average in terms of its importance for pharmaceutical products, IT equipment, motor vehicles and motor vehicle parts, and machinery. However, more than a tenth of exports to the United States last year were also in the two other product groups with very high export values – electrical equipment and chemical products.

Figure 3 shows the respective share of Bavarian imports from the US for various product groups. This highlights the importance of the energy partnership: Bavaria sources over 70 percent of its coal imports and just under nine percent of its oil and natural gas imports from the US. In addition, the US is an above-average procurement market for product groups such as other vehicles and pharmaceutical products.

Figure 3
Significance of Bavarian imports from the US for various product groups

Imports from the US in Mio. € and share of all imports in this product group, 2024



Sources: Own calculations based on data from Destatis.

From the US perspective, 3.8 percent of all exports went to Germany in 2024. This made Germany the fifth-largest export market for the US economy behind Canada (16.9 percent), Mexico (16.2 percent), China (7.0 percent), and the Netherlands (4.3 percent). Bavaria accounted for 0.5 percent of total US exports.

Conversely, Germany is the fourth-largest supplier country for the US. In 2024, the United States sourced 4.9 percent of its imports from Germany. Only Mexico (15.5 percent), China (13.4 percent), and Canada (12.6 percent) supplied more imports. Bavaria accounted for 0.9 percent of total US imports.

The US traditionally has a very high trade deficit. In 2024, this stood at USD 1.2 trillion. This corresponded to 22.6 percent of total trade volume.

In regional terms, the US has had a large trade deficit for many years, particularly with China. In 2024, the difference between imports and exports amounted to USD 295.5 billion. The deficit with the EU amounted to USD 235.9 billion, with Germany accounting for

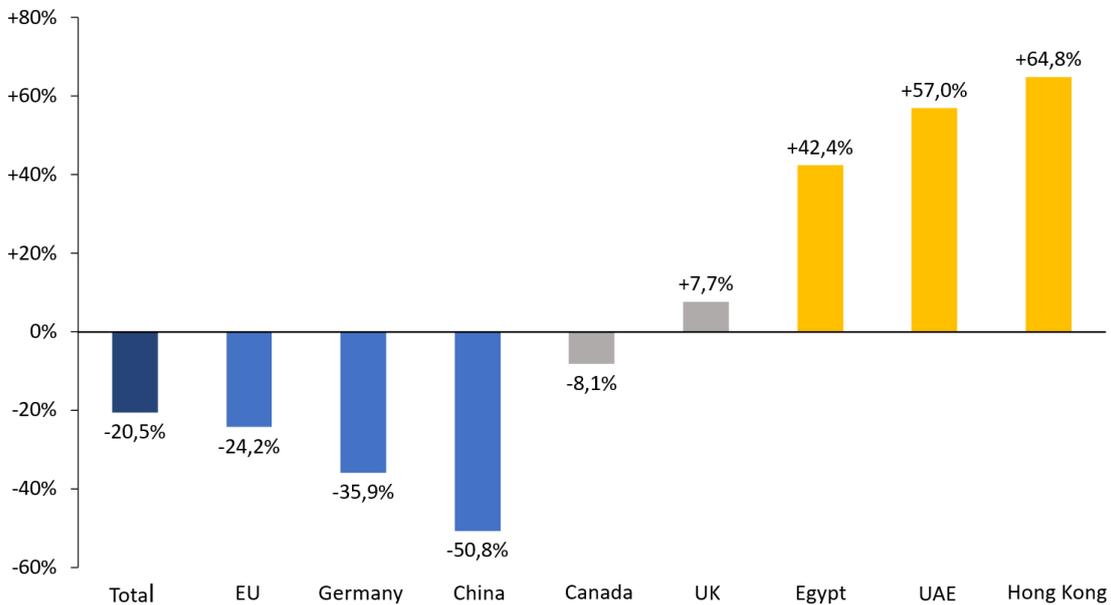
over a third (35.9 percent) of this deficit (-USD 84.7 billion). In contrast, the US exports more goods to many countries in the Global South than it imports from them. The US also has trade surpluses with countries that serve as regional hubs. For example, US exports to the United Arab Emirates (+USD 19.6 billion) and Hong Kong (+ USD 21.9 billion) significantly exceeded imports from these countries.

Looking at the relative figures, the picture is similar. At 24.2 percent, the US trade deficit with the EU was only slightly higher than the overall trade deficit. In trade with China, however, the US deficit was 50.8 percent. This means that imports from China exceeded exports to China by a factor of three.

US trade with Canada and the United Kingdom is more balanced. The US foreign trade deficit with Canada was 8.1 percent of total trade volume. In trade with the United Kingdom, the United States even achieved a foreign trade surplus of 7.7 percent.

Figure 4
The US foreign trade balance

US foreign trade balance as a percentage of trade volume, 2024



Sources: own calculations based on data from the United States Census Bureau.

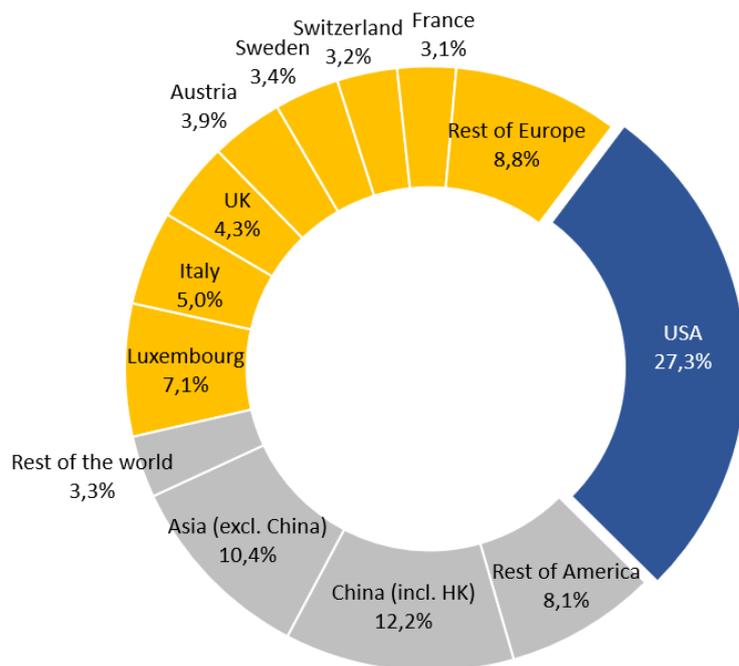
At the same time, it should not be forgotten that the US generates surpluses in international trade in services, primarily through its globally successful technology companies. Eurostat estimates the US surplus in trade in services with the EU at 148 billion euros, which partially offsets the US deficit in trade in goods. Overall, the EU-US trade volume in

services is now approaching that of goods: in 2024, it stood at 816.9 billion euros (services) compared to 867.1 billion euros (goods).

1.2 The US as the number one investment destination for the Bavarian economy

The United States is the main destination for Bavarian direct investment. More than a quarter (27.3 percent or 94.6 billion euros) of total foreign direct investment was in the US in 2023 (latest available data). Bavarian investors control a total of 988 business units in the US. The 199,000 employees of these companies generated sales equivalent to a good 207 billion euros. These investments give Bavarian companies an international presence, new sales markets, and innovation momentum.

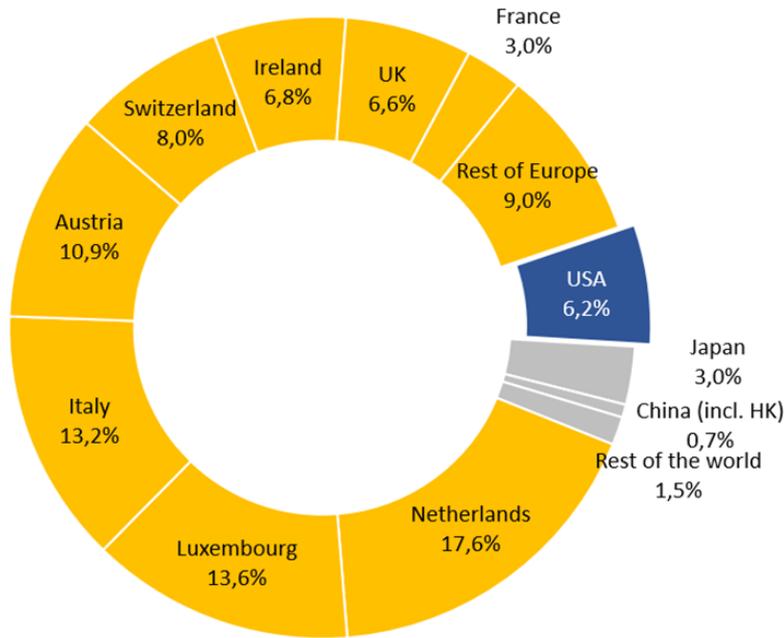
Figure 5
 Bavarian direct investment holdings abroad, 2023, share of total holdings



Sources: Own calculations based on data from the Bundesbank.

Conversely, Bavaria is also a popular location for investments by US companies. 6.2 percent of foreign companies' investments in Bavaria came from the US. 10.3 percent of US investments in Germany were made in Bavaria.

Figure 6
 Foreign direct investment holdings in Bavaria, 2023, share of total holdings



Sources: Own calculations based on data from the Bundesbank

The data clearly shows that German and US companies are important investors and trading partners for each other's markets. This means that relations with the US are an important pillar of employment and prosperity in Bavaria and Germany. Many jobs are created in this country because Bavarian companies sell their products in the US and because US companies invest in Bavaria. Access to the US market is just as important for large companies as it is for medium-sized industrial companies. As the world's largest economy, the US is also crucial to the dynamics of the global economy as a whole.

2 Global challenges

Geopolitical tensions, trade conflicts, and climate change pose challenges for global politics and the global economy.

2.1 Geopolitical tensions

The conflict between the United States and China over global supremacy has had a growing impact on international politics and the economy in recent years. The increasing tensions threaten the established world economic order. The risk of a bipolarization of the global economy, with a US-dominated bloc on one side and a Chinese-dominated bloc on the other, is very real.

Russia's war of aggression against Ukraine has raised fundamental questions about the reliability of our trading partners. From a European perspective, the same applies to China, which is being viewed with increasing criticism as a result of human rights violations in the country, its behavior toward Taiwan, and its increasingly aggressive and strategically oriented trade and subsidy policies.

In the Indo-Pacific, disputes between China and neighboring countries are becoming increasingly frequent, threatening maritime shipping routes that are important for global trade. The US has therefore strengthened its military presence in the region, formed a security partnership with Australia and the United Kingdom, and expanded its trade partnerships with Southeast Asian countries.

Most recently, following Hamas' attack on Israel in October 2023 and the ensuing armed conflict, concerns about wide ranging conflict in the Middle East have grown. After the US attack on Iranian nuclear facilities in June 2025, a new nuclear agreement is being negotiated.

States and alliances of states are seeking strategic autonomy in key sectors. At the same time, economic dependencies are being exploited politically and weaponized. In this geopolitically challenging environment, it is becoming increasingly difficult and costly for companies to maintain and expand trade relations. They are increasingly focusing on regionalization and "local for local." Partnerships with countries that share the same values are becoming particularly important for Europe.

2.2 Changing global economic order

The global economy is in a state of upheaval. The Western-dominated liberal and multilateral trade order under the umbrella of the WTO has been functioning only to a very limited extent for some time now. The protectionist tariff and trade policies of US President Donald Trump are making the erosion of the rules-based global economic system even

more explosive and dynamic. The vbw study [Consequences of a New Global \(Economic\) Order for Germany and Bavaria](#) concludes that a future world trade system will be characterized by bilateral rather than multilateral relations, by power politics rather than rule-based politics. Geopolitical rivalries are intensifying—especially between the US and China—and the foreign and economic policies of nations are increasingly guided by self-interest. These changes will dampen world trade and global growth.

The external economic environment has become more difficult. More than ever, companies are being challenged to diversify their procurement and sales markets in order to avoid becoming pawns in geopolitical conflicts. The global regulatory framework will be significantly more unstable than before, which will massively hamper medium- and long-term planning for companies and lead to a significant increase in trade barriers on a global average.

2.3 Climate change and decarbonization

Climate change is a global challenge that affects global security and the economy. People fleeing environmental disasters can lead to social tensions in the countries they're heading to. Extreme weather events, floods, heat, drought, and cyclones harm people and industry. Supply chains are disrupted because infrastructure is destroyed. Due to global supply chains, damage in one region of the world quickly affects the economies of other regions.

In the 2015 Paris Agreement, 195 countries committed to curbing climate change and transforming the global economy in a climate-friendly way. The US and the European Union each set up comprehensive support programs. In 2022, the Inflation Reduction Act, a multi-billion-dollar industrial policy climate protection program for the American economy, came into force. However, with its renewed withdrawal from the Paris Climate Agreement and the abolition of investment incentives for renewable energies, the US under President Trump is once again turning its back on international climate protection policy. With the Clean Industrial Deal, the EU Commission is focusing on the competitiveness of European industry without abandoning its climate targets.

In order to effectively protect the climate and secure the natural foundations of human life, countries around the world must work together. Coordinating climate policy reduces unfair competitive advantages. International technology cooperation can help to develop climate-friendly products and services and reduce emissions.

3 The economic agenda

Since taking office, President Donald Trump has been implementing his campaign promises and changing the existing global economic order.

President Trump has been in office for a second term as US president since January 2025. Republicans hold the majority in both houses of Congress, and the US Supreme Court is controlled by Republicans. This gives Trump greater power than he had in his first term.

The president has used his power to fundamentally reshape America. He has turned global trade upside down, reorganized the US administration, drastically restricted immigration, and embroiled the US in new wars. His erratic and unpredictable style of government is causing uncertainty in the US and around the world.

Below, we present developments in the policy areas of trade, taxes, energy/climate/environment, foreign policy, science, and artificial intelligence.

3.1 Trade policy and tariffs

Trump criticizes the global trading system as detrimental to the US, responsible for trade deficits, declines in production, and job losses. On the day he took office, the White House published its "America First Trade Policy" memorandum, which aims to put American interests and workers at the forefront of US trade policy. Trump rejects international institutions such as the WTO and rule-based systems. His trade policy is diametrically opposed to WTO rules, in particular the most-favored-nation principle. Instead of relying on multilateralism, he plays on the power of the US in bilateral relations and puts pressure on (trade) partners to follow US interests.

In the first few months of his second term, Trump imposed tariffs on certain trading partners and on imports of certain product groups. To date, sector-specific additional tariffs have been imposed on imports of steel and aluminum and their derivatives (currently 50 percent), cars and certain car parts (currently 25 percent), and certain copper imports (currently 50 percent). Numerous other ongoing Section 232 investigations are a sign of how comprehensively Trump wants to protect the American market. On "Liberation Day," April 2, 2025, Trump imposed so-called "reciprocal tariffs" of 10 to 50 percent against more than 90 trading partners, which he suspended a week later following massive stock market crashes until August 1, 2025, replacing them with an additional base tariff of 10 percent. In the meantime, the US administration has concluded political framework agreements and agreements with some trading partners to regulate bilateral trade.

The US reached a political agreement with the EU on July 27, 2025. On August 21, 2025, both sides published the "Joint Statement on a United States-European Union framework on an agreement on reciprocal, fair and balanced trade". It is currently being implemented

in a legally binding manner in the legislative processes on both sides. Essentially, it has been agreed that most EU imports into the US will be subject to a uniform tariff rate of 15 percent, which includes the most-favored-nation (MFN) tariff rate. There are exceptions for certain goods. First, products for which the US most-favored-nation (MFN) tariff rate is higher than 15 percent will be subject to this higher MFN tariff. Secondly, the US will apply only the MFN tariff rate to unavailable natural resources, all aircraft and aircraft parts, generic drugs and their ingredients, and chemical precursors from the EU, even if this rate is lower than 15 percent. The EU will eliminate tariffs on US industrial goods and grant preferential market access to certain agricultural products and seafood. In the steel and aluminum sector, the US and EU cooperate in ring-fencing their respective domestic markets from overcapacity, while ensuring secure supply chains between each other.

After the agreement, the US Department of Commerce added 407 product groups to the list of derivative steel and aluminum products. As a result, the steel and aluminum content of these goods is subject to a 50 percent tariff. Among other things, these tariffs affect wind turbines, cranes, excavators and other heavy machinery, rail cars, furniture, compressors, and pumps.

The ifo Institute estimates that the tariffs could lead to GDP losses of 8.6 billion euros in Germany. German exports to the US could slump by 16 percent. Although some goods would be diverted to other countries, German exports are likely to decline by around 1.4 percent overall. The impact on Bavaria could be even greater given the high proportion of exports to the US. The EU's commitment to purchase energy, AI chips, and possibly military equipment from the US will also be partially at Europe's expense.

Even companies with US locations are suffering from the tariffs. It is expected that the US market could lose importance as a result. The tariffs are forcing many companies to reassess global markets and realign their investments. The Trump administration's economic policy is also affecting the investment plans of German and Bavarian companies. Some companies have postponed their planned US investments, and a few have even canceled them altogether.

3.2 Economic policy – US tax and budget law

With the so-called One Big Beautiful Bill Act (OBBBA), Congress and the president have enacted a USD 3.4 trillion tax and budget bill. The bill is intended to create more jobs in the US and stimulate investment in infrastructure. Other goals include securing innovation and lower energy costs.

The bill comprises a package of tax breaks and budget measures. It includes many permanent extensions of the tax cuts for businesses and individuals from President Trump's first term, which were originally set to expire at the end of 2025. In addition, further tax breaks, a fundamental change to the international tax framework, and the elimination of tax incentives for clean energy for businesses are planned. The bill also provides for increased spending on border security and defense. More money is to be allocated to shipbuilding, air and missile defense, and ammunition and nuclear weapons programs.

Increased depreciation allowances for the purchase of operating equipment are likely to benefit particularly production-intensive sectors such as industry. Tax breaks for research and development expenditure could have a beneficial effect on research-intensive sectors such as the healthcare sector.

The automotive industry can benefit from higher depreciation allowances for operating equipment if it manufactures in the US. In addition, interest on car loans will be tax-deductible in the future, which could boost sales. However, this is conditional on the cars being assembled in the US. Furthermore, subsidies for electric cars will be eliminated (see section 3.3). As part of the OBBBA, penalties for non-compliance with fuel economy standards (CAFE) have been eliminated.

3.3 Energy, climate, and environment

With its renewed withdrawal from the Paris Agreement, the world's second-largest emitter of CO₂ is leaving the group of signatories. In doing so, the US administration is undermining international efforts to combat climate change.

Trump's budget bill also reflects this shift in priorities: some segments of the energy and climate sector will see new business opportunities, while others will see funding cutbacks:

- **Wind and solar energy:** Tax breaks are being phased out.
- **Coal:** Metallurgical coal used in steel production will be added to the list of critical minerals eligible for tax breaks.
- **Nuclear power:** The law expands financial support for nuclear energy.
- **Geothermal energy:** Tax breaks for geothermal energy will continue to apply.

The OBBBA ends a series of tax incentives for renewable energies that were introduced by the Biden administration as part of the Inflation Reduction Act of 2022. This reversal has a direct impact on foreign companies that have invested in the US renewable energy market in recent years. Many of these companies had planned their US strategies based on the tax framework. The elimination of subsidies reduces the profitability of ongoing or planned projects. For internationally operating corporations, this means that the US is becoming less attractive as a market for green technologies.

The OBBBA also largely eliminates the tax incentives from the Inflation Reduction Act 2022 for electric vehicles and energy efficiency programs.

3.4 Foreign policy

In foreign policy, President Donald Trump is focusing on "America First." With his actions and statements, he is breaking with the rules-based, liberal international world order established after 1945 and abandoning multilateralism.

Trump's relationships with US allies are purely transactional and range from indifference to hostility, while he seeks friendlier relations with former adversaries of the US. The administration is withdrawing from international cooperation in areas such as the environment, global health, and the economy, as it considers these to be in conflict with national interest. In addition, funding for international development cooperation has been cut drastically.

Trump started a trade dispute with Canada and Mexico and is continuing the ongoing trade dispute with China. He has repeatedly expressed his desire to annex Canada, Greenland, and the Panama Canal. He takes a hardline pro-Israel stance. In response to the war in Gaza, he proposed taking over the Gaza Strip, forcibly resettling the Palestinian people to Arab states, and turning Gaza into a special economic zone. In June 2025, he authorized attacks on Iranian nuclear facilities. Trump is seeking a realignment with Vladimir Putin's Russia, a long-time adversary of the US. The US peace plan for Ukraine is heavily based on Russia's demands. European partners were largely excluded from the drafting process. These steps have been criticized by most of the US's allies and numerous international organizations. The US National Security Strategy envisages a strong focus on the Western Hemisphere. Iran and North Korea are no longer addressed in the strategy. The European Union is heavily criticized as a supranational organization because of its values and legislation. The strategy makes it clear that the US would prefer to work with individual European states rather than with the European Union and that the United States wants to influence European policy. Foreign policy goals are also to be achieved by economic means. All of this signals a significant and lasting change of course in US foreign policy.

With his threat to leave NATO, President Trump has succeeded in persuading NATO partners to increase their defense spending. At the NATO summit in June 2025, member states agreed to invest five percent of their gross domestic product in defense and security by 2035. Previously, the target was two percent.

3.5 Attack on science

The Trump administration's cuts to government-funded research and development, its fight against leading international universities, and its hostile stance toward immigrants are an attack on America's power of innovation. The cuts to the science and innovation ecosystem jeopardize the long-term competitiveness of the US.

Funding for government research and development is being cut: cuts are planned for the National Science Foundation (NSF) and the National Institutes of Health (NIH) for the 2026 fiscal year. These savings are expected to lead to fewer new patents and fewer new pharmaceuticals. Climate research is also being targeted. International research institutions such as NASA's Goddard Institute for Space Studies and the US Weather and Oceanography Agency have had their funding and staff cut. Both provide important global observation data for agriculture and the prediction of extreme weather events, which is now lacking. The budget of the national space agency NASA is to be cut by almost a quarter, and its research budget by about half.

Universities and colleges are under pressure: without sustainable government funding for research institutions, the US risks losing its global leadership role. In fact, it will be virtually impossible for universities to compensate for the loss of government-funded research and development, as private endowment funds are generally intended to ensure the long-term sustainability of an institution and not to fund early-stage research or applied science.

The Trump administration's tightened immigration and visa policies are driving researchers and top students away from the US. Foreign students are shying away from studying in the US and are unsettled because students living in the country legally have been threatened with deportation. According to surveys, nearly three-quarters of US researchers considered leaving the US in early 2025. Such a brain drain would significantly hamper the country's economic development. According to one study, 25 percent of US start-ups worth billions were founded by foreign students, and nearly half of the country's Fortune 500 companies were founded by immigrants.

Transatlantic research collaborations are also being called into question by the cuts.

3.6 Trump's AI action plan

With an AI action plan comprising 90 measures, the US administration aims to reduce technology regulation to make the US a global leader in artificial intelligence. Public administration and the military are to make extensive use of AI. The plan is based on three pillars:

- **Promoting American innovation in AI:** To this end, regulatory hurdles to development are to be removed.
- **Expanding AI infrastructure:** Approval procedures for the construction of data centers will be simplified and the cybersecurity of critical infrastructure improved.
- **Promoting American technology abroad:** An export program will deliver chips, AI models, and standards to allies in a targeted manner – as a bulwark against Chinese influence.

Representatives of the American technology industry, such as NetChoice, whose members include Amazon, Google, and Meta, welcomed the plan.

4 Key demands of vbw

Global challenges can only be solved through transatlantic partnership.

For decades Germany and the US have benefited from access to each other's markets, mutual investment, and free trade in general. The US administration should take this into account as it aims to maintain and regain industrial value creation in its own country and to increase prosperity for its own population. The stability and continuity of transatlantic economic relations are mutually beneficial and must therefore be safeguarded. The EU must act on an equal footing with the US.

4.1 Ensuring transatlantic economic security

More cooperation and coordination instead of isolation: Geopolitical tensions, particularly with regard to Russia and China, require greater cooperation between Europe and the US. Against this backdrop, both powers are increasingly focusing their policies on economic security. Measures such as sanctions, export and investment controls must be closely coordinated between economic partners in order to create a level playing field and fair competitive conditions between them. We therefore welcome the fact that the US and the European Union have agreed to closer cooperation in this area.

The US is and remains an important ally and anchor of stability for the European Union. At the same time, Europe must live up to its responsibilities in defense. This will give Europe greater security and autonomy, as well as an improved negotiating position vis-à-vis the US. By agreeing to the new NATO spending target of five percent of GDP, the German government has taken an important step.

4.2 Maintaining the balance of power in the transatlantic relationship

By reaching an agreement on trade and tariffs the US and Europe avoided a trade war – at least for the time being. This is the most important achievement of the deal. However, the back-and-forth in the tariff conflict is weighing on the economy. Compared to the status quo before April 2025 and average tariffs of 1.5 percent, the deal is a deterioration. Trade with the US has not only become more expensive, but also significantly more complex with countless regulations and exceptions. Companies are paying a high economic price and must expect losses in their export business. With just under 13 percent of all exports in 2024, the US was the largest export market not only for Bavaria as a whole, but especially for Bavaria's export hits, passenger cars and machinery. More than half of all Bavarian companies from the metalworking and electrical industries export to the US, over half of which have already been specifically affected by tariff increases, and one-third of which have had orders reduced or postponed.

Key demands of vbw

The external economic conditions have become even more difficult with the introduction of tariffs, and the effects on the Bavarian economy are already being felt. But as a global economic heavyweight, the EU has considerable influence. It must act on an equal footing with the US and work closely together despite the difficulties. It must advocate for a stable trade regime with binding rules so that companies on both sides of the Atlantic can once again plan with certainty. The long-term goal must be a free trade agreement that benefits both sides. The agreement on mutual zero-for-zero tariffs for strategic products and duty-free quotas is a step in this direction and must be implemented quickly in accordance with WTO rules. The agreed cooperation on removing non-tariff trade barriers is also a positive signal. To ensure that this removal is effective, business representatives must be closely involved. Common standards and mutual recognition of certifications in the automotive sector can serve as an example here.

4.3 Strengthening free trade

The economic success and thus the prosperity of Germany and Bavaria are based on functioning international trade. The US administration is torpedoing the current world trade system and relying on the law of the strongest. The EU must counter this by continuing to consistently focus on free trade. Regardless of the future relationship with the US, we must diversify our trade relations to reduce unilateral dependencies.

The EU must now conclude (raw materials) partnerships and trade agreements with as many countries and regions as possible as quickly as possible. The EU-Mercosur Partnership Agreement and the modernized EU-Mexico Global Agreement must be ratified swiftly, and negotiations on a free trade agreement with India must be concluded. In addition, existing internal market barriers between member states must be removed to support the foreign trade of European companies. The EU may not be able to stop the erosion of the existing multilateral world trade order. Nevertheless, Europeans can create a more resilient position for themselves within the increasingly unstable future world order.

In parallel with the conclusion of bilateral agreements, the EU must continue to work to maintain a rules-based and multilateral world trade order. The EU must work with as broad an alliance of partners as possible to push ahead with reform of the WTO. However, in view of the changed world order, it must also consider alternatives or bridging solutions. In this respect, we welcome the rapprochement with the CPTPP.

4.4 Cultivating regional partnerships

As conditions for cooperation with the federal level in the US have become more difficult, cooperation with US states is gaining importance. It must be strategically expanded and trusting contacts cultivated. In the US political system, the states are key players in shaping the economic framework for businesses. Many, for example, have their own climate protection initiatives and are sticking to them even under the Trump administration. This means that business opportunities for Bavarian companies remain intact. Bavarian

Key demands of vbw

companies benefit from good connections to local governments and economic development agencies when investing in the US (e.g., in approval processes, access to funding, and initiatives to recruit skilled workers). The vbw liaison office in New York is an important point of contact for Bavarian companies. We appreciate that the Bavarian government is supporting companies in opening up the market with more than 15 trade fair participations in the US in 2025 and regular delegation trips to the US.

4.5 Expanding technology partnerships

While the US is reducing its regulations in the high-tech sector (see AI Action Plan), Europe is facing the threat of overregulation with the AI Act. Artificial intelligence is a key technology of the 21st century, and we must harness its potential. To do so, we need an innovation-friendly legal framework at the EU level.

Increased cooperation on key technologies such as artificial intelligence, 5G/6G, and digitalization will ensure a level playing field. Harmonized standards and the promotion of cross-border innovation projects can strengthen American and Bavarian companies in global competition.

4.6 Finding ways to cooperate on climate protection and the energy transition

As in his first term, the US under President Trump has withdrawn from the Paris Climate Agreement. Nevertheless, ways must be found to strengthen transatlantic cooperation in the field of climate protection and adaptation.

Developing and implementing environmental and sustainability standards together is likely to be difficult. However, both parties in the US Congress have proposed a carbon pricing mechanism that primarily targets CO₂-intensive imports from China, among other countries, and would be a potential source of revenue for the strained budget. The European Commission must remain in close contact with the US and advocate for harmonization of the mechanisms and avoid bureaucratic documentation requirements for companies.

The Bavarian state government should advocate at the federal level for greater cooperation in the development and expansion of renewable energy, storage solutions, and investments in green infrastructure. This is crucial not only for climate protection but also for a resilient energy supply. Companies from the US and Europe have advanced technologies to combat climate change. Investments in climate adaptation can help prevent damage risks, property losses, and climate-related productivity losses.

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