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Services at the Core: The Missing Piece of Transatlantic Trade Talks?

In August 2025, the European Union and the United States announced that they had agreed on a “Framework on an Agreement on Reciprocal, Fair, and Balanced Trade”. The Framework Agreement remains vulnerable due to unresolved conflicts over the EU’s treatment of US service providers, however. This article reviews key features and recent trends in EU–US services trade in general and in digitally deliverable services in particular. To mitigate US–EU conflicts, it proposes a reform of EU digital regulation, comprising three core elements: a clear institutional separation between rule-making and implementation in digital regulation; a transparent and inclusive consultation process with the aim of simplifying EU digital regulations and giving companies more flexibility in how to implement them, without compromising the regulations’ substantive aims; and establishing a political forum to support transatlantic dialogue on digital trade and regulation.

The trade talks held in 2025 between the US administration and the European Commission resulted in a fragile trade truce. Following the political agreement reached on 27 July 2025 by the President of the European Commission, Ursula von der Leyen, and the President of the United States, Donald Trump, both sides published a “Joint Statement on a United States–European Union Framework on an Agreement on Reciprocal, Fair and Balanced Trade” on 21 August 2025 (European Commission, 2025a).

Apart from a joint commitment to “address unjustified digital trade barriers” and the (uncontroversial) rejection

of the imposition of customs duties on electronic transmissions, as well as confirmation that the EU will not adopt network usage fees, the Framework Agreement itself contains no specific commitments relating to services trade or the services sector. In particular, it does not include any commitment on EU digital regulations and does not contain any reference to member states’ digital service taxes, which have repeatedly been criticised by the US administration.¹ According to the European Commission, the European side had made it very clear to the US during the negotiations that these issues were “not on the table” (European Commission, 2025b).

However, only days after publication of the joint statement, in a social media post on 25 August, President Trump threatened to impose “substantial additional tariffs” on countries that do not remove “discriminatory actions” in the form of “digital taxes, legislation, rules or regulations” (Reuters, 2025). While the president did not mention any specific country in this post, it is understood that this includes the EU or some of its member states. Only a few days later, Trump heavily criticised the EU for its decision (European Commission, 2025c), announced earlier that day, to require Google to pay an antitrust fine of €2.95 billion for breaching EU antitrust rules by distorting competition in the advertising technology indus-

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¹ Already in February 2025, for example, President Trump issued a memorandum authorising investigations into regulations and taxes imposed on US companies by foreign governments that undermine the global competitiveness of these companies, explicitly mentioning, e.g. digital service taxes of France, Austria, Italy and Spain (The White House, 2025).

try. Trump also threatened that his administration could launch a Section 301 investigation against the EU in retaliation, which could lead to retaliatory tariffs (CNN, 2025).²

The unresolved conflicts over the EU's treatment of US service suppliers threaten to put the Framework Agreement at risk and lead to additional goods tariff increases. Against this background, the article identifies key characteristics and trends in EU-US services trade in general and EU-US trade in digitally deliverable services in particular. In addition to services trade, we also analyse the development of services supplied by affiliates of US multinationals (MNEs) in the EU and of those supplied by EU affiliates in the US. We provide policy suggestions based on data-driven insights derived from the analysis.

EU-US trade in services: An overview³

Trade in services is generally much more difficult to measure than trade in goods, for a number of reasons.⁴ These reasons include the large heterogeneity in business and consumer services, the lack of a visible border with customs posts and tariffs, and difficulties in determining the nationality or residence status of the (ultimate) service providers and consumers (Langhammer, 2023). The increasing digitalisation of services is making it even more difficult to measure services trade reliably. The many problems of measuring trade in services have also contributed to often very large discrepancies between the EU

(Eurostat) and US (Bureau of Economic Analysis, BEA) trade in services statistics.⁵

In theory, Eurostat data and US data from BEA on bilateral trade should mirror each other. In practice, there will always be some differences. A comparison of US BEA and Eurostat data shows that for goods trade both agencies report fairly similar numbers (Figure 1a). Still, in recent years (2021-2024), EU goods exports to the US are on average about 5% higher in BEA than in Eurostat statistics.⁶ For EU imports, the difference is generally smaller, with BEA reporting even lower EU imports than Eurostat for some years.

For EU-US services trade, the differences between Eurostat data and BEA data are considerably larger. Eurostat reports consistently much higher imports from the US and much higher exports to the US. This discrepancy has become much larger, and persistently so, since 2019. Eurostat figures on EU-US services trade are recently between 76% and 95% for EU imports and up to 123% for EU exports higher than the corresponding BEA figures (Figure 1b).

Despite these quantitatively large differences, Eurostat and US BEA data agree on important qualitative features and trends in EU-US services trade.

Total services trade between the US and the EU is quantitatively important, and it has been growing considerably faster than goods trade between the two economies. According to Eurostat, total service trade (imports plus exports) between the two economies amounted to €816.9 billion in 2024 and has thus been of similar size to total goods trade (€867.1 billion). And services trade has been growing considerably faster than goods trade, rising by 169% vs 99% between 2014 and 2024 (see Figure 1). According to US BEA data total services trade has been only about half the size of total goods trade between the two economies in 2024 (€462.7 billion vs €906.4 billion), and it has grown by “only” about 120% between 2014 and 2024 (compared to 103% growth for total goods trade).

2 Section 301 of the Trade Act of 1974, as amended, authorises the US Trade Representative to investigate and take all appropriate action, including imposing tariffs or other import restrictions, if “an act, policy, or practice of a foreign government” is inconsistent with the provisions of any trade agreement, or is “unjustifiable and burdens or restricts” US commerce.

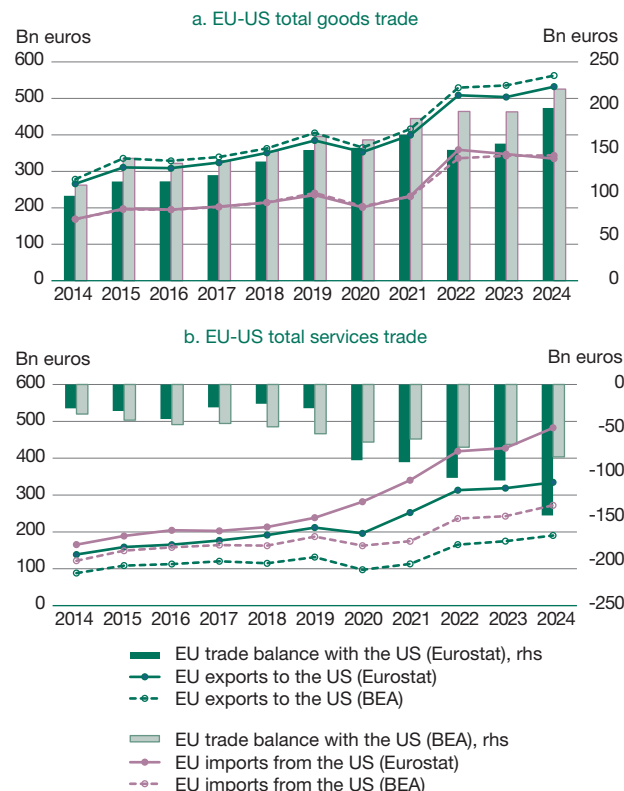
3 The quantitative analysis presented in this article is an updated excerpt from our earlier work in Bickenbach et al. (2025).

4 Here, trade in services refers to the sale and delivery of intangible products or activities between residents of different countries or territories (in the following generally the EU and the US). This corresponds to three of the four different modes of supplying services internationally distinguished by the World Trade Organization, namely cross-border supply (mode 1), where both the supplier and the customer remain in their respective territories and the service is supplied from the territory of the supplier to the territory of the customer; consumption abroad (mode 2), where the service is supplied in the territory of the producer to a consumer from another territory; and supply by the presence (movement) of natural persons (mode 4), where individuals are present abroad in order to supply a service. The supply of services through commercial presence (mode 3), where the service supplier establishes an affiliate in another territory through which it provides the services, is not subsumed under trade in services. It is rather referred to as services supplied through affiliates. Whereas data on the international trade in services (modes 1, 2 and 4) are provided by the International Trade in Services Statistics of the Balance of Payments accounting system, data of services supplied through affiliates/commercial presence (mode 3) is provided in the Foreign Affiliates Statistics.

5 For a discussion of the size and the sources of discrepancies for different sub-items of the EU and US trade in services statistics see Howell et al. (2017, 2019).

6 In this section, EU always refers to the EU27. For EU27 data in the years before Brexit (before 2020), data for the United Kingdom have been factored out, where applicable. All values taken from US BEA statistics are originally in US dollars. They are converted into euros based on annual average exchange rates between the US dollar and the euro as published by the European Central Bank (<https://data.ecb.europa.eu/data/datasets/EXR/EXR.A.USD.EUR.SP00.A>).

Figure 1

EU-US total trade: Goods trade vs services trade

Sources: Panel a: Eurostat – International Trade of EU and non-EU Countries since 2002 (ds-059341_custom_16862888); US BEA – International Trade by Selected Countries and Areas (Goods). Panel b: Eurostat – International Trade in Services (since 2010) (bop_its6_det); US BEA – International Trade by Selected Countries and Areas (Services).

In each year between 2014 and 2024, the US recorded a (substantial) service trade surplus with the EU. The service trade surplus of the US with the EU amounted to, on average, about 80% (Eurostat) or 39% (BEA) of its goods trade deficit with the EU in the same period. The US services trade surplus thus offsets a considerable part of the US goods trade deficit with the EU. And the US surplus in services trade with the EU has been growing much faster than its deficit in goods trade with the EU.

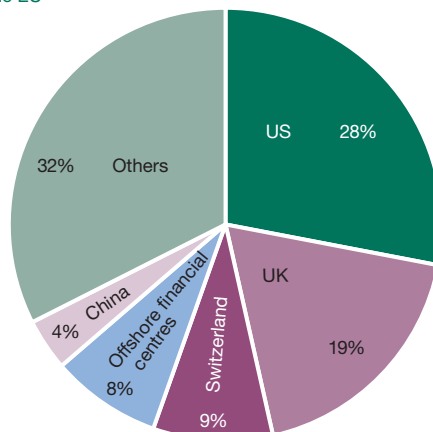
According to Eurostat, in 2024, the services trade surplus of the US with the EU amounted to €148 billion, which was about three quarters of the goods trade deficit of the US with the EU (€197.4 billion). According to BEA, the respective services trade surplus of the US was “only” €81.8 billion or about 37% of the goods trade deficit of the US with the EU (€219.0 billion), however.

The EU and the US are each other’s largest trading partners in services by far. In 2024, the US accounted for 28% of total extra-EU services trade (21.5% of extra-EU services exports and 35.4% of extra-EU services imports; see Figure 2). For the US, the EU accounted for 25.1% of its international services trade (25.6% of its services exports and 24.5% of its services imports). These shares have been increasing since 2014 (when they had been 21.5% and 22.4%, respectively). They are larger than the corresponding shares in goods trade, which have been “only” 17.3% for the US share in total extra-EU goods trade and 18.3% for the EU’s share in total US goods trade.

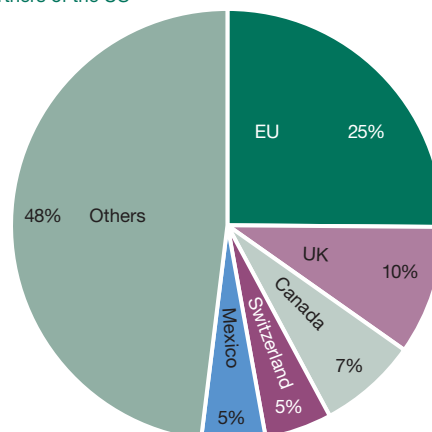
Figure 2

Top five trading partners for the EU and the US in international services trade (2024)

a. Major partners of the EU



b. Major partners of the US



Notes: For definition of offshore financial centres in Eurostat statistics, see Eurostat – Statistics Explained. Panel a: only extra-EU trade.

Sources: Panel a: Eurostat – International Trade in Services (since 2010) (bop_its6_det). Panel b: US BEA – International Trade by Selected Countries and Areas (Services).

Table 1
Digitally deliverable services

Component code	Description
SF	Insurance and pension services (Insurance)
SG	Financial services (Finance)
SH	Charges for the use of intellectual property n.i.e. (IP charges)
SI	Telecommunications, computer and information services (Telecom)
SJ1	Research and development services
SJ2	Professional and management consulting services
SJ31	Architectural, engineering, scientific and other technical services
SJ34	Trade-related services
SJ35	Other business services n.i.e.
SK1	Audio-visual and related services
SK21	Health services
SK22	Education services
SK23	Heritage and recreational services

Notes: Definition of digitally deliverable services according to International Monetary Fund et al. (2023). Sum of SJ1, SJ2, SJ31, SJ34 and SJ35 are referred to as “digitally tradable elements of other business services” (Business); Sum of SK1, SK21, SK22 and SK23 are referred to as “digitally tradable elements of personal, cultural and recreational services” (Personal). Abbreviations in parentheses; n.i.e.: not included elsewhere.

Source: International Monetary Fund et al. (2023).

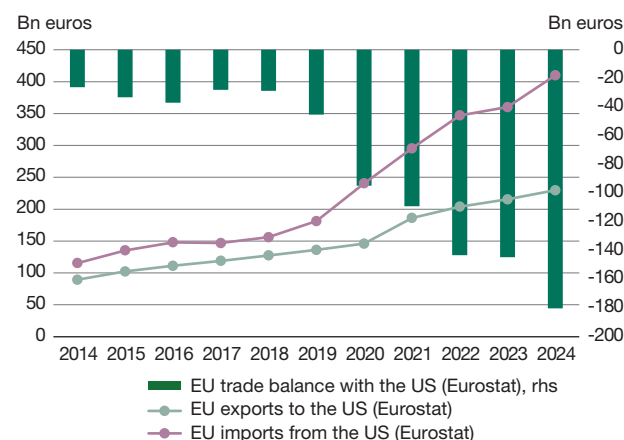
EU-US trade in digitally deliverable services

Technological advances and cost reductions in Information and Communications Technology (ICT) and the digitalisation of business models have greatly increased the ability to provide and procure services remotely across international borders (Grimm, 2016). This is true, particularly for the subset of digitally deliverable services, which can be defined as those “services that *can* predominantly be delivered remotely over ICT networks, without identifying the services that *are* actually delivered over ICT networks” (Stein et al., 2024).⁷ This broad definition includes a variety of types of services (Table 1).

In 2024, the large majority of total services trade between the US and the EU was in digitally deliverable services. Total trade in digitally deliverable services between the EU and the US amounted to €639.5 billion (€229.6 billion EU exports to the US and €409.8 billion EU imports from the US) or about 78.3% of total services trade between the two economies in 2024, according to Eurostat (Fig-

⁷ Due to data limitations and the wide variety of traded services, it is generally not possible to precisely identify services trade that is actually digitally delivered.

Figure 3
EU-US total trade in digitally deliverable services



Source: Eurostat – International Trade in Services (since 2010) (bop_its6_det).

ure 3).⁸ Between 2014 and 2024 total digital services trade between the US and the EU has grown by 212.2% and thus substantially faster than that of total services trade between the two economies (168.6%).

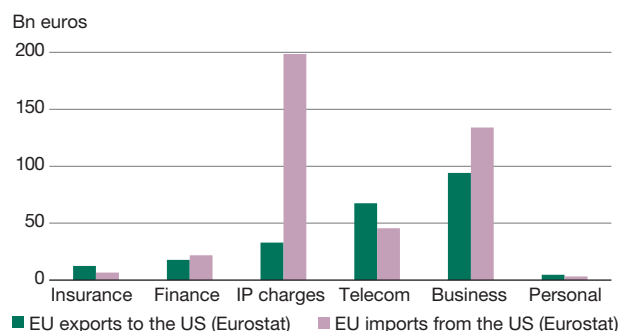
Even more so than for services trade in general, the EU and the US are each other's dominant trading partners in digitally delivered services. This is especially true for US exports of digitally deliverable services to the EU. In 2024, the US accounted for 23.9% of the EU's extra-EU exports and 45.2% of its extra-EU imports of digitally deliverable services. For the US, the EU accounted for 30% of its exports and 23.3% of its imports of digitally deliverable services.

In each year between 2014 and 2024, the US recorded a substantial surplus with the EU in trade with digitally deliverable services. This surplus was generally even larger than the US surplus in the overall trade in services. The US surplus in digitally deliverable services trade with the EU strongly increased after 2019. In 2024, it amounted to €180.2 billion, compared to €148.0 billion for the surplus in overall services trade.

The two most important components for EU-US trade in digitally deliverable services are “charges for the use of in-

⁸ For the sake of brevity, we focus on the Eurostat data in this section. As in the previous section, data from BEA yield qualitatively similar results, though differences can be substantial in quantitative terms. For a detailed comparison (up to 2023) see Bickenbach et al. (2025). EU-US trade data for digitally deliverable services is calculated by adding up the figures from different digital service categories (Table 1). For 2024, however, the data is based on available figures for categories SF, SG, SH and SI, plus estimates for SJ (excluding SJ32 and SJ33) and SK (excluding SK24). These estimates use the respective shares of digitally deliverable services from SJ and SK in 2023 as a basis.

Figure 4
EU-US trade in digitally deliverable services by type (2024)



Source: Eurostat – International Trade in Services (since 2010) (bop_its6_det).

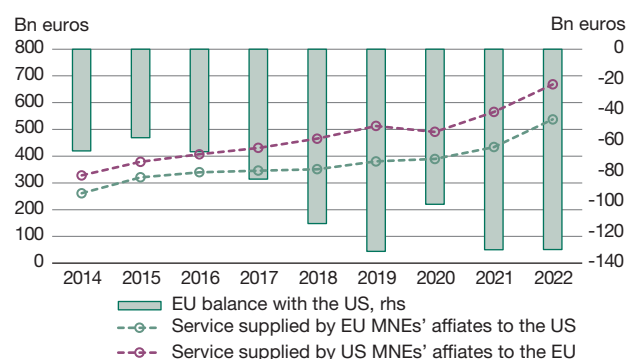
tellectual property” and the digitally tradable elements of “other business services” (Figure 4). In 2024, these two types of services accounted for 36.2% and 35.7% of total trade in digitally deliverable services between the EU and the US, respectively. In 2024 “charges for the use of intellectual property” contributed €165.7 billion (91.9%) and the digitally tradable types of “other business services” contributed €39.8 billion (22.1%) to the US surplus in digital services trade.

The strong increase in the US surplus with the EU in trade in digitally deliverable services was mainly due to a massive increase in US exports of “charges for the use of intellectual property” after 2019. Data for the individual EU member states (not displayed here) suggest that this increase was almost entirely due to an increase of the respective US exports to the Republic of Ireland.⁹ Ireland’s shares in US-EU services trade are particularly high for US exports of (the main types of) digitally deliverable services.¹⁰ Trade between the US and Ireland thus also dominates the EU-US trade balance in digitally deliverable services. In 2024, the US surplus in digitally deliverable

9 According to Eurostat, EU imports in “charges for the use of intellectual property” increased from €39.5 billion in 2019 to €128.4 billion in 2021. The corresponding US surplus increased from €16 billion in 2019 to €85.2 billion in 2021. Ireland’s imports in “charges for the use of intellectual property” increased from €7.3 billion in 2018 (data for 2019 are not available) to €90.5 billion in 2021. The corresponding US surplus with Ireland increased from €8 billion in 2019 to €83.1 billion in 2021.

10 In 2024, Ireland was, according to Eurostat, responsible for 72.9% of US exports to the EU in “charges for the use of intellectual property”, and 38% in “other business services”. For one, likely small, sub-category of digitally tradable elements of other business services, Eurostat does not provide trade data for Ireland for 2024. The effect on the Ireland’s share of US exports to the EU is expected to be small, however.

Figure 5
Services supplied by foreign affiliates



Source: US BEA – Services Supplied through Affiliates by Country of Affiliate/UBO and by Industry of Affiliate.

services with Ireland was €155.7 billion, which amounted to about 86.4% of the respective US surplus with the EU as a whole.¹¹

Services supplied through foreign affiliates

Despite the strong increase in US-EU trade in services just discussed, foreign affiliate sales (not exports) are still the primary means by which US firms deliver services to their European customers and by which European firms deliver services to their US customers (Hamilton & Quinlan, 2025).

In 2022 (the latest year for which data is available from US BEA), services supplied by US MNEs through their EU affiliates amounted to €668.4 billion, while services supplied by EU MNEs to the US residents through their US affiliates amounted to €537.4 billion, leading to a US “surplus” of about €131 billion (Figure 5).¹² These quantities have broadly doubled between 2014 and 2022.

While figures are not directly comparable,¹³ this suggests that service supply through foreign affiliates is substan-

11 For trade in total services, the US surplus with Ireland alone was even €163 billion, or 110.1% of the US service trade surplus with the EU as a whole (€148 billion), in 2024.

12 In this section, we use data from US BEA as Eurostat data on foreign affiliate sales generally do not distinguish between service sales and goods sales of affiliates. In addition, in 2021, there were significant changes in the way the data on foreign affiliates activities are reported by Eurostat. Data based on the revised methodology is currently available for only two years (2021 and 2022).

13 There are, for example, significant differences in the coverage of service types. Wholesale and retail trade distributive services, for example, are included in services supplied through affiliates but are not included in trade in services statistics, due to lack of separate information (Stein et al., 2024).

tially larger than services trade between the EU and the US. In 2022, services supplied by US MNEs through their EU affiliates were about 2.5 times larger than US services exports to the EU and services supplied by EU MNEs to the US market through their US affiliates were about 2.8 times larger than US services imports from the EU according to BEA. Service supply through foreign affiliates has also been growing slightly faster than services trade. Between 2014 and 2022, services supplied by US MNEs through their EU affiliates grew by 103.9%, while services supplied by EU MNEs through their US affiliates grew by about 105.7%. Over the same period, US services exports to the EU grew by about 94.0%, while US service imports from the EU grew by 87.1%.

As for trade in services, the EU is the prime business partner of the US also in terms of service supply through foreign affiliates. The EU holds a share of 33.5% of services supplied by US MNEs through all their foreign affiliates worldwide and a share of 37.3% of services supplied through all foreign MNEs' affiliates in the US.

The two most important industries in terms of services supplied through foreign affiliates are the "information services" industry and the "professional, scientific, and technical services" industry.¹⁴ In 2022, the "information services" industry accounted for 39% of all services supplied by US MNEs through their EU affiliates and for 18.7% of all services supplied by US affiliates of EU MNEs. For the "professional, scientific, and technical services" industry, the numbers were 13.3% and 16.6%, respectively.

Whereas the supplies in the two directions were quite balanced for the "professional, scientific, and technical services" industry, the US MNEs' EU affiliates in the "information services" industry supplied more services to the EU than the respective US affiliates of EU MNEs in supply to the US market, leading to a surplus of €160.4 billion, substantially larger than the surplus across all industries (€131 billion).

The sizable US surplus for the information services industry largely reflect the globally dominant role that US MNEs like Google, Meta or Microsoft play in that industry. These companies all have large affiliates in the EU, which are responsible for much of their European business, and their European headquarters or major affiliates are often located in Ireland. Of the €260.7 billion supplied through US MNEs' affiliates in the EU information services industry, €157.1 billion (60.3%) are supplied by affiliates located

in Ireland, which also account for 97.8% of the respective US surplus in services supplied through US MNEs' affiliates in the EU in that industry. Between 2020 and 2021 alone, the value of services supplied by US MNEs' affiliates in the Irish information services industry has increased by 68.1%.

The services supplied by US MNEs' affiliates in Ireland's information services industry are not only supplied to Irish customers. Of all the services supplied through US MNEs' affiliates in Ireland (all industries) only 26.9% are supplied to customers in Ireland, while 73.1% are supplied to customers in other countries.¹⁵ These figures are likely dominated by affiliates in the information service industry which accounts for more than 70% of all the services supplied through US MNEs' affiliates in Ireland.

The special role of Ireland in US-EU services trade

The previous analysis shows that Ireland assumes a very special role in trade between the US and the EU. A disproportionately high share of services exports from the US into the EU goes to Ireland. And a very large share of services supplied by US MNEs through their affiliates in the EU is supplied through affiliates in Ireland. This is particularly true for US exports of services related to the use of intellectual property and for services supplied through affiliates in the EU information services industry.

An important factor contributing to Ireland's outstanding role in EU-US service trade has been Ireland's business-friendly corporate tax laws (Arnon et al., 2024). For years, Ireland has played a significant role in US MNEs' corporate tax planning strategies.¹⁶ These strategies are having significant effects on services trade between the US and Ireland and between the US and the EU, more generally. At least until the second half of the 2010s, when important tax reforms were implemented both in Ireland and in the US, many US MNEs shifted intangible assets, in particular intellectual property, to their Irish subsidiaries to benefit from favourable tax provisions in Ireland. Charging companies located in other European countries and all over the world, including the US, for the use of these services shifts corporate profits to Ireland where they were taxed at lower rate than in the US. At the same time these strategies convert services exports, e.g. license fees and royal-

14 Data on services supplied through foreign affiliates is not differentiated by type of services but by the (broad) industry classification of the affiliates.

15 Calculated from US BEA "Services Supplied to Foreign Persons by US MNEs Through Their MOFAs, by Country of Affiliate and by Destination". Unfortunately, these data are not differentiated by affiliate industries.

16 This is especially true for US MNEs from the tech and pharmaceutical industries. Practically all of the largest US companies from these sectors have a significant business presence (and often their European headquarters) in Ireland.

ties, from the US into service exports from Ireland (Braml & Felbermayr, 2019).¹⁷

In 2015, Ireland started to phase out (by 2020) the so-called Double-Irish, a specific tax planning strategy much used by US MNEs, and in 2017 the US passed the Tax Cuts and Jobs Act lowering rates and ending deferral of US tax on foreign income. The tax changes likely led to a significant degree of reshoring of US MNEs' intellectual property rights to the US, followed by increased royalty payments from Ireland to the US (Arnon et al., 2024). This likely contributed to the strong increase of US service exports to Ireland (charges for the use of intellectual property) after 2019 as described above.

This shows that services trade between the US and the EU (and its member states) has been affected significantly by (changes in) corporate tax laws and US companies' tax planning strategies. For important types of services, such as the use of intellectual property and telecommunication and information services, trade flows between countries can easily be shifted to or re-routed through other countries, due to the intangible nature of these services and many of the underlying assets. This implies that bilateral service trade balances between the US and *individual* EU member states are, generally, of little economic relevance and should only be discussed with great caution and restraint.

In the European Single Market, different specialisations of member states in combination with significant differences in taxation and US MNEs' tax avoidance strategies have led to a trade structure where the large US services trade surplus with the EU (€148 billion in 2024 according to Eurostat) consists mostly of US service trade surplus with Ireland (€163 billion), while other member states, such as Germany, purchase large amounts of services from US companies via their subsidiaries in Ireland – leading to a large service trade deficit of Germany with Ireland (€21.2 billion)¹⁸ but a surplus with the US (€3.3 billion) in 2024.

Policy implications

Early in the negotiations, some European observers, including ourselves (Bickenbach et al., 2025), believed that making service trade part of the trade negotiations with the US could strengthen the EU's negotiation position and help the EU achieve a more favourable agreement. Refer-

ring to the large US surplus in services trade with the EU could, so they hoped, put into perspective the large US deficit in goods trade with the EU that Trump invoked as justification for his drastic tariff hikes. In addition, it could be advantageous for the EU to threaten to retaliate against increased tariffs by increasing trade barriers to the import of services, particularly digitally deliverable services, or tightening EU regulations on US tech companies.

In light of President Trump's repeated threats to further increase tariffs in response to the EU's alleged unfair treatment of US tech companies, it now seems, quite to the contrary, that unresolved conflicts over the EU's treatment of US service suppliers threaten to put at risk the Framework Agreement and lead to additional tariff increases on goods.

Any attempt to put the US trade deficit with the EU into perspective by pointing to the US surplus in trade in services is certainly made more difficult by the fact that the EU (Eurostat) and US (BEA) data on services trade differ quite substantially, with the US surplus being much smaller according to the US BEA as compared to the EU data. Whereas the US trade in services surplus with the EU amounted to €148 billion (equivalent to 75% of the US deficit with the EU in goods trade in 2024) according to Eurostat, it amounted to only €81.8 billion (or 37% of the US deficit in goods trade) according to the US BEA data.

From President Trump's perspective, the significance of a reference to the US services trade surplus is also weakened by the fact that the US surplus in services trade with the EU was according to the most recent data entirely due to a US surplus in "charges for the use on intellectual property", which amounted to €165.7 billion (or 112% of the total US services trade surplus with the EU). This implies that for trade in all other services together, the US actually had a (small) trade *deficit* with the EU of €17.7 billion in 2024.

President Trump does not like this kind of surplus for the reason that this reflects a development in his view that weakens the innovativeness of US manufacturing. This is compounded by the fact that €140.1 billion (84.5%) of the US surplus in "charges for the use on intellectual property" comes from (trade with) the Republic of Ireland alone. US Secretary of Commerce Howard Lutnick accused Ireland of a "tax scam" – earning (appropriating) taxes on profits of US affiliates from property rights that have been shifted to Ireland for tax reasons (Irish Times, 2025).

For similar reasons, the large US "surplus" in services supplied through foreign affiliates/direct investment (€131 billion in 2022) is unlikely to help convince President

¹⁷ Often the tax planning strategies and the resulting (virtual) services trade and profit flows also involve more affiliates and additional countries, including tax havens outside the EU. Such strategies can result in corporate profits not being taxed anywhere (Braml & Felbermayr, 2019).

¹⁸ Data from Eurostat as reported by Ireland (data for 2024 as reported by Germany not available yet).

Trump of the mutual benefits of unhindered transatlantic trade and investment relations. He will associate service supplies through direct investment (rather than exports) with jobs and tax revenues created in Europe (rather than in the US).

It would thus be of no help in future negotiations to merely emphasise that the US has a large surplus in services trade with the EU. It is, however, still useful to further improve the data quality and reduce asymmetries between EU and US data in order to have a better understanding of the importance and the development of the increasingly intensive transatlantic services trade.

According to the available data, the US surplus in services supplied through direct investment in the “information services” industry alone amounted to €160.4 billion in 2022 (substantially more than the respective surplus across all industries). This largely reflects the success and the dominant role that US MNEs like Google, Meta or Microsoft play in that industry in Europe. Despite their success in the EU, President Trump has repeatedly claimed that these companies are treated unfairly and discriminated against or even been extorted in the EU (see, e.g. The White House, 2025).

As the European Commission pushes ahead with its digital regulation, the fundamentally different views and unresolved conflicts between the US government and the European Commission over the appropriate scope and objectives of EU digital regulation are likely to become a source of repeated accusations by President Trump that US tech companies are being unfairly treated in the EU and of associated threats of additional tariff increases. Any change in EU digital regulatory rules and decisions finding US tech companies guilty of violating EU digital or competition rules thus runs the risk of leading to (threats of) additional tariffs on EU goods exports to the US.

How should the EU respond to these potential threats and conflicts?

The EU should pre-emptively counter criticism of (allegedly) unfair and discriminatory regulatory decisions by reforming EU digital regulation. This does not mean that the EU should simply back down and meet US demands by weakening regulatory provisions or softening their enforcement. While this might resolve conflicts in the short term, it risks encouraging President Trump to make even more far-reaching demands, whether in the area of digital regulation or elsewhere. Nor should the EU introduce or threaten to introduce stricter rules or tougher penalties or to discriminate against US companies only to respond to President Trump’s threats. This could easily lead to an

escalation of the conflict with potentially high economic costs for European users. Both moves would also undermine the EU’s argument that EU digital regulation is solely about legitimate goals such as protecting user/consumer rights and open competition, and not about discrimination or political power games. Thus, the goal of the reforms should not simply be less/softer or more/stricter regulation, but better regulation (Liebhaberg & Meyers, 2025) – rules and procedures that enhance the credibility of the legitimacy and impartiality of regulation. Such a reform should include three elements.

The first element would be a clear institutional separation of rule-making (defining policies and regulations) from implementation (decisions on individual cases) in digital regulation. The EU Commission’s assertion that its case decisions against US tech companies resulted from an impartial application of the EU’s (non-discriminatory) anti-trust and digital regulation laws are hampered by the European Commission’s double role as a political body and (supposedly) an impartial enforcement agency. Indeed, the European Commission could be tempted to “over-enforce” digital regulations and to use its enforcement powers to unduly penalise foreign/US tech companies (Mariniello, 2025). Delegating the Commission’s widespread digital enforcement powers to an independent body (yet to be established) would render the claimed impartiality of enforcement decisions more credible in the eyes of companies concerned and, possibly, also in the eyes of President Trump. Even if President Trump remained unconvinced, the independence of the enforcement agency would still render tariff threats “ineffective”, in the sense that it would not change the enforcement decision. The Commission would just no longer be able to exchange softer enforcement for a better trade deal.

As a second element of the “better regulation” approach, the European Commission could offer tech companies, including those from the US, greater opportunities to participate in the consultation for further development of EU digital regulation. The Commission could start a transparent consultation process involving (big and small) tech companies and their users with the aim of improving current and projected regulatory rules (e.g. simplifying regulatory rules and giving firms more flexibility in their implementation) while retaining the regulations’ substantive aims, such as consumer protection, data security and open competition.¹⁹ By signaling to US tech companies that the European Commission wants to work with them, rather than against them, and that it is willing to increase the flexibility of EU digital regulation to help the US com-

¹⁹ Transparency and inclusiveness of the consultation process mitigate risks of policy capture.

panies meet “both US political sensitivities and European regulatory requirements”, such consultations will increase US companies’ incentives to cooperate and boost their interests in the success of EU regulations rules, thus reducing transatlantic tensions (Liebhaberg & Meyers, 2025).

As a third element, the EU Commission could suggest reviving the EU-US Trade and Technology Council or newly establishing a forum to discuss issues related to digital trade and regulation. The forum could provide a platform to debate the increasingly divergent approaches to digital regulating between the EU and the US, to mediate the resulting tensions and to ensure the minimum level of co-operation that is necessary to secure transatlantic data flows (in line with EU data protection regulation) and avoid market fragmentation.

Given President Trump’s impulsiveness and unpredictability, there are doubts as to whether it would be possible to establish such a forum or whether he would respect the EU’s efforts to improve its digital regulatory framework and to guarantee its impartial implementation. But even if he would not, the better regulation approach would come with important advantages for the EU.

Better regulatory rules and their impartial implementation by an independent (non-political) enforcement agency would reduce uncertainty and encourage investment and innovation, which are necessary prerequisites for increasing digital competitiveness and achieving European digital sovereignty (Mariniello, 2025). In addition, demonstrating the EU’s ambition to develop an effective digital regulatory framework with a predictable and impartial enforcement of rules offers the EU an opportunity to set an example for digital regulation and to build alliances with other countries that do not want to follow President Trump’s preference for leaving tech companies and digital development largely unregulated.

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