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Fixing the US and EU Deteriorating Economic Relationship

Introduction

For decades, the United States and Europe have had close economic cooperation that has fueled immense growth and prosperity for both parties. Today, that relationship faces significant challenges, particularly in light of European Union (EU) regulations that have imposed high fines against US companies and even stopped some mergers of US companies.

Europe also faces severe economic challenges due in good part to its lack of a strong technology sector and burdensome regulations. Mario Draghi, the former President of the European Central Bank, addressed these in a September 9 report to the European Commission, the EU's governing body.

Lexington's Paul Steidler addressed these issues with Dr. Aurelien Portuese, Research Professor and Founding Director of the George Washington University Competition & Innovation Lab. A prolific author of international competition and antitrust articles, as well as a forthcoming book, Dr. Portuese has a unique, in-depth understanding of these issues and how they impact the US-EU relationship. Dr. Portuese, a native of France, is also a Researcher at the College de France of the University of Paris, where he works on innovation economics at the Farhi Innovation Lab.



Dr. Aurelien Portuese
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STEIDLER: *There is a great amount of concern in the US over the impact of EU laws such as the Digital Markets Act, Digital Services Act, and the EU AI Act that are impacting and can potentially impact US headquartered companies. How would you advise President-elect Trump to address these matters with EU officials?*

DR. PORTUESE: President Trump, shortly after his inauguration, needs to urgently call for a meeting of the US-EU Trade and Technology Council (TTC). The last one was in [April 2024](#) where the Biden Administration talked about nothing but cooperation, without mentioning highly problematic regulations such as the Digital Markets Act (DMA) and the weaponization of European regulations against US tech companies. Actually, the Biden Administration welcomed the DMA and praised European regulators for doing the job of fining and breaking up US tech companies that they not-so-secretly dreamed of.

This needs to stop. Similar to the tension he creates with Canada over border and tariff issues, President Trump needs to launch a brutally honest discussion with Europeans at the next TTC. This should take place as soon as possible, ideally within one month.

Then President Trump should demand Europeans back down on regulations being weaponized against US tech companies. These regulations have arisen because of the lack of European tech innovation, as is documented in the Draghi Report. President Trump must demand that Europeans fully coordinate with US Department of Commerce before any sanctions, investigations, or related actions are taken against US tech companies.

He should also demand that the EU take comparable actions against European-headquartered companies, that is treat EU and US companies equally under the law. Otherwise, the unacceptable regulatory bias will be confirmed.

If the Europeans refuse, tariffs should be considered since, after all, these purported antitrust actions and regulations are tariffs in disguise for US tech companies. They impose regulatory barriers that may contravene World Trade Organization (WTO) rules and thus justify retaliatory actions.

STEIDLER: *While the US just had a Presidential election, the EU on December 1 installed a new set of commissioners to address competition, trade, and other economic matters for the next five years. How are these officials different from those that preceded them?*

DR. PORTUESE: The short answer is not much. The new Commission is virtually the same, presided over by Ursula von der Leyen, President of the European Commission, who has adopted a “green” agenda, but also a “sovereignty” agenda, which basically means weaponizing European regulations against US and Chinese companies. Strangely, Europeans have always been much harsher with US tech companies than Chinese tech behemoths that comply with a Communist dictatorship.

The new Commission will not change. The Draghi Report is very telling. I wrote that European antitrust was dominated by the precautionary principle for years. Now, the Draghi Report

explicitly acknowledges this and writes that these regulations are “precautionary” – i.e., anti-innovation.

And yet, I am pessimistic when I see the reactions not only from European civil society and academia but most importantly from European politicians and the European Commission. They say “thank you” but will carefully shelve the report among the thousands of reports that lament the cost of non-unified Europe (i.e., the costs of regulatory barriers not to have a functioning Single Market steered toward innovation).

Vested interests benefiting from current European regulations and the adoration for status quo will come in the way of reforming, let alone repealing, these regulations. I believe the next European Commission, in 2029, will be the one having a bureau similar to the Department of Government Efficiency (DOGE) in the US. Changes in national politics will need to take place before any substantial changes take place at the European-wide level.

So, in the meantime, or to accelerate these needed changes, we have four years. Four years of Trump Presidency that will inevitably clash with four years of a dated European Commission. The only response, because of the deafness of the European Commission to legitimate concerns of competitiveness and national security related to US tech leadership, will be to elaborate a forceful pushback. This needs to take place now, and experts who can navigate the complexities of European politics as well as US politics are needed. I have already started to contribute but am willing to do more.

STEIDLER: What should be done to empower European officials and other Europeans who want to see reduced regulation implemented and a more reasonable, friendly approach taken to US businesses? Who are some of the officials and thought leaders favoring closer cooperation with the US that the US should look to work with?

DR. PORTUESE: We need to build a strong intellectual base for something similar to DOGE in Europe. I know a lot of people in Europe who are willing to start something similar.

What is needed is a match between European academia, national politicians, and European members of parliament. Once such an alliance is built, we need to seed-fund a platform that can identify the costs of regulatory barriers.

The true momentum will unfortunately likely be in 2029, not earlier as Europeans have a von der Leyen Commission that will not change anything substantially. So, we need such a platform now to push back on the current European Commission, to relay the work of the Trump Administration, and to prepare for a massive change with a new generation of European politicians by 2029. We must build that platform now.

STEIDLER: For the incoming administration, what role, if any, should the Federal Trade Commission (FTC) and US Department of Justice (DoJ) have in interacting with European regulators?

DR. PORTUESE: First, the One Agency Act may pass – meaning that the FTC will be folded into the DOJ’s Antitrust Division. At last, the US will have only one federal antitrust regulator (i.e., the DOJ’s Antitrust Division) just like the rest of the world.

Then, the DOJ should defer and better collaborate with the US Department of Commerce and the US Department of Defense to assess mergers and anticompetitive conduct also from the perspective of national security and competitiveness. Finally, the DOJ needs to revive the Memorandum of Understanding it has with the European Commission’s Directorate-General for Competition to better coordinate antitrust enforcement.

This does not just mean cordial discussions once a year. It means practical coordination so that Europeans do not meddle with mergers involving US companies only with no business in Europe (see Illumina-GRAIL which was a disgrace for Europe and for which I wrote extensively about correctly predicting the outcome).

STEIDLER: *What are the most constructive ways that the US can work with the EU in the next four years?*

DR. PORTUESE: The US must adopt a forceful pushback. As the US has already adopted such a pushback with Canada, it should adopt a similar strategy to Europe’s tech regulations, which have harmed US tech leadership at a much greater extent and more perniciously.

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