

March 2025

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## POSITION PAPER

# No need for a trade war!

- Recent US tariffs on EU products threaten \$9.5 trillion transatlantic business. These trade conflicts create uncertainty and harm business and consumers on both sides – in Europe and the US. Instead of imposing tariffs, we should focus on dialogue and cooperation to find common solutions. We remain committed to the goal of a transatlantic free trade agreement.
- The bilateral relationship between the US and the EU is huge, as the following data show.
  - Trade in goods and services. The US and the EU are each other's main customer and supplier.
  - Foreign direct investment. Both countries are the largest investors in each other, both in terms of flows and stocks.
  - The US has a large deficit with the EU in its bilateral trade in goods (€156.000 bill), but it has a large surplus in trade in services (€108.000 bill).
- Tariffs are a growth killer. An escalation of the trade conflict with the US could significantly reduce Europe's growth, while fuelling inflation. US economic growth would also slow and prices would rise. Tariffs are therefore not a solution, but rather exacerbate the economic problems for businesses and consumers. Both economic areas, the US and Europe, must have a fundamental interest in a functioning economic relationship.
- The US administration is threatening to impose new additional tariffs on a wide range of EU products from 2 April.
- The European Commission, following the decision taken by the European Council in Brussels on 20 and 21 March, will not respond immediately with tariff increases, preferring, at least in the short term, a position open to dialogue and negotiation with the US partner.
- CITHA believes that a trade war between the US and the EU would have very negative consequences for the economies of both the USA and the 27 Member States. CITHA strongly supports Europe's decision not to react immediately and automatically to the introduction of US tariffs, and hopes that negotiations will soon lead to a stabilization of the situation. The introduction of EU tariffs on US products would also create major problems for European importers of goods and consequently for European consumers.

- European and American companies are concerned not only about the new costs of tariffs, but also about the uncertainty that announcements and denials are causing in international trade relations. Several companies on both sides of the Atlantic are suspending deliveries of goods because of the uncertainty. International trade requires transparent and stable rules.
- CITHA encourages the EU Commission to negotiate proactively with the US in order to avoid a trade war and to make efforts to counter protectionism in international trade and to reduce the negative impact of new tariffs.

In order to achieve these goals CITHA urges the EU-Commission to:

- prevent any attempt by individual EU countries to enter into bilateral negotiations with the US. Europe must speak with one voice.
- simplify EU regulation affecting big tech companies.
- increase EU spending on defense.
- prioritize the integrity of the EU single market in its response to any new US tariffs. A fragmented market would weaken Europe's bargaining power and expose businesses to additional risks.
- continue to build strong relationships with other key trading partners who share our commitment to open and fair trade.
- strengthen bilateral trade agreements with economies that support global competition and innovation to ensure a more resilient and diversified economic future for the EU.
- finalize the Free Trade Agreements with India, Indonesia and Australia, and work for the ratification and entry into force of the EU-Mercosur commercial agreement. The strongest answer to protectionism is free and fair trade. This must be the first task of the European trade policy.
- Support strongly a multilateral approach in international trade, trying to reinforce the action of multilateral bodies, in particular the World Trade Organization (WTO). It is important to remember that also tariffs imposed in bilateral relations between non-EU States have negative effects on European companies that are part of Global Value Chains or have investments in the involved Countries.



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**About**

CITHA - the European Confederation of International Trading Houses Associations – is an umbrella organization of various national associations being its members. In 2005 CITHA became an NGO registered in Brussels by decree of the Ministry of Justice and as such is recognized by important international institutions like the World Bank, IMF, UNCTAD, OECD, WTO, EU Commission, etc.

CITHA represents the interests of companies in wholesale and foreign trade at national, European and international level. It is committed to openness to the world, free competition in a liberal, market-based economy and responsible entrepreneurship. CITHA focuses on problems affecting international trade and represents and promote the interests of international associations of trading houses and of their members. Finally, CITHA acts as spokesperson for operators in the field of international trade regarding European authorities and supra-national institutions.

