

Strengthening Transatlantic Trade Ties

2022 was a year of renewed cohesion and solidarity in the transatlantic community. Russia's war on Ukraine, climate change and the aftershocks of the Covid pandemic have underlined our shared values of democracy, human rights and the rule of law.

A strong transatlantic economy is the bedrock of this relationship. Europe and the United States form the center of the global economy. Transatlantic trade reached an all-time high of \$1.1 trillion in 2021.¹ Continued growth is expected in bilateral trade and investment: The U.S. sends more than half of all its global investments to Europe, while 64 percent of all global investments to the U.S. originate in Europe. On the data economy front, 55 percent more data is transferred between Europe and the U.S. than over transpacific routes.

Finland has a vested interest in strengthening the transatlantic trade relationship. The U.S. is Finland's most important economic partner when factoring together trade, investment and research. Finnish exports to the U.S. grew 12.5 percent in 2021, marking the third consecutive year of double-digit growth. Of these, service exports grew 28 percent year-on-year, highlighting the central role of information and communications technology (ICT) and other digital services. Moreover, the U.S. is the second largest source of foreign direct investment (FDI) to Finland with a total of €9.5 billion invested in 2020. Finnish companies' cooperation with American industry and government shows the spirit of increased transatlantic activity already exists and is prospering.

Finland's next government should prioritize strengthening the transatlantic trade relationship. Amcham Finland has outlined three areas of opportunity for Finland and the U.S. to leverage their complementary strengths for mutual growth and competitiveness: *Digitalization*, *the Green Transition* and *Defense*. Leaning into these strengths will boost FDI, R&D innovation, jobs and GDP growth for a competitive future.

Areas of mutual opportunity

1. Digitalization

Sixty-five percent of global GDP will be digitized by 2022. The rapidly expanding digital economy has made service exports one of the most highly productive sectors, with digitally enabled services accounting for 64 percent of global service exports. Europe and the U.S are the world's largest net exporters of digital services. They also are each other's most important commercial partners in the sector.

Finland stands squarely in the midst of the digital trade revolution and has established itself as a frontrunner in 5G technology and AI, among others. Companies including **Nokia** and **Varjo** are leading the way in Finland and abroad. As the digital economy continues to grow, Finnish service suppliers can find ample opportunities to learn from leaders in the ICT sector and gaming industry in the U.S. market. Finland offers strong infrastructure and a highly skilled labor force for U.S. tech giants looking to expand their European operations.

¹ All data cite Amcham Finland's [Supplement to the Transatlantic Economy Report](#) unless otherwise stated.

For both sides to reap the benefits of the growing digital economy, the U.S. and Europe must find shared solutions to critical regulatory issues. The business community needs the Trade and Technology Council (TTC) to agree on strong digital norms and standards. New technology regulations should not create barriers to trade, but safeguard innovation, jobs and people on both sides of the Atlantic. In line with this goal, policies should promote fair and equal treatment of foreign investors. Finland is well equipped to be a leading voice in the creation of a democratic rulebook for digital trade that will shape competitiveness and security across the globe for years to come.

2. Green Transition

In 2020, global greenfield FDI in renewable energy reached an all-time high of \$85.5 billion. Surging energy prices, geopolitical instability and new EU regulations on environmental sustainability have further sped up the transition to green energy sources.

As a frontrunner in energy efficiency and a carbon-free economy, Finland is a valuable partner for the U.S. Finnish companies already excel in green energy and materials innovation, while the Biden administration has set its sights on electric vehicles and renewable energy production.² In March 2022, **Fortum** and **Microsoft** announced a deal that will reduce Finland's reliance on fossil fuels by harnessing energy from a new data center to power nearby municipalities. The collaboration is the largest waste heat recycling project in the world³ and a prime example of the transatlantic partnership opportunities which will increase following the 2022 Inflation Reduction Act.

3. Defense

Finnish defense posturing has developed significantly in the past year. Finland purchased 64 F-35 fighter jets produced by U.S. defense contractor **Lockheed Martin Corp.** for €8.4 billion.⁴ Following Russia's war on Ukraine, Finland and Sweden submitted a joint NATO bid and opened a new chapter in the transatlantic defense relationship which will continue to grow.

The defense and aviation industries play a vital role in these partnerships. The sector already makes substantial contributions to the Finnish economy with a total turnover of €1.5 to €1.8 billion in 2020.⁵ It also bolsters Finnish employment. According to the Finnish Defense Forces, the industrial participation brought by the F-35 procurement will directly create 4,500 person-years of work alone.

Finland also has made strides in bringing its technologies into the U.S. market. In May 2022, the U.S. Department of Defense awarded **Premix Inc.** an \$80 million contract to establish a manufacturing plant in North Carolina.⁶ Premix, an Amcham Launchpad USA company, gained prominence for the widespread use of its technology in Covid-19 diagnostic testing.

² White House [Fact Sheet](#), August 2022

³ Fortum [Press Release](#), March 2022

⁴ [Yle News](#), February 2022

⁵ Antti Koskivuo, Nordea

⁶ U.S. Department of Defense [Press Release](#), May 2022