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# The Onset of a Transatlantic Trade War Hinges on the Regulation of Digital Industries

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In his inaugural speech in January 2025, Donald Trump promised to impose tariffs and taxes on foreign countries to benefit American citizens. This decision was not unexpected, as during his first presidency (2017-2020), Trump had already launched a trade war with China, imposing tariffs on roughly \$360 billion worth of Chinese imports, and implementing tariffs on most of the United States' trade partners<sup>1</sup>. When President Joe Biden took office, he retained most of the tariffs that Trump had imposed on China, though his administration advocated for a more strategic approach<sup>2</sup>.

In his 100 days in office, Trump signed 20 executive orders and issued four memoranda and three proclamations related to trade tariffs<sup>3</sup>. Trump's tariffs pose a significant challenge to the global rules-based trading system, marking an unprecedented shift after decades of liberalization in multilateral trade<sup>4</sup>. The trade war has already disrupted global supply chains, slowed economic growth, and sent shockwaves through industries from manufacturing to agriculture. Amid Trump's aggressive trade agenda, the European Union - as a crucial economic power - plays a key role in determining the stability of the international trade system<sup>5</sup>. As the deadline of the 9<sup>th</sup> of July is approaching, the prospects of a deal between Washington and Brussels may well depend on whether an agreement can be reached on the governance and regulation of tech industries by the EU.

If trade negotiations break down, the EU may exert further pressure on the Trump administration by threatening to impose tariffs on U.S. services - particularly in sectors where the U.S. runs a trade surplus with the EU<sup>6</sup>. In an interview with the *Financial Times*, European Commission President Ursula von

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<sup>1</sup> Sinan Ülgen and Alina İltutmuş, U.S. International Trade Policy During the Trump Administration: Will Trade Wars Benefit Türkiye?, EDAM, November 12, 2024, p. 2, <https://edam.org.tr/en/economics-and-energy/u-s-international-trade-policy-during-the-trump-administration-will-trade-wars-benefit-turkiye>.

<sup>2</sup> Wyatte Grantham-Philips, "A Timeline of Trump's Tariff Actions So Far," PBS NewsHour, April 3, 2025, <https://www.pbs.org/newshour/economy/a-timeline-of-trumps-tariff-actions-so-far>.

<sup>3</sup> Ballotpedia, Donald Trump's Executive Orders and Actions on Trade and Tariffs, 2025, accessed May 27, 2025, [https://ballotpedia.org/Donald\\_Trump%27s\\_executive\\_orders\\_and\\_actions\\_on\\_trade\\_and\\_tariffs\\_2025](https://ballotpedia.org/Donald_Trump%27s_executive_orders_and_actions_on_trade_and_tariffs_2025).

<sup>4</sup> Madalena Barata da Rocha, Nicolas Boivin, and Niclas Poitiers, The Economic Impact of Trump's Tariffs on Europe: An Initial Assessment, Bruegel, April 17, 2025, <https://www.bruegel.org/analysis/economic-impact-trumps-tariffs-europe-initial-assessment>.

<sup>5</sup> Sinan Ülgen, Navigating the Looming Trade War: Options for the EU, Carnegie Endowment for International Peace, March 27, 2025, <https://carnegieendowment.org/europe/strategic-europe/2025/03/navigating-the-looming-trade-war-options-for-the-eu?lang=en>.

<sup>6</sup> "Von der Leyen Ready to Hit Tech and Services in US-EU Trade War," Euronews, April 11, 2025, <https://www.euronews.com/my-europe/2025/04/11/von-der-leyen-ready-to-hit-tech-and-services-in-useu-trade-war>.

der Leyen highlighted the EU's readiness to implement a digital services tax, which would impact major tech companies such as Meta, Google and Facebook. While the implementation of such measures remains contingent on the outcome of ongoing tariff negotiations between the EU and the U.S., discussions around digital regulations are expected to be particularly complex<sup>7</sup>.

To understand the potential trajectory of digital regulation between the EU and the U.S., it is essential to examine the EU's regulatory framework for online platforms - namely, the Digital Markets Act (DMA) and the Digital Services Act (DSA). Additionally, it is important to assess the current state of their enforcement against major tech companies, the Trump administration's stance on these regulations, and the potential implementation of a digital services tax. These elements must be viewed in the broader context of the EU-U.S. trade dispute, as digital regulation has become a key area of contention and negotiation between the two actors.

### Digital Bottlenecks?

In 2022, the European Commission introduced the Digital Services Act Package, consisting of the Digital Services Act and the Digital Markets Act. These acts entered into force in November 2022 and became fully applicable in February 2024<sup>8</sup>. Together, they form a unified regulatory framework with two primary goals: first, to create a safer digital space where the fundamental rights of all users of digital services<sup>9</sup> are protected<sup>10</sup>; and second, to establish a level playing field that promotes innovation, growth, and competitiveness within the European Single Market and beyond<sup>11</sup>.

A key feature of the DSA and DMA is the classification of online services based on their function, market share, and reach. Services are classified as intermediary services, hosting services, online platforms, very large online platforms (VLOPs), and very large online search engines (VLOEs). The obligations imposed by the regulations vary depending on the size and impact of the platform, with

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<sup>7</sup> Sinan Ülgen, Navigating the Looming Trade War: Options for the EU, Carnegie Endowment for International Peace, March 27, 2025, <https://carnegieendowment.org/europe/strategic-europe/2025/03/navigating-the-looming-trade-war-options-for-the-eu?lang=en>.

<sup>8</sup> European Commission, The Digital Services Act package, accessed May 27, 2025, <https://digital-strategy.ec.europa.eu/en/policies/digital-services-act-package>.

<sup>9</sup> Digital services include a large category of online services, from simple websites to internet infrastructure services and online platforms.

<sup>10</sup> Ibid.

<sup>11</sup> Ibid.

VLOPs and VLOEs facing the strictest regulatory requirements due to their significant influence on the digital ecosystem<sup>12</sup>.

The EU's Digital Services Act (DSA) framework "...introduces transparency duties, risk analysis requirements, and independent auditing processes for Very Large Online Platforms (VLOPs) and search engines reaching over 10% of the EU population (more than 45 million users)"<sup>13</sup>. Some of the designated VLOPs and VLOEs under the DSA include AliExpress, Amazon Store, App Store, Google Search, Instagram, LinkedIn, Facebook, Snapchat, TikTok, X (formerly Twitter), and YouTube<sup>14</sup>.

Under the DSA, VLOPs are required to implement transparency measures related to ad targeting, content moderation, and data sharing with their vetted researchers<sup>15</sup>. As of February 17, 2024, these rules apply not only to VLOPs and VLOEs but to all online platforms operating within the EU. The European Commission enforces the DSA in collaboration with national authorities, which are responsible for ensuring compliance by platforms headquartered within their jurisdictions<sup>16</sup>. Through the DSA, the EU seeks to combat illegal and harmful activities in the digital space and to curb the spread of disinformation, thereby fostering a safer and more accountable online environment.

On the other hand, the Digital Markets Act (DMA) - as part of EU law - aims to ensure fairer and more contestable markets within the digital sector<sup>17</sup>. The Act outlines a set of objective criteria to identify so-called "gatekeepers", which are large digital companies providing core platform services. The European Commission has designated Alphabet, Amazon, Apple, ByteDance, Meta, and Microsoft as gatekeepers under the DMA<sup>18</sup>. These companies must comply with a range of obligations and prohibitions outlined in the Act, which functions alongside existing EU competition rules. Although ByteDance, Meta, and Apple have appealed their designation, such appeals do not suspend their obligations. These gatekeepers are still required to comply with the DMA while legal proceedings are ongoing.

<sup>12</sup> "The Digital Services Act: An Analysis of Its Ethical, Legal, and Social Implications," accessed June 19, 2023, <https://www.tandfonline.com/doi/full/10.1080/17579961.2023.2184136>, p. 86.

<sup>13</sup> Luca Nannini, Eleonora Bonel, Davide Bassi, and Michele Joshua Maggini, "Beyond phase-in: assessing impacts on disinformation of the EU Digital Services Act," *AI and Ethics*, vol. 5, pp. 1241–1269, 2025, <https://doi.org/10.1007/s43681-024-00467-w>.

<sup>14</sup> European Commission, Supervision of the designated very large online platforms and search engines under DSA, updated May 27, 2025, <https://digital-strategy.ec.europa.eu/en/policies/list-designated-vlops-and-vloses>.

<sup>15</sup> Ibid.

<sup>16</sup> European Commission, The EU's Digital Services Act, accessed May 27, 2025, [https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/europe-fit-digital-age/digital-services-act\\_en](https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/europe-fit-digital-age/digital-services-act_en).

<sup>17</sup> European Commission, About the Digital Markets Act (DMA), accessed May 27, 2025, [https://digital-markets-act.ec.europa.eu/about-dma\\_en](https://digital-markets-act.ec.europa.eu/about-dma_en).

<sup>18</sup> European Commission, Digital Markets Act: Commission designates six gatekeepers, Press Release IP/23/4328, September 6, 2023, [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_23\\_4328](https://ec.europa.eu/commission/presscorner/detail/en/ip_23_4328).

Together, the DSA and DMA signal a clear shift in the EU’s approach to regulating the digital sphere. The EU has moved away from a voluntary, self-regulatory model to a binding co-regulatory framework that prioritizes transparency and accountability. This new model actively involves users, researchers, and fact-checkers in the oversight process. The European Commission now plays a central role as a co-regulator, with substantial enforcement powers. Under the Digital Services Act Package, the Commission can directly supervise and enforce compliance for VLOPs and VLOEs, impose fines of up to 6% of a company’s global turnover, and - through court orders - temporarily suspend access to platforms that refuse to comply with regulatory obligations<sup>19</sup>.

### First DMA Fines on Big Techs

After a year-long investigation, on April 23, 2025, the European Commission imposed fines of €500 million on Apple and €200 million on Meta for non-compliance with the Digital Markets Act. “The fines are based on investigations that Apple, through the design of its App Store, and Meta, through the “Consent or Pay” model of the social networks Facebook and Instagram, violated DMA obligations”<sup>20</sup>. These were the first fines issued under the DMA, which is designed to promote fair competition among digital platforms. The White House strongly criticized the move, calling the penalties a “novel form of economic extortion” and warning that the United States would not tolerate such actions. The decision has the potential to further escalate tensions with President Trump, who has previously threatened to impose retaliatory tariffs on countries that penalize American companies<sup>21</sup>.

In addition to Meta and Google, X (formerly Twitter) was also found in preliminary breach of the DMA. On December 18, 2023, the European Commission formally launched infringement proceedings against the platform for potential violations of the Digital Services Act. These include concerns related to content moderation, advertising transparency, and data access for researchers<sup>22</sup>. By July 2024, the Commission concluded that X violated several key DSA requirements, including those related to transparency, researcher access, and the misuse of verification indicators like blue check marks. The investigation further expanded in January 2025 to scrutinize the platform’s content moderation

<sup>19</sup> “Questions and Answers: Digital Services Act,” Text, European Commission - European Commission, accessed May 12, 2023, <https://digital-strategy.ec.europa.eu/en/faqs/digital-services-act-questions-and-answers>.

<sup>20</sup> Herbert Smith Freehills LLP, Enforcement of the DMA – European Commission imposes first fines under the DMA on Apple and Meta, Lexology, May 20, 2025, <https://www.lexology.com/library/detail.aspx?g=97cb6c2c-c69b-425d-ad5d-1b49c8efaf06>.

<sup>21</sup> Steve Holland and Kanishka Singh, “US calls EU fines on Apple and Meta ‘economic extortion,’” Reuters, April 23, 2025, <https://www.reuters.com/sustainability/boards-policy-regulation/us-calls-eu-fines-apple-meta-economic-extortion-2025-04-23/>.

<sup>22</sup> European Commission, Digital Services Act: Commission opens formal proceedings against X, Press Release IP/23/6709, September 6, 2023, [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_23\\_6709](https://ec.europa.eu/commission/presscorner/detail/en/ip_23_6709).



practices. However, no fines have yet been issued against X, raising speculation in Brussels that enforcement may be politically influenced, especially in light of Elon Musk's close ties to President Trump.

Even before the imposition of the first DMA fines, President Trump had expressed sharp disapproval of EU tech regulations. On February 21, 2025, he issued a memorandum calling for tariffs on countries that prevent the global competitiveness of American companies. The memorandum mandated a review of EU and United Kingdom policies that allegedly contribute to censorship or limit free speech, particularly where such policies impact U.S. tech companies. The memorandum also served as a direct warning against the EU's DSA and DMA frameworks, criticizing them for dictating how American companies engage with consumers in the European market<sup>23</sup>.

### US-EU Digital Regulations Tensions

With two competing views—Trump's characterization of the DMA as an extortionate measure targeting U.S. companies, and the EU's insistence that it will make no concessions on its digital rules—tensions between the United States and the European Union over digital regulation are likely to intensify. These tensions risk escalating into a full-blown trade war within the tech industry<sup>24</sup>. Moreover, the outcome of ongoing trade negotiations may significantly influence the future of the DMA.

With a mandatory review of the DMA scheduled for 2026, the European Commission faces a pivotal choice: it can either scale back regulatory pressure on gatekeepers to ease transatlantic friction or expand the rules to address emerging challenges such as those posed by artificial intelligence (AI)<sup>25</sup>. However, any attempt to broaden the regulatory scope may trigger further backlash from the United States. Under these circumstances and to prevent a full-scale trade war with prohibitive tariffs hitting EU exports, the Commission seems to reassess its position on the implementation of digital rules. But any change in its fundamental stance is likely to generate divisions among Member States that are keen on safeguarding this domain from external interference as a solid area of supranational sovereignty. One option may be for the Commission to possibly adopt a more collaborative approach with tech companies. This could

<sup>23</sup> Anupriya Datta, "Trump threatens to launch tariff attack on EU tech regulation," Euractiv, February 22, 2025, <https://www.euractiv.com/section/tech/news/trump-threatens-to-launch-tariff-attack-on-eu-tech-regulation/>.

<sup>24</sup> Stu Roberts, "US-EU digital regulation tensions risking tech industry trade war," Verdict, May 21, 2025, <https://www.verdict.co.uk/us-eu-digital-regulation-tensions-risking-tech-industry-trade-war/>.

<sup>25</sup> Christophe Carugati, "Europe's Digital Markets Act Faces Uncertainty as Trump Pushes Back," Digital Competition, March 6, 2025, <https://www.digital-competition.com/comment/europe-digital-markets-act-faces-uncertainty-as-trump-pushes-back>.

involve increased consultations, regulatory guidance, and formal commitments, rather than further tightening rules that could provoke additional U.S. retaliation.

The outcome of the US-EU negotiations on digital regulation including the digital services tax will also have implications that go beyond transatlantic trade. Going forward, it will shape the EU's ability to act as a regulatory superpower since other jurisdictions that align their regulatory framework with Brussels can also be targeted by Washington. In light of recent trade developments, it is clear that the DMA has evolved beyond a traditional competition policy tool. It now functions as a geopolitical lever in EU-U.S. relations, placing Brussels' regulatory credibility under significant pressure amid growing external challenges<sup>26</sup>.

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<sup>26</sup> Ibid.



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