

US-EU relations in the first year of President Biden: a view from Brussels

by Maria Demertzis, Bruegel Brussels 8 November 2021

Joe Biden's election as President of the United States (US) was perceived by the European Union (EU) as an [opportunity](#) to revive transatlantic cooperation. In December 2020, the European Commission put forward the idea of establishing a Trade and Technology Council (TTC), which was launched during the EU-US Summit on 15 June 2021.

The official *raison d'être* of the TTC appears [two-fold](#): to deepen relations and to coordinate approaches in tackling global issues in order to exert global influence. It is conceived as a coordination forum to be guided by high-level politicians, while [ten working groups](#) composed of experts from both sides conduct the groundwork. Importantly, it establishes a forum for continuous, rather than ad hoc, coordination and communication between the US and the EU.

The underlying premise is that the EU and the US are like-minded partners who aim to promote their values of democracy and the level playing field in market competition. The TTC comes after a series of attempts at coordinating EU and US policymaking¹ that have been either limited in scope or abandoned over deadlocks.

The novelty of the TTC is its [narrower ambitions](#) for common standards, most notably on emerging technologies, which arguably makes it [more likely to succeed](#). There is political will to shape these emerging sectors based on [common values](#) and that is why this is also an ambitious attempt to contain the increasing Chinese dominance in emerging technological sectors.

Indeed, [seven of the ten working groups](#) will address themes that refer to technology either with a security angle or from a competition perspective. Working groups will discuss: 1. Technology standards; 2. Climate and green tech; 3. Securing supply chains (so far mostly focused on semiconductors); 4. Information and communication technology and services (ICTS) security and competitiveness; 5. Platform and data governance; 6. Technology misuse threatening security and human rights and the 7. Promotion of technology adoption for small and medium-sized enterprises. The remaining three groups will work on trade issues: 1. Export controls; 2. Investment screening and 3. Global trade challenges (so far focused on undesirable practices in non-market economies).

Along with the creation of the TTC, the US-EU summit last June took also a number of steps to demonstrate the will for closer cooperation. An important step in this direction was the resolution of a 17-year-old dispute on aircraft subsidies, the [Boeing-Airbus dispute](#). Both parties agreed to suspend the application of tariffs for a period of 5 years and will jointly cooperate to analyse non-market practices from third countries that may harm the large US-EU civil aircraft sectors.

Also, there was a [commitment](#) to reform the World Trade Organisation (WTO) in ways that would ensure a global level playing field. This is of particular significance to the EU that had always advocated for a strong and effective multilateral system.

What has happened since June?

On 15 September, the US announced the creation of a three-party partnership between Australia, the UK and the US, called AUKUS that would provide the Australian navy with nuclear powered submarines. This deal would have had no direct impact on the EU, were it not for the fact that it

¹ These include the 1995 New Transatlantic Agenda (NTA), the 1998 Transatlantic Economic Partnership (TEP), the 2007 Transatlantic Economic Council (TEC), and more recently the Transatlantic Trade and Investment Partnership (TTIP) for which negotiations started in 2013 and were shelved in 2019.

bypassed a deal that France had with Australia to provide 12 diesel powered submarines. A diplomatic spat emerged between France and the US as a result, but as it turned out was more about the way things were done, rather than what was done. In a [telephone conversation](#) “*The two leaders (Biden and Macron) agreed that the situation would have benefited from open consultations among allies on matters of strategic interest to France and our European partners. President Biden conveyed his ongoing commitment in that regard.*” But what the AUKUS deal also demonstrated is the limited patience the US has with the EU when it comes to building ‘like-minded’ alliances to pursue its own strategic goals.

Despite fears of a postponement as a result of this diplomatic spat, the TTC did gather for the first time in Pittsburgh, on 29 September. The co-chairs were the two sides’ representatives for competition and trade: Competition Commissioner Margrethe Vestager and Trade Commissioner Valdis Dombrovskis for the EU, and Secretary of State Antony Blinken, Secretary of Commerce Gina Raimondo and Trade Representative Katherine Tai for the US.

The resulting [joint statement](#) laid areas of cooperation for the upcoming months on investment screening, on controlling export of technologies that may be used either unfairly or undermine human rights, regulating artificial intelligence, easing semiconductor shortages and addressing global trade challenges (addressing distortive practices between the US and EU, but also for third countries). The meeting however came short of delivering concrete measures. The joint statement did not mention China explicitly, but references to unfair trade practices are in line with recurring US criticism of Chinese practices.

However, an [important breakthrough](#) in US-EU relations came during the recent G20 meetings where the US and the EU announced a resolution of the dispute on steel and aluminium that had started during the Trump administration. In this agreement:

1. the US agreed to remove tariffs on aluminium exports from the EU equivalent to “*4.4 million tons of duty-free steel exports to the U.S. for the next two years and 3.3 million tons after that*”. The EU in turn will remove the retaliatory tariffs of up to 50% on items that amount to USD 4.2 billion and will suspend additional tariffs that it had intended to put in place on 1 December;
2. cases brought to the WTO by both parties as a result of this dispute are withdrawn and the two agree to discuss a settlement process for future disputes within the framework of the WTO, even if it does not go to the Appellate body;
3. the two agree to identify a methodology to calculate steel and aluminium carbon intensity as well as how to deal with overcapacity in the steel sector.

While the agreement does not remove all tariffs, it does make progress towards removing trade irritants.

Progress and challenges ahead

The EU has frequently emphasised the need for trust-building as a necessary ingredient for improving relations with the US. What has happened in the last few months represent in my view a net improvement.

The TTC is an important platform for cooperation in which progress can be made on a continuous basis. The recent agreement on steel and aluminium can be seen as an attempt to make amends after the awkwardness of AUKUS but was also no doubt rushed because of the EU deadline to increase tariffs on US goods by the 1 December. This agreement also includes [important innovations](#) like

agreeing to resolve issues within the WTO framework and the willingness to establish a common methodology in trade that can help meet our climate ambitions. Both are very welcome from the EU perspective.

The working groups of TTC will continue to look for coordination between the US and the EU when it comes to issues like artificial intelligence, data governance and establishing trade that is in line with labour and environment standards that are acceptable to both.

But the TTC and indeed the agreement on steel and aluminium are both also attempts to contribute to what can be thought of as a 'China strategy'. But there are a number of at best inconsistencies, at worst pitfalls, in the way that we are trying to establish such a 'China strategy'.

First, the US-China antagonism is often referred to as another 'cold war'. But the cold war analogy is [not appropriate](#) because unlike with the USSR, the US has strong economic ties with China. The objective of 'decoupling' that the concept of a cold war logically implies, is self-defeating and potentially economically very costly.

There are similar issues on the EU side. The EU agrees with the US when it comes to certain Chinese practices like forced technology transfer, intellectual property, market distorting subsidies and the distortive role of state-owned enterprises. However, the EU is also not prepared to entirely align its objectives with the US when it comes to China. [Europeans](#) do not want to be in the middle of this emerging 'cold war' between the US and China. They do not believe that this war is about them and would not want to find themselves in the awkward position of having to choose between the two. Europe wishes to engage with China as a major trade and investment partner even if it wants to do so on its own terms. However, progress in this respect is also not obvious. The inability to ratify the comprehensive investment agreement with China signed at the end of last year, is a clear example of the push/pull factors in the EU's thinking.

Second, there is the issue of global public goods. President Joe Biden [told](#) the United Nations on 21 September that *"There's a fundamental truth of the twenty-first century within each of our own countries and as a global community that our own success is bound up with others succeeding as well."*

Any attempt to strengthen US-EU economic ties is useful, particularly if it removes frictions and obstacles. But this strengthening of relations cannot happen at the expense of multilateralism and the broader global good. It is not difficult to imagine that viewed from the East, tighter US-EU cooperation can be viewed as a western alliance cabal. Alliances based on "like-mindedness" can be counterproductive when it comes to solving world problems.

Take climate for example. It would be naïve for Europe and the US to expect China to cooperate on issues that relate to climate, while tolerating a Western alliance 'attack' on her economic strategy. We cannot count on China's willingness to cooperate on climate in particular when its right to develop and grow disincentivises her from doing so. At the very least, we should expect China to use climate as a lever to extract concessions on other issues. That also points to the limitations of trade as an instrument for achieving other goals. While we hope that the carrot of trade will help achieve climate goals, we should expect China to be using climate to achieve other goals, including on trade.

But crucially what will happen to EU and US climate goals if China chooses not to cooperate? The answer to that question ought to help us understand the inconsistency between the global nature of the problems we face on the one hand, but forming only like-minded alliances, on the other. If anything it should be with the not quite so like-minded that we should aim to agree.

EU-US cooperation needs to continue and to improve. But it also needs to be part of improved world cooperation necessary to meet the challenges ahead.