

# Rebuilding transatlantic cooperation: A ‘US week’ in Brussels

## Summary

Last week, 22-28 March, showed progress in rebuilding the transatlantic relationship after four years of troubled relations under the previous administration. US President Joe Biden joined the EU’s top leaders during their virtual EU Council Summit. Secretary of State Antony Blinken held talks with the top NATO and EU officials, and the newly appointed US Trade Representative Katherine Tai had her first call with her European Commission counterpart, Executive Vice-President Valdis Dombrovskis.

No major advances were made on the multifaceted agenda that will dominate EU-US relations over the coming years, including on [trade](#), [China](#), [climate](#), the [digital agenda](#) and [foreign and security affairs](#). However, this series of talks sent a strong political signal that the EU-US cooperation is back to normal after four turbulent years. The meetings with key EU decision-makers were also an occasion to ensure that the numerous EU-US contact groups at various levels start functioning again.

## Approach towards China

A key objective for the US is to get the EU on board in a common approach towards China. Blinken described the new US’ policy towards China with the same terms (though in an inverted order) as the ones used for the past two years by the EU. He labelled China as a systemic rival, a competitor and a cooperation partner; and asserted that the EU was not obliged to choose between the USA and China.


However, on various issues, the EU and the US still do not see eye to eye on how best to handle China. The perception in Brussels is that the US under Biden will continue former President Donald Trump’s policy of decoupling from China and further pressuring China over human rights violations in Xinjiang and anti-democratic behaviour in Hong Kong and Tibet. Should the current rapprochement continue, the US will likely convince the EU to go further on human rights and the preservation of democracy in China than the bloc would go on its own.

It is notable that the EU also announced last week coordinated sanctions related to human rights abuses in Xinjiang with the US, UK and Canada. For the EU, it was the first time since the 1989 Tiananmen square crackdown, that sanctions were imposed on China, although in a mild form (travel restrictions and asset freeze on four Chinese officials). China responded immediately with scaled-up measures, sanctioning several EU lawmakers, think tanks and institutions, including the Political and Security Committee of the Council of the EU, as well as the Subcommittee on Human Rights of the European Parliament.

By directly hitting the Parliament, Beijing risks destabilising the EU-China Comprehensive Agreement on Investments (CAI) that was politically agreed late last year, and which needs the approval of the Parliament to enter into force. It is too early to predict if the Parliament will block the agreement in the end but it is clear that Beijing’s move plays into the US hands in promoting a tougher EU line on China.

## Trade

The first step to deescalate transatlantic trade conflicts had been taken before the formal appointment of US Trade Representative Tai and her call with EVP Dombrovskis.



On 5 March, the EU and US agreed to suspend all reciprocal tariffs linked to the Airbus and Boeing disputes for four months, while the two sides agree to work to find a long-term solution to the two-decade-long conflict on state subsidies to aircraft producers.

Finding a solution will not be easy. The US insists on strict limits on launch aid for new aircraft, while the EU asserts that indirect subsidies provided to US producers through military contracts should be taken into account. The political pressure for reaching a deal is strong and reinforced by the fact that China could become a serious competitor as an aircraft producer in the coming years.

Meanwhile, the Biden Administration seems less inclined to remove steel and aluminium tariffs and this trade conflict could even scale up over the coming months. On 1 June, the EU will automatically increase its original countermeasures hitting products like Bourbon Whisky and other famous US export products. However, the Tai-Dombrovskis talk gave hope that the renewal of regular contacts at the officials' level could lead to finding a way out of the impasse.

Finally, besides resolving bilateral disputes, the EU and the US will likely join their forces to get the World Trade Organization (WTO) back on its feet. The objective is to obtain international agreement on a reform program at the WTO mini Summit planned for December 2021 in Geneva.

## Climate

In his virtual meeting with EU leaders, Biden put climate on the top of the list for joint EU-US action over the coming years. The return of the US to the Paris Agreement has been warmly welcomed by the EU. The US Special Representative for Climate, John Kerry, had already visited Brussels on 5 March for talks with the European Commission President Ursula Von der Leyen and Executive Vice President and EU's climate czar Frans Timmermans. There is no doubt in Brussels that Biden is convinced of the need to move forward rapidly on the climate agenda and that the upcoming COP in Glasgow in November 2021 must produce concrete results.

However, there are doubts in some EU circles on the President's ability to deliver concrete financial support and legislative change, due to the deep division in the US Congress on energy policy and other climate-related issues. There could also be potential conflict areas as in June, the Commission will put forward its proposal for a Carbon Border Adjustment Mechanism (CBAM), a plan towards which the new administration has until now been non-committal, tending towards opposition.

The US president has invited 40 world leaders to a virtual Climate Summit on 22-23 April, including eight of them representing the EU (national leaders from Germany, France, Italy, Spain, Poland and Denmark plus the Commission's President and the European Council's President.) The purpose of the Summit is to "galvanise efforts by major economies to tackle the climate crisis". It has been announced that the US will use the occasion to set out its own 2030 targets. The Summit is likely to be firstly aimed at mobilising internal support in the US for the Climate agenda.

Chinese President Xi Jinping and Russian President Vladimir Putin are also invited. However, following the heated exchange that took place recently between the Chinese and US Foreign Ministers as well as President Biden's statement that President Putin was a killer, it is uncertain whether the two Presidents will join the Summit. The EU would find it unfortunate if a summit setting out as an important milestone towards Glasgow would end up further dividing the most important global players.

## Digital Agenda

The EU believes that the digital agenda offers a promising field for strong EU-US cooperation and has put forward the idea of a transatlantic Trade and Technology Council, which has been well received by the US. Both parties have a keen interest in joining forces to set international norms and standards in the digital area, also aiming to counterweight China's present activism on international norm-setting (e.g. in the WIPO -the International Trademark Organization - and through the Belt and Road initiative). There seems to be increasing cross-party support in the US for reinforcing antitrust and regulatory control regarding Tech giants. The EU has also tried to inspire US efforts, including by its recent Single Digital Service Act package.

Digital taxation divided the parties during the Trump reign, leading to the US walking out of the OECD negotiations on a global solution. Since the Biden administration, the OECD talks on digital taxation are now back on track, making progress and potentially leading to a breakthrough in time for the G7 and the G20 Summits in June and July. Should this happen, it would also remove present EU-US spats on digital services taxation. Such taxes imposed by a growing number of EU countries remain a source of tensions. On 26 March, the US threatened to introduce tariffs against Austria, Italy and Spain as it considers their digital services tax as discriminatory against the US tech giants.

## Foreign and Security Affairs

Secretary Blinken sent a strong message to NATO that the US is back as a solid anchor of transatlantic security cooperation. After a bruising four years when Washington portrayed NATO as outdated, divided and in crisis, the tone has changed. Blinken welcomed NATO Secretary-General Jens Stoltenberg's vision for modernising NATO, focussing on climate measures, more sustainable funding in military spending and on giving NATO a role in facing the growing military threats coming from China. The US also agrees that collective action against cyber-attacks and hybrid threats against critical infrastructures should be beefed up. The Europeans are following the lead as they know that they will have to carry a greater responsibility, including final support on Europe's defence.

The EU expects the US to fully return to the Joint Comprehensive Plan for the denuclearisation of Iran, but until now the Americans have been dragging their feet.

Under pressure from the US Congress, the administration is again threatening to impose sanctions on EU firms engaged in the finalisation of the Nord Stream 2 gas pipeline in the Baltic Sea, which is now almost complete. Many Europeans have over the years questioned the wisdom of the project but consider that it is now too late to change course. Time was lost during the Trump years, where it was unclear whether the US prime objective was to defend the interests of the transit countries (e.g. Ukraine) or to sell more American liquefied gas to Europe. For Europe, the attention should now be focused on finding a compromise that can safeguard Ukraine's economic and security interests.

In general, the EU deeply regrets that the US is continuing to impose extraterritorial sanctions on European firms, not just in the case of Nord Stream 2, but also on firms trading with Cuba and Iran. It is worried that the US appetite for using these instruments that are violating international law is growing.