



A new start for EU-US relations?

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The election of President Biden was greeted by sighs of relief across Europe and offered the promise of a renewed relationship. The first hundred days in the office have been impressive. The tone vis-à-vis the EU has changed radically. New perspectives of cooperation are opening up, as set out in the Commission's December communication on "EU-US: A new transatlantic agenda for global change".

For this to be fruitful two conditions need to be met. The first and most important one is linked to the capacity of the EU to deliver and to do what it takes to be a credible and strong partner. In this sense the future of the transatlantic partnership depends more on the European side than the American one. America is a super power and will remain one. And super powers only listen to other powers that are serious.

But there is also a need for changes on the U.S side. The quiet assumption, so prevalent in the U.S, that it is natural for it to lead on all major issues and for the Europeans to follow will not stand up to the requirements of today. A strong partner can and will at times have different views and even different interests and should be allowed to defend them without being accused of jeopardizing the relationship.

TRADE

We will only briefly mention trade in spite of its enormous importance for the \$5.5 trillion economic relationship. The reason is that this an area where the US and the EU are truly equal partners and where there is a constant game of give and take and negotiation. The arrival to the White House of President Biden heralds a promising new period: the Commission and its US counterparts have just come to an agreement on the removal of Section 232 Steel tariffs and a suspension of the EU's countervailing duties. Concerning the Boeing/Airbus dispute, both sides suspended in March the tariffs they were allowed to impose after the WTO litigation phase. On WTO, a new climate of cooperation raises hopes for the future of this vital multilateral organization. The EU and the US are also working on a trade and health proposal. And the Commission has proposed setting up a Trade and Tech Council to discuss in this format difficult issues like 5 and 6G, digital taxes, and cloud services.

VACCINES

A few days ago, President Biden stunned the world by calling for lifting the patents on Covid-19 vaccines. Lifting the patents has been asked for by an international campaign over the last weeks. So the President's announcement was certainly a clever communication initiative. It portrays the United States in a favourable light showing care and leadership in the response against Covid 19.

The question is: should this announcement not have been preceded by a minimum of consultation with the European allies who have a big stake in this issue? A measure like lifting the patents can have profound effects on this sector and on

research generally. Is this the right approach? Maybe, but there are at least a few issues to be considered before going that way. Would this not be a rather theoretical gift to the third world in view of the fact that the production of vaccines is a highly specialised and sophisticated business? Is there any chance that this measure would lead in the short term to the much needed scaling up of production capacities? Some experts claim that it would take months to negotiate waivers for intellectual property rights, which would be counterproductive to the necessity of producing and distributing vaccines fast. The U.S. firm Moderna already voluntarily waived its patent rights in October, but other manufacturers still are not able to use its technology without active cooperation from Moderna. And drug manufacturers argue that imposing the lifting of patents at this measure would stifle innovation and possibly lead to the production of compromised vaccine with lower quality, which would have a rather disruptive effect.

Isn't it the case that the main target should be trade barriers? It would seem that a more concrete contribution to helping less rich countries would be to ensure sufficient sales to them at a reasonable price, or even gifts. The US government's proclaimed intention to use 60 million of unused Astra Zeneca shots for that purpose is certainly not an adequate response here. It is interesting to recall in this context that as of 6 May, the EU has distributed about 200 million doses within the European Union, and another 200 million doses manufactured in the EU were exported (though not to the US which has enough production capacities of its own), while the U.S. production amounts to some 320 million doses, with hardly any exports so far. The US in fact introduced an export ban on any exports from US produced Covid vaccines for national security reasons in June. It has also put curbs on the export of the raw materials needed to produce the vaccines.

Another key measure is support to COVAX. Here, the US and the EU are the biggest contributors by far. The EU and the Member States committed €2.5 billion. The United States announced a contribution to GAVI specifically and COVAX more in general of \$4 billion (EUR 3.2 billion) divided in two equal tranches over the period 2021-2022. The challenge now is to transform this into getting vaccines to the countries and need and to their people.

CLIMATE CHANGE

President Biden recently organized a big event about the fight against climate change. This is a welcome development. It is great that the U.S. have re-joined the Paris Agreement. While the return of the US will strengthen the international response, it is too early for the US to claim leadership.

Ever since the UNFCCC in 1992 it has been the European Union which has been the leading proponent of an active fight against climate change; we were by far the biggest contributor to the obligatory cuts agreed in the KYOTO PROTOCOL. The US never ratified the agreement and hence did not take on any commitments under Kyoto. They joined Paris but walked out before President Biden took them back in. Are we allowed to ask whether this time the commitment is serious and sustainable?

Let us also have a look at the figures of emissions, both in total and per capita. The picture that emerges is interesting. The EU has quite drastically reduced its emissions over the past years. The US has not, and the China has massively increased its emissions. EU emissions were estimated to total, in 2019, 6.7 tonnes per capita, with total emission being 3.3 billion metric tonnes, a significant drop from previous years. In 2019, the US per capita emissions totalled 15.52 metric tonnes while the US' total emissions reached 5.13 billion tonnes. In 2019 China's total emission were 10.17 billion tonnes, with the per capita number reaching 7.10 metric tonnes.

Would it be exaggerated to expect of the US that they start controlling their emissions and bring per capita emissions closer to the EU's level; after all, the EU is a developed region with a developed industry? President Biden has already taken some important measures, and the trend is encouraging. But we want to see the results over the next years.

The upcoming COP26 in the UK and a possible EU-US "trade and climate" initiative within WTO provide excellent opportunities for the EU and the US to jointly exert their leadership in this key area. One of the difficult issues between them will be possible carbon taxes or mechanisms. Starting points are different here, so this will require a lot of concertation. The new spirit of cooperation and dialogue should allow to find a mutually satisfactory solution.

RELATIONS WITH CHINA

In December 2020, the Commission concluded the negotiations on an important investment deal with China (CAI: Comprehensive Agreement on Investment). Its objective is to allow for more investments in China and a much better balance between the two sides in this area. It is also to create a more level-playing field with American companies who benefit from the trade agreement “Phase one” the US has with China. The latter contains among other things a commitment by China to buy 200 billion worth of goods from the US, which can be seen as an unfair way of taking away trade from other partners like the EU. The fact that the Chinese have failed to accomplish this, amid the trade wars between China and the Trump administration, does not subtract from the truth of the statement above.

Signature of the EU deal was heavily criticized by the incoming US administration because of the events on Hong Kong and the treatment of the Uighur minority. That is, to be fair, a debate we have very much within Europe. The ratification of the deal is anything but certain. But is it for the US administration to tell the Europeans how to structure their relations with China? One may wonder whether Washington, when negotiating its agreement with the Chinese, consulted the EU very much. Both Europeans and Americans, together with partners like Canada and Japan, will have to work together to target unfair Chinese trade practices. The EU is not naïve. It is in the process of quite substantially building up its autonomous toolbox allowing it to react to unfair trade practices. But the concertation must be a two-way street. The way to deal with HUAWEI is not the same in the US and in EU, and indeed within Europe. As allies we should of course have an open debate about that. But threatening sanctions or accusing each other of being bad partners if we disagree is not the route to common success.

At a more general level, a world where a reconstituted Western block would be locked in a new Cold war with China and possibly Russia, is not be a very appealing one. The idea that the Russians will never ally themselves to China underestimates the depth of Russian resentment against the west and Russia’s weakness! Now it may well be that the EU adopting a more conciliatory attitude towards China may

prove to be naïve and misguided, because of the aggressive behaviour of China. Were that to happen there is no question as to where Europe will stand. But we should not from the outset relinquish any hope for a more constructive relationship with China.

IRAN NUCLEAR DEAL

The new approach towards the Iran nuclear deal is yet another instance of President’ Biden’s wisdom and a welcome return to reason. It was close US-EU cooperation that led to the deal being struck in the first place. The rejection by the Trump administration of the deal came as a shock to the Europeans. The secondary sanctions imposed by Washington against European firms that in all legality were trading with Iran after sanctions had been lifted as a result of the international agreement left a an even worse after-taste. On the impact of US secondary sanctions, the New York Times wrote: “On Iran alone, the costs of U.S. secondary sanctions have been significant. The French energy giant Total abandoned a major investment in Iran as soon as President Trump pulled out of the 2015 Iran deal and reimposed American sanctions on Iran. That cost Total an estimated \$2 billion, while Siemens lost a rail contract worth \$1.5 billion and Airbus lost \$19 billion.”

Many of us believe that the weakness this revealed on our part because of the pre-dominance of the dollar is something that should over time be remedied. The question to our American partners is: do they understand that reaction? Do they accept that the way to solve issues between the US and the EU should not be via sanctions? I say this also in the context of Nord Stream 2. This is a very controversial deal including within Europe. But that is not the point. The point is: is it for the US to decide on such a deal? To punish European firms that have worked on this for many years (the projects dates back a long time when relations were not what they are today) and to target one of its closest partners, Germany? It is for the Europeans to sort out their disagreements on this and for the German government to draw the conclusions from the debate. Of course, the voice of the US is important in this context, because of the geopolitical aspects and to some extent the US exports of liquefied natural gas to the EU. But sanctions?

DEFENCE

Finally, a word on defence. The US rightly asks the Europeans to do more for their own defence; after all, 80% of NATO spending comes from allies that are not EU members. Things are moving in the right direction: in 2019, total European defence spending amounted to 186 billion marking a 5% increase from 2018; in 2019 it grew by 2.0% in real terms.

At the same time, the EU as such is moving towards a higher commitment on defence issues, with initiatives like structured reinforced cooperation or the creation of an European Défense Fund. The US is rightly pointing to the need to avoid, in Madeleine Albright's words of 1998, the triple 'D': duplicate, de-couple, discriminate (against non-EU NATO members). But the tone of US warnings at times is over the top, implying that the European efforts could jeopardize NATO and the transatlantic relationship. Both aforementioned initiatives are modest ones. Pretending for instance that the new EDF would be a threat to NATO is exaggerated. We are talking about a fund totalling EUR 7.8 billion over 7 years. This is important because for the first time the EU accepts that money of the EU budget can be used for defence purposes. That is a move that should suit Washington. Concerning PESCO, after many discussions, the Europeans have agreed to allow for third parties' participation in the program.

The EU has a lot to offer to our joint defence and could be a good vehicle to strengthening NATO, too. The fact is that EU-NATO cooperation has vastly improved over the years. Maybe the time has actually come to go a step further and refine a better division of tasks between the two organizations, as argued very cogently in an article published at EGMONT by Sven Biscop called "EU-NATO relations: compass, concept and concordat." It is also time to establish a more direct dialogue between the EU and the US. The EU is an organization with a broad political and economic agenda that can deal with many matters that NATO cannot handle. It is very much in the US interest to have the EU invest more in overall security and defence.

CONCLUSION

Between Allies we need trust and frankness. There are questions we should not be afraid of asking. I am sure Americans can ask a set of similar questions to the Europeans. Some do, like Tony Gardner in his truly excellent book called "Stars and Stripes". That does not mean calling into question the transatlantic relationship. On the contrary. It means creating a better and more equal relationship.

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