

# A change in tone... and substance?

## YET ANOTHER OPPORTUNITY TO CHANGE THE RELATIONSHIP BETWEEN THE EU AND THE USA

Every new administration offers the opportunity to change the relationship between the EU and the USA. The amount of change in the current period presents an exceptional possibility (or risk). The EU has new leadership. The US has new leadership. The UK has left the Union; their departure changes both the thinking, the political dynamic, and the economic heft within the Union, and adds a new external element to the relationship between the EU and US. Angela Merkel will soon depart, and the absence of anyone with her experience, skills and stature will change the relations within the European Council, and its ability to craft united positions. Therefore, as the EU asks itself whether President Biden represents an opportunity to renew the relationship, policymakers in Washington are asking the same question about the series of changes occurring in Europe.

For Europeans, President Biden's administration represents continuity, and a hint of the change to come. President Biden prides himself on his Irish heritage, and likely represents the last president whose formative foreign policy experience was the Cold War, and the development of the European Union. His vice-president, Kamala Harris, symbolizes a new generation whose ethnicities and cultural ties lie outside of Europe.<sup>1</sup> While the Senate Committee on Foreign Relations remains populated primarily by European Americans,

three of its most prominent voices- and potential candidates for President- are Corey Booker, Ted Cruz and Marco Rubio. President Biden, therefore, can play a critical role in securing the prominence of the EU-US relationship in the future.

That relationship is critical for both sides. The economic relationship between the EU and the USA is the largest and most complex in history. The transatlantic economy generates USD 6.2 trillion in sales annually, and sustains 16 million jobs on both sides of the Atlantic. 64% of European foreign investment goes into the USA, and 60% of US foreign investment goes into Europe. US companies' asset base in Germany is double their asset base in China. The value-added of non-financial US corporations in the EU was 6.5 times the value-added of Japanese firms and 18 times the value-added of Chinese firms.<sup>2</sup>

The prosperity spurred by this relationship, especially since World War II, has enabled the enormous social, democratic and scientific progress on both continents, as well as arguably the highest level of personal and national security that has existed to date on both sides of the Atlantic. All other major economic growth opportunities for either the EU or the US contain much uncertainty and volatility, and some pose a major threat to that progress. Therefore, the new Biden administration not only represents

an opportunity to renew and strengthen the relationship, but also a felicitous moment to suppress prejudice, grievances and rivalry on both sides to focus on the great benefits this economic relationship can continue to provide.

Both sides should recognize that talk of isolation, autonomy or sovereignty ignores the economic reality of the relationship. Any attempt to disentangle our intertwined economies would cause severe disruption that would spread from the economy to politics and society. Both economies would be weakened in the competition against rival economic systems that pose real challenges to the level of individual freedom, security and prosperity on which our societies are based.

If the EU wishes the Biden administration to mark a renewal in the relationship, leaders in Brussels and in national capitals need to consider how their own actions restrict or enhance the US administration's ability to act in a way that advances the relationship to benefit Europe's interest. President Biden narrowly won the presidential election, and a substantial part of the population believe unsubstantiated claims of election fraud (rejected by both courts and Congress) by the previous president and his followers. The president's political party holds a narrow majority in the House of Representatives and a majority in the Senate only through the decisive vote of the vice-president. History and current political consensus predict those majorities will erode into minorities in the mid-term elections of 2022. The situation makes the administration susceptible to charges of failing to protect national interests which are the common nationalistic tactics of opposition parties who do not bear the obligation of governing. Although the new foreign policy team is full of highly experienced professionals with deep ties to Europe, their ability to act is influenced heavily by the intense focus on domestic conflicts, and highly ideological, partisan reactions to current events.

Given the unusually fraught political atmosphere in the United States, EU initiatives to establish digital sovereignty can increase perceptions of the EU's

hostility toward the US, and lead to unanticipated and unfavorable results. By concentrating on- and defining- the mutual benefits of a digital alliance, the EU could both steer the political relationship with the US in a more positive direction and ensure that both entities receive the continued benefits of the ever-deepening economic relationship.

The same approach holds true for issues such as climate change and common defense. The US re-committing to the terms of the Paris Agreement represents a signal that interests are aligning on this critical issue. Opposition to climate change initiatives is guaranteed in Congress and among wide swathes of the US population. The more the EU and US coordinate on this issue, the lower the risk that humanity must endure the severe outcomes science predicts will be caused by inaction.

The decision of EU countries not to invest 2% of their budget into defense has been a source of disappointment for Americans of all political persuasions for decades, and has contributed to the fraying of relations. As the US is forced to shift more military attention to the Pacific region, the issue of European defense will become more important, and potentially contentious. An open and honest discussion of how Europe will be defended and who will bear what cost will do much to improve relations.

Finally, our societies, and our economic success, has been built on certain shared values. We pride ourselves on businesses that are independent of politics, and politics that are not unduly influenced by business. We believe every person deserves a fair chance, and every business a fair playing field. We believe that competition should be decided by competence, and technological innovation. President Biden evokes these ideals and his current priorities are built on trying to attain them domestically. His administration could be a good partner for renewing the global call for a better business environment that supports a better society and better politics.

---

<sup>1</sup> Over 59 million immigrants have entered the US in the last 50 years, primarily from Latin America and Asia. A record 14% of Americans are foreign born. 11 Senators are minorities; 137 House representatives are minority.

<sup>2</sup> The Transatlantic Economy 2021 | U.S. Chamber of Commerce