



## U.S.-EU Cooperation at a Crossroads

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Russian aggression against Ukraine has forced the U.S. and the EU to coordinate policies in strategic areas, including closer cooperation on security issues. However, disputes in economic relations over steel and aluminium tariffs and climate subsidies are an obstacle to deeper cooperation. Failure to agree on these issues will lead to further tensions in U.S.-EU relations, making it more difficult for the transatlantic community to compete with Russia and China in the long term. Failure to resolve the disputes will make cooperation more difficult in the event of a change of power in the U.S. after the 2024 presidential election.

The second summit between the United States and the European Union during Joe Biden's presidency was held in Washington on 20 October ([the first one took place in Brussels in June 2021](#)), with the latter represented by European Commission President Ursula von der Leyen and European Council President Charles Michel. The summit of leaders was an opportunity to take stock of renewed political and economic cooperation, as well as to coordinate action on global challenges, such as the Russian invasion of Ukraine, China's growing potential, and Israel's war against Hamas. Although the political convergence between the U.S. and the EU is now greater than ever, with both sides seeking progress in cooperation, the relationship is affected by economic disputes, as well as different approaches to China or digital market regulation.

**Strategic and Security Issues.** Russia's full-scale invasion of Ukraine in February 2022 prompted the U.S. and EU to increase political cooperation and coordinate policies to maintain the unity of Western countries. The coordination of sanctions and export control tools, targeting primarily Russia, but also Belarus and Iran, became the main areas. In addition, the U.S. and the EU have cooperated on, among other things, setting a common price cap on Russian oil. The two entities are also trying to complement each other's efforts on Ukraine. [The U.S. has placed greater emphasis on military support, while not abandoning the provision of economic and humanitarian aid.](#) The EU, on the other hand, while focusing on direct financial and humanitarian assistance, has taken security initiatives, such

as [increasing the production of artillery munitions and supplying them to Ukraine](#). In the coming months, it will be crucial to strengthen cooperation on preventing the circumvention of sanctions, as well as to intensify dialogue on the [use of frozen Russian assets for the reconstruction of Ukraine](#).

**Problems in Economic Cooperation.** Economic issues remain the cornerstone of U.S.-EU cooperation. The U.S. and the EU are each other's most important trading partners, with a total exchange of goods and services of \$1.3 trillion in 2022. EU countries are the largest recipients of U.S. services (\$238.6 billion) and second in goods (\$350.8 billion, just after Canada). In turn, the EU is the largest source of imports of goods (\$553.3 billion) and services (\$166.7 billion) for the U.S.. The mechanism for the EU and the U.S. to coordinate economic policy is the Trade and Technology Council (TTC), established in 2021. Four ministerial meetings of this format have been held so far, and the fifth is scheduled for the end of 2023. Its work focuses on foreign investment and export controls, technology standards, and securing supply chains. It is less concerned with mutual trade relations, leaving aside the issue of a free trade agreement (FTA), negotiations of which have not resumed since 2019. The TTC has also been a key body for coordinating U.S. and EU response to Russian aggression.

Transatlantic economic cooperation, including TTC activities, is primarily affected by two issues—disputes over [subsidies in the U.S. Inflation Reduction Act adopted in August 2022](#), and [steel and aluminium tariffs introduced in 2018](#) and

suspended in 2021 for two years (until 31 October 2023). [On the first issue, the EU's dissatisfaction stems from the economic protectionism of the U.S. authorities](#) and the offering of subsidies for electric vehicles and the batteries assemble by companies operating in North America and in countries with FTAs with the U.S. In March this year, the EU and the U.S. began negotiating a broader critical-minerals agreement that is expected to partially address the exclusion of companies from EU countries from access to subsidies. On the other issue, the parties are seeking a broader agreement that would eliminate reciprocal tariffs while limiting the participation of China's metals industry in both markets. This is to be done through the introduction of strict environmental criteria and a ban on excessive state subsidisation of the sector (which China is accused of doing). The U.S.-EU summit failed to bring agreement on both issues. The parties only noted progress in the negotiations and said they would continue them in the next two months (extending the suspension of tariffs until the end of this year). However, the lack of agreements and the possible reintroduction of sanctions will jeopardise further progress in U.S.-EU economic cooperation.

**Remaining Divergences and Challenges.** Internal EU differences also impede progress in cooperation. They were highlighted during the U.S.-EU summit by separate meetings with Biden between von der Leyen and Michel. The main problem is the approach to cooperation with China. Although the United States has already given up on economic "decoupling" from China, which would be difficult to achieve in practice, [it still seeks "derisking" of economic dependencies and wants to urge businesses operating abroad to "friendshore" their operations to friendly countries.](#) Support for such measures is expressed, among others, by von der Leyen, but [some EU institutions and Member States do not see the risks in cooperation with China.](#) Thus, they are reluctant to joint initiatives to limit cooperation with it, seeing them as pursuing mainly American interests and interfering with EU independence. However, there is a gradual rapprochement between the EU and the U.S. on this issue. This is also manifested through the coordination of policies toward the Indo-Pacific, which is a priority area for U.S. authorities.

Another major issue is the digital services gap. The EU aspires to become a global regulator, introducing its flagship projects the [Digital Markets Act](#) and the [Digital Services Act](#) with the hope of adapting similar regulations in other parts of the world. Although the U.S. authorities are also seeking to introduce some regulations (e.g., on artificial intelligence standards, ahead of the EU's adoption of regulations), their approach is much more liberal, not least because of the impact on their own companies, which are an important part of the country's

economy. Still, some concessions are possible on the EU side, such as in the area of personal data protection, where [the U.S. standard has been deemed sufficient by the European Commission for the free flow of data.](#)

**Conclusions and Outlook.** The importance of U.S.-EU cooperation is greater than ever due to their political convergence and shared attitudes toward global challenges, strengthening the role of the transatlantic community in world politics. It has gone beyond the economic dimension to include political issues of importance to global security and international order. However, these activities are *ad hoc* in nature and long-term and do not provide a foundation for U.S.-EU relations, unlike economic cooperation. Nor are the two entities unanimous, as shown, among other things, by their divergence on cooperation with China. However, shared assumptions on a number of strategic issues and approaches to challenges should speak in favour of deepening cooperation, leading to overcoming disagreements in the economic sphere. Developing a common position toward China and divergences over control of the digital sector will remain a long-term challenge. Greater U.S. willingness to make concessions to the EU may prompt the institutions and countries of the Union to take a firmer and thus closer U.S. stance toward China.

The lack of economic agreements could result in a deterioration of political relations and consequently jeopardise joint U.S.-EU policy, as well as the overall health of the transatlantic relationship. In the short term, they should not derail the political alignment of the two entities and their unity in approaching Russia and helping Ukraine. They will continue to cooperate and coordinate policy within the broader G7 format, where "bilateral" disputes do not play as much of a role. In contrast, in the long term, the trade disputes may be compounded by further divergences between the U.S. and the EU, making it more difficult for the transatlantic community to compete with Russia and China.

Reaching agreement on economic matters between the U.S. and the EU is one of the key issues that could stabilise the transatlantic relationship ahead of the 2024 U.S. presidential elections, which is bringing great uncertainty about the future of cooperation with the EU. In the event of a change of power, policies underpinned by competition from the EU may return, giving rise to further U.S. measures to subsidise its own economy and even to enact punitive tariffs. Agreement between the parties on both issues is in the interest of Poland, which favours good transatlantic cooperation, both economically and politically. Moreover, access to climate subsidies should bring economic benefits to Poland, which is the world's second-largest producer of lithium-ion batteries.