TRADE POLICY – THE NEW BACKBONE OF THE TRANSATLANTIC RELATIONSHIP?

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Abstract

The Trump presidency put additional strains on the transatlantic partnership and diminished trust between traditional allies. While its administration adopted a series of protectionist measures together with clear ″America First″ and ″Buy American″ policies, the EU undertook multiple steps to protect itself in similar ways. Trade continued to flow in those 4 years, but under more hostile regulations and under the auspices of growing international crises and tensions. Biden's victory marked a moment of hope and optimism for the restauration of the transatlantic bond, as he is an advocate for closer US-EU ties and for a more traditional diplomacy. As the first two years of Biden's term have proven, there can be no return to ″business as usual″ after Trump, after COVID and during a full-scale war waged by Russia on the European continent. What is to be found is another way to do ″business″ and so far, there seems to be a preference for smaller, sectorial or sub-sectorial negotiations on specific topics/issues. The Transatlantic Trade and Investment Partnership (TTIP) has been (apparently) completely abandoned, while the new US-US Trade and Technology Council (TTC) brings some new promises.

Keywords:
Biden; EU; TTIP; TTC; Trade; Trump; US.

1.INTRODUCTION

Since the end of World War II, the relationship between the US and the EU has been a special one, based on common values and interests, regardless of who led the administrations in the White House or in European states. In the more than seven decades of transatlantic relations, there have been tense moments, but geostrategic and economic interests have always prevailed.

Although the military and security issues have always been at the forefront, the economic and trade approach is an essential element of the bilateral relationships between the two actors.

The US and EU economies combined account for half of the global GDP and almost a third of international trade flows. Each of the two parties also represents the main economic partner for the other, the bilateral trade relations representing almost 40 % of the global trade.

President Donald Trump questioned the special relationship between the two sides, and the US president's criticism of the EU, NATO and some Western European states raised concerns in European capitals and for the first time endangered the security and economic architecture between Brussels and Washington.

The Trump administration's approach to US trade policy has changed the global economy and trade relations, including with traditional partners such as the EU. Trade is one of the few areas in which President Trump maintained a consistent position.

Three days after taking the oath of office as President of the United States, on January 23rd, 2017, Trump signed an executive order virtually withdrawing Washington from the Trans-Pacific Partnership (TPP). This order was a symbolic one, suggesting what the commercial policy would look like during his administration. In fact, this first decision prepared the world for a series of actions that showed the new presidential approach in the trade field. The Trump vowed to put America first and not allow other states to "take advantage" of the United States.

In this regard, President Trump issued, in the first months of his term, several executive orders or statements aimed at the new commercial reorientation of Washington (Chase, Sparding, Mukai 2018, 9):

a) the intention to renegotiate NAFTA (February 2nd, 2017);

b) requested a full report on the massive reduction of trade deficits (March 31st, 2017);

c) strengthening the application of anti-dumping measures and countervailing duties (March 31st, 2017);

d) launch of the "Buy American, Hire American" initiative (April 18th);

e) investigations into steel and aluminum imports and their impact on US national security (April 20th and 27th);

f) launching investigations into violations of trade agreements and trade abuses to which the US economy had been subjected (April 29th);

g) request to identify possible amendments and renegotiations of the US-South Korea Free Trade Agreement (July 21st);

h) launching an investigation into China's non-compliance with intellectual property rights.

2.TRANSATLANTIC TRADE AND INVESTMENT PARTNERSHIP (TTIP)

The negotiation of an ambitious and extensive trade agreement between the US and the European Union was a major priority of the Obama Administration and was announced from the US President's first speech after the 2012 re-election.

Although enthusiastically received by both the European Union and the governments of the EU Member States, the negotiations on the Transatlantic Trade and Investment Partnership (TTIP) were not concluded until Obama left office. The reasons behind several postponements mainly referred to (European Commission 2016):

a) the US administration's focus on finalizing negotiations on and signing the TPP;

b) erroneous steps, in the first stages of negotiations, regarding the initial tariff offers;

c) civil society concerns that investor-state dispute resolution (ISDS) and regulatory cooperation could undermine the protection of European companies;

d) significant differences of vision between the two sides in terms of agricultural policy or government procurement, to name just two issues.

TTIP negotiations have been almost non-existent since President Trump took office. Unlike the Trans-Pacific Partnership, TTIP was not a major issue in the presidential election campaign, and the Trump administration had no direct interest in concluding negotiations. Given the difficulties of negotiations within the European Union and the election of Donald Trump as president, TTIP has entered a phase of dormition, as predicted by the European Commissioner for Trade, Cecilia Malmström, in November 2016. There were voices among members of the administration, especially Secretary of Commerce Wilbur Ross, who said President Trump was willing to reopen negotiations with the European Union.

In contrast, the US-EU trade relationship seemed to be moving in the opposite direction, especially after the Trump administration imposed taxes on steel and aluminum imports citing national security issues and threatened to use the same justification to reset the transatlantic trade in motor vehicles and car parts.

To try to prevent the deterioration of the transatlantic trade relationship, European Commission President Jean Claude Juncker and European Trade Commissioner Cecilia Malmström and other senior European officials visited Washington on July 25th, 2018. The visit appeared to be a success as the two sides agreed to set up an *Executive Working Group* to work on a trade agreement with the stated aim of identifying solutions for (U.S.-EU Statement 2018):

a) zero tariffs, zero non-tariff barriers, and zero subsidies on non-auto industrial goods;
b) reducing barriers and increasing trade in services, chemicals, pharmaceuticals, medical products, and soy;
c) strengthening strategic cooperation with respect to energy, including exports of liquefied natural gas from the United States to Europe;
d) collaboration to reform the World Trade Organization and to combat unfair trade practices.

The joint US-EU statement highlights the reserves of the two partners regarding this agreement: "While we are working on this, we will not go against the spirit of this agreement, unless either party terminates the negotiations".

Disagreements between the two sides emerged immediately after the publication of the statement, especially with regard to trade in agricultural products. Also surprising was the US' insistence on excluding vehicles from the scope of the talks, pending the completion of the investigation launched by the US administration in the context of this field's implications on national security.

The US side publicly announced its intention to begin consultations with Congress on a possible agreement with the European Union, under the auspices of the Trade Promotion Authority (USTR 2018). The administration seemed interested in quick victories, preferably before the mid-term elections in early November 2018, although an agreement to eliminate tariffs on industrial products was unlikely in such a short time, and the tariffs mentioned in section 232 on motor vehicles could still appear.

3.A TUMULTUOUS EPISODE IN THE US-EU TRADE RELATIONSHIP

A major source of tension in the trade relationship was the Trump administration's desire to adopt unilateral trade measures, such as tariffs. In 2018, the United States began to charge between 25% and 10% on certain imports of steel and aluminum, in accordance with "Section 232" of US trade law, respectively issues related to national security. The administration exempted a number of allied countries from these tariffs, but not the EU. Despite the use of the national security pretext, the EU considers that tariffs imposed by the US are incompatible with WTO rules on safeguard measures (which protect domestic industries from growing imports). One-fifth of steel imports and less than one-tenth of US aluminum imports came from the EU in 2018 (Chase, Sparding, Mukai 2018, 11-13).

In response, the EU applied "rebalancing" tariffs of between 10% and 25% on US $ 3 billion worth of American products (e.g. whiskeys, cosmetics, yachts and motorcycles), according to Article XVIII of the General Agreement of the World Trade Organization (WTO) on tariffs and threatened a second round of tariff increases in 2021. The EU has also responded to US tariffs by filing a dispute settlement request under the WTO mechanism. European Trade Commissioner Cecilia Malmström said, in a speech on July 19th, 2018 on "*Transatlantic trade in turbulent times*", that the EU considers that "it had no choice but to respond" to US actions, and Brussels' response was in accordance with the order based on the rules established by the United States and Europe after World War II (Malmström 2018).

Another source of disagreement was the possibility of imposing tariff barriers on cars and car parts, an industry where the Union exports 50 billion euros worth of goods to the United States, compared to 6.4 billion euros in the steel and aluminum trade, for example. On May 17th, 2019, the US President announced the launch of a Department of Commerce investigation that found that car imports have the potential to affect US national security, giving the president the authority to impose import restrictions, including tariffs. President Trump called on the U.S. Trade Representative (USTR) to negotiate with the EU, Japan and other relevant trading partners to identify solutions to reduce the threat.

The "Boeing-Airbus" case also continued to produce bilateral dissatisfaction; it was a 14-year-old dispute between the US and the EU that generated additional animosity during the action brought by the two parties at the World Trade Organization. Thus, the two parties announced the preliminary lists of the types of traded goods for which they propose the imposition of tariffs, amounting to approximately $ 11 billion by the US side and $ 12 billion by the European side, respectively, an estimate of the damage that each party claims to have suffered from the other in the field of civil aviation industry (Akhtar 2019, 1-2).

As Commissioner Malmström mentioned at the time: "… tariffs on cars are neither wanted nor warranted. At best, they are a solution in search of a problem. At worst, they are an illegal move to gain leverage in trade negotiations" (Malmström 2018). While the trade commissioner did not say what the EU would do if the United States imposed such tariffs, the EU clearly wants to de-escalate tensions. I think that this statement captures very well the position of the European Union, namely the dissatisfaction with American trade policy, but at the same time a conciliatory attitude, trying to reduce bilateral tensions.

The United States and the EU trade in the most-favoured-nation (MFN) terms of trade, as required by the World Trade Organization, because there is no bilateral free trade agreement (FTA) to provide preferential terms. US-EU tariffs are generally low (average tariffs applied were 3.5% for the US and 5.2% for the EU), but high for some sensitive products. Trading costs may also increase due to regulatory or other non-tariff barriers.

On October 16th, 2018, the Trump administration notified Congress, through the Trade Promotion Authority (TPA), of new negotiations on large-scale US trade agreements with the EU. The administration said it wanted a "fairer, more balanced" US-EU relationship. The TPA followed the July 2018 Joint Statement (agreed between President Trump and European Commission President, Jean-Claude Juncker) aimed at reducing trade tensions. Negotiations started very hard, largely due to the lack of US-EU consensus on their scope. While the US negotiating objectives include agriculture, the EU's mandate to negotiate tariffs excludes the sector (Akhtar 2019, 1-2). The differences between the US and the EU also persist in areas such as public procurement, digital commerce and geographical indications (GI).

President Trump repeatedly threatened the EU with tariffs, including on Europeans' reluctance to exclude agriculture from the negotiating table. In the same context, the EU said it would cease negotiations if it was subject to the new tariffs announced by the Trump administration. It is unclear whether a US-EU trade agreement will be concluded or to what extent it will satisfy the wishes of both parties.

In 2019, at President Trump's request, the United States completed the formal procedures required to launch negotiations on a trade agreement, as did the European Commission. And the first effects were seen immediately, so that, in August 2019, the two parties concluded a new agreement on greater market access for beef exports from the US to the EU.

On August 21st, 2020, the US Trade Representative, Robert Lighthizer, and the new EU Commissioner for Trade, Phil Hogan, announced that the United States and the EU had agreed to a package of tariff reductions that would increase market access and would see exports between the US and the EU increase by hundreds of millions of dollars. These negotiated tariff cuts would be the first bilateral tax cuts in more than two decades.

Under the agreement, the EU will eliminate tariffs on US imports for fresh or frozen lobster products. US exports of these products to the EU were over $ 111 million in 2017. The EU will eliminate these tariffs on the basis of the most favoured nation retroactively, starting August 1st, 2020. EU tariffs will be abolished for a five-year period, and the European Commission will try to make the tariff changes permanent. The United States will reduce its tariffs on certain products exported by the EU by 50%, products with an average annual value of $ 160 million, including certain prepared foods, glass and crystal items, fuel powders, cigarette lighters, etc. Tariff reductions accepted by the US will also be made on a most-favoured-nation basis and will be retroactive from August 1st, 2020.

This bilateral tariff agreement was the culmination of negotiations that intensified following a January 2020 meeting in Davos, Switzerland, between President Trump and European Commission President, Ursula von der Leyen.

4.BIDEN AND A NEW VISION FOR TRANSATLANTIC TRADE POLICY

Trump's preference for unilateralism, politics-as-business approach and his ”America first” policy profoundly disrupted the US-EU relationship, undermining the very core of this enduring partnership: allies first, competitors second. President Biden's election in December 2021 was perceived as a promise to rebuild this partnership by returning to a more traditional diplomacy, including in the economic realm.

During his first days at the White House, Biden sent clear messages that he wants to rebuild the partnership, as his first decisions as president were to rejoin the Paris Agreement and the World Health Organization, thus signaling a return to multilateralism and a message for its allies and partners that America is back in business. 2021 was a key year for the transatlantic relationship, and the Biden Administration prioritized rebuilding traditional ties between the US and the EU, and the two parties started working together to find solutions for immediate priorities: fighting the pandemic and a sustainable economic recovery, reforming the multilateral international trading system, the economic and strategic threat posed by China and climate change.

Apart from a return to a more traditional diplomacy, a number of concrete measures were considered essential to restore the privileged transatlantic relationship. In 2021, the US Chamber of Commerce and European Commission advanced a series of proposals/measures to be implemented in the short and medium term and we have grouped into five main categories:

A. Elimination of tariffs and other counterproductive barriers to transatlantic economic dialogue (Presidential Memorandums on April 20 and April 27 2017; Presidential Proclamations on May 31, August 10 and August 29 2018):

a) elimination of tariffs for cars, steel and aluminum imposed by the US authorities, respectively the response measures taken by the European Union

b) strengthening cooperation and collaboration in the field of trade and technology, with a view to promoting prosperity and sustainable economic growth on both sides of the Atlantic;
c) removing trade barriers and stimulating investment to facilitate cooperation on issues of global interest;
d) regulating sectoral issues to promote economic recovery and the need for agreement on conformity assessments;
e) transatlantic coordination on economic and trade sanctions for various states and state-owned companies;

B. Fighting the COVID-19 pandemic and economic recovery through sustainable development:
a) bilateral cooperation in international efforts to remove barriers to the exports of medicines and medical supplies needed to combat the pandemic;
b) removing barriers for citizens, especially for staff involved in economic and trade exchanges. This measure should be promoted in conjunction with tools for monitoring the spread of the virus, encouraging testing and vaccination;
c) strengthening supply chains that proved weak during the pandemic;
d) identifying solutions for situations where states take unfavourable measures with a global impact on markets;

C. Cooperation to combat economic threats from China (Hamilton and Quinlan 2021, 33-35):
a) transatlantic cooperation and coordinated action to promote democratic values in trade and combat the risks posed by China. This cooperation may cover a variety of provisions and principles related to issues such as: subsidies, control of exported products, competition policies, visas, quality standards, procurement, human rights;
b) involvement of other relevant actors in the efforts to combat the risks posed by China, mainly Japan, Canada, Australia or South Korea;
c) strengthening the economic component, in particular trade issues on the US-EU bilateral agenda. At the moment, the agenda is dominated by security-related elements;

D. Measures for a connected transatlantic digital economy (Hamilton and Quinlan 2021, 42-45):

a) regulating the legislative vacuum caused by the suspension of the *Privacy Shield framework* by the Court of Justice of the European Union. The lack of a clear and coherent strategic framework can lead to gaps in transatlantic data exchanges and jeopardize economic recovery or even the fight against the pandemic;

b) continuing collaboration in the field of artificial intelligence;

c) identifying solutions to overcome the stalemate caused by a number of European measures such as the *Digital Markets Act*, which mainly affects US companies;

d) closer cooperation between Brussels and Washington on 5G technology;

e) finding the best solutions, together, for a multilateral approach to the digital economy;

f) regulation of a transatlantic legal framework for the sharing of electronic evidence so that law enforcement has access to it;

E. Measures to combat climate change and economic competitiveness:

a) the return to the Paris Climate Agreement is an extremely important signal for US-EU cooperation in this field. Global climate goals must be achievable, sustainable and developed through the widest possible participation of states;

b) promoting climate solutions based mainly on innovation and research;

c) identifying viable solutions for transatlantic cooperation, especially those related to the American concern about some European measures to reduce carbon emissions; I am referring here mainly to the harsh criticisms regarding the EU initiative to implement the *Carbon Border Adjustment Mechanism*;

d) promoting cooperation on the development of development policies for low-carbon energy technologies, encouraging research and development with priority in areas related to energy storage, advanced nuclear energy or carbon sequestration;

e) more effective coordination of multilateral financing of sustainable projects in third countries;

5.FROM VISION TO ACTION

Biden's election marked a boost of hope and optimism for US's traditional partners and allies, especially for the EU. The high expectations have been tamed since and the measures/proposals presented above now seem overly ambitious, but they represent a good starting point in our research – what was considered that needed to be done vs. what was achieved so far. In all fairness, only two years have passed since Biden moved into the White House, and those two years were marked by crises and multiple challenges.

While Biden was and still is an advocate for a stronger transatlantic partnership, the first two years of his (first) presidential term were marked by the COVID pandemic and its aftermath and by the war Russia waged against Ukraine in February 2022. The economic backlash from both events is multifold, with high inflation and prospects for recession being the most obvious. These, coupled with Trump's legacy and some fundamental differences in interests and principles (such as top-down regulation vs. market-driven rules), complicated Biden's mission to return to „business as usual" in the transatlantic partnership.

In the post-Trump era, sectorial negotiations between traditional allies and partners seems to be the preferred approach.

Important advancements were made on trade and technology with the *US-US Trade and Technology Council (TTC)*, which had its inaugural meeting in September 2021 and serves as a forum for the EU and United States to coordinate their trade and technology policy approaches. The TTC offers a significant opportunity to make progress in aligning transatlantic interests in artificial intelligence regulation, technological standards setting, security of supply chains, screening foreign direct investments and exports, and increasing cybersecurity resilience (Bradford & Csernatoni 2022). Technology regulation is a sensitive topic for both partners as there are some long-standing tensions in regard to it, therefore the advancements made on this issue are usually slow and sectorial or sub-sectorial.

At the third TTC Ministerial Meeting (European Commission December 2022) concrete steps were undertaken in what concerns Artificial Intelligence - from impact to evaluation and risk management. A report on "The Impact of

Artificial Intelligence on the Future of Workforces in the EU and the US" (2022) was issued, intended to highlight the economics behind AI-driven technological change with a particular focus on the institutional and policy decisions that will shape its future impact on the workforce. Also, a first "Joint Roadmap on Evaluation and Measurement Tools for Trustworthy AI and Risk Management (AI Roadmap)" (2022) was issued, which aims to advance shared terminologies and taxonomies, but also to inform their approaches to AI risk management and trustworthy AI on both sides of the Atlantic. The roadmap will help to build (as a next step) a common repository of metrics for measuring AI trustworthiness and risk management methods. It also holds the potential to inform and advance collaborative approaches in international standards bodies related to Artificial Intelligence.

Furthermore, at the same meeting, the European Union and the United States also agreed upon:

- launching a transatlantic initiative on sustainable trade;
- launching workstreams to increase standards cooperation on Additive Manufacturing, Recycling of Plastics, and Digital Identity;
- plans to launch new workstreams on Post-Quantum Encryption and Internet of Things (IoT);
- establishing an expert task force to reduce barriers to research and development collaboration on quantum information science and technology;
- intention to expand their coordination on financing digital infrastructure project in third countries (for enhancing secure connectivity).

While reaching these agreements is an important step forward, especially after the many steps back taken during Trump, challenging issues remain yet to be addressed.

EU stated multiple times its concerns regarding the *US Inflation Reduction Act*[1] and Member States underlined what they perceive as discriminatory elements

[1] Signed into law on August 16, 2022, it contains tax credits/incentives and grants/loan programs across multiple industries with the aim of reaching a greener economy. The act aims to catalyze investments in domestic manufacturing capacity, encourage procurement of critical supplies domestically or from free-trade partners.

and their likely significant repercussions on the competitiveness and investment decisions of the EU industry. (Foreign Affairs Council November 2022) In a nutshell, the EU says that it provides an unfair advantage to US firms by offering generous tax incentives that encourage North American manufacturing. (Rappeport, Swanson and Tankersley 2022). French President Emmanuel Macron was the first to make the stark warning public. “We need a Buy European Act like the Americans, we need to reserve (our subsidies) for our European manufacturers”, referring specifically to state subsidies for electric cars. (Politico (a) October 2022) Also in October, an US-EU Task Force on the Inflation Reduction Act was launched – with the aim to address specific concerns raised by the EU related to the IRA – but it remains to be seen what contribution this Task Force can bring to ease the transatlantic tensions. A solution to satisfy both parties now seem unlikely.

Privately, American officials and business leaders have also pointed to recent situations in which the Europeans took protectionist trade stances that rankled other governments — such as the E.U.’s carbon border adjustment mechanism and a proposed digital tax (Rappeport, Swanson and Tankersley 2022). The *EU’s Carbon Border Adjustment Mechanism* is a proposal for imposing a tax for importing into Europe products manufactured in countries not meeting the bloc’s emissions standards. Similarly to the US-EU Task Force on the Inflation Reduction Act, a joint EU-US technical working group has been charged with “developing a common methodology for assessing the embedded emissions of traded steel and aluminum” - it too has been organized outside the TTC structure (Propp 2022). The same as for the ES-EU Task Force mentioned earlies, it is still unclear how it would ease transatlantic tensions on this very sensitive topic.

In what concerns the *proposed digital tax*, the EU put the proposal on hold in July 2021 in order to facilitate a global tax agreement and following repeated calls from Washington to cancel their plans (Valero 2021). In July 2022, The OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting has agreed a two-pillar solution to address the tax challenges arising from the digitalization of the economy and in November 2021 137 countries adhered to the *Statement on a Two-Pillar Solution*. In December 2021, the European Commission proposed a

Directive on laying down rules to prevent the misuse of shell entities for tax purposes and amending Directive 2011/16/EU, but overall and across all adhering countries, the process of implementing the two-pillar solution seem to have faltered. At the process is delayed, fears regarding its implementation by the US are already rising in Europe, which could lead to a revival of a European proposal on digital taxation. Zbyněk Stanjura, the finance minister of the Czech Republic, which holds the rotating EU presidency, recently said that a number of member states fear that the US will not implement the global agreement[1] and that, in such an eventuality, EU governments would return to shelved discussions to implement a digital services tax (Fleming, McDougall 2022). The revival of such plans, which would profoundly impact large American companies that operate in Europe, would add to the already existing tensions related to the US Inflation Reduction Act and to the EU's Carbon Border Adjustment Mechanism.

In what concerns the *TTIP*, no concrete advancements have been made after the European Commission declared the negotiations "obsolete" in April 2019 and both parties concentrated their efforts to make agreements in targeted sector-specific areas. Nevertheless, there have been some voices asking for its resurrection. Most recently, deputy government spokesperson Christiane Hoffmann told reporters in Berlin that "There is a desire to have conversations (with the U.S. administration on a new trade deal) and move forward quickly" (Politico November 2022). Officials in Berlin have previously expressed hopes that such trade talks could help to resolve growing tensions about the U.S. Inflation Reduction Act (Politico (b) October 2022), which some EU capitals see as distorting competition between the Washington and Europe. The proposal didn't gather many sympathizers on either side of the Atlantic, as it raises the same concerns the initial TTIP did. Those fears are exactly why Brussels and Washington chose a different, more flexible format — such as the Trade and

[1] Which would force the world's 100 biggest multinationals to declare profits and pay more tax in the countries where they do business.

Technology Council — when they tried to repair the transatlantic economic relationship after the Trump years. (Politico November 2022)

One particularly sensitive topic remains China, as the US and the EU have yet to find a more common approach. The war in Ukraine and China's siding with the Russians have somehow brought perceptions from both side of the Atlantic on a more common ground, but Washington still favours a stricter policy in regard to Beijing. What complicates a more common approach is the multiple economic ties Europeans have with China, as well as the fact that – contrary to the US – they do not perceive it as a "systemic rival".

Overall, even as progress can sometimes seem painfully slow, efforts undertaken by the Biden administration far surpass those undertaken by its predecessor both in scope and in size. As tensions cannot be ease just by changing the person in charge of the administration, the sensitive topics will be subjected to intense negotiation (and hopefully, compromise), maybe even split into smaller, sub-sectorial topics, as neither partner can afford to lose on another, both in economic and in strategic terms.

6.INSTEAD OF CONCLUSIONS. THE TRANSATLANTIC PARTNERSHIP'S ENDURANCE AND THE WAY FORWARD.

Faced with these multiple turbulences, the transatlantic partnership has bent, but has not broken. Despite many problems and differences of vision, the largest and most important bilateral trade relationship in the world is standing, and has even greater potential for the future. To understand this dynamic, it is relevant to mention only a few facts: in 2019, a year before the pandemic shook the global economy, US external revenue in Europe reached a record $ 298 billion and Europeans' revenues in the US amounted to $ 134 billion, the second highest total annual revenue ever recorded. Despite political differences, transatlantic business continued. Countries traded even more, tourists traveled, companies invested with more appetite, capital circulated, and consumers consumed.

Due to the devastating effects of the pandemic, transatlantic flows (trade, investment, capital, people) have declined dramatically in 2020. But the decline was just an anomaly amid growing and consolidating transatlantic trade ties, as data for 2021 proves, when transatlantic trade totaled 1.16 trillion EUR, surpassing the pre-pandemic levels by almost 10 %. This strength and resilience also rely on highly interconnected supply chains and 4.4 trillion EUR (2020) of mutual investment (Council of the EU November 2022). As the ties are too strong to be cut, they must be mended.

The partnership now faces another challenge - the war waged by Russia against Ukraine - which is already severely impacting economies on both side of the Atlantic, with high inflation and recession on the way. The overall impact of the war on the transatlantic partnership – on short, medium and long term – deserves dedicated research.

The key to a more effective relationship is for the two parties to recognize and act in the paradigm that the United States and Europe are more than foreign policy partners. US relations with the EU, its member states, but also with other allies outside the EU represent the most complex and multilayered economic, diplomatic, cultural and security connection that currently exists on the planet. The interdependence networks along the Atlantic have become so dense that they transcend "foreign" relations and reach deep into the two societies.

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