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## U.S.-European Relations in the 118<sup>th</sup> Congress

### An Evolving Relationship

Since the end of the World War II, successive U.S. Administrations and many Members of Congress have supported a close U.S. partnership with Europe. Often termed the *transatlantic relationship*, the U.S.-European partnership encompasses the NATO alliance, relations with the European Union (EU), and extensive bilateral political and economic ties. Despite periodic tensions over the past 70-plus years, U.S. and European policymakers generally have valued the transatlantic partnership as serving their respective geostrategic and economic interests.

In recent years, the post-World War II transatlantic security and economic architecture came under pressure from the Trump Administration. The unprecedented nature of President Trump's criticisms of NATO, the EU, and key European countries severely strained relations. U.S.-European divisions also existed on numerous issues, including China, Iran, the Israeli-Palestinian conflict, arms control, climate change, managing the Coronavirus Disease 2019 (COVID-19) pandemic, the imposition of steel and aluminum tariffs, and the role of multilateral institutions.

European officials welcomed Biden Administration efforts to decrease tensions. The launch of Russia's war against Ukraine in 2022 has bolstered U.S.-European ties but also raised new challenges. Other foreign policy and trade differences persist as well. The first session of the 118<sup>th</sup> Congress may evaluate current U.S. interests in Europe, implications of Russia's aggression in Ukraine, and prospects for future U.S.-European cooperation.

### Transatlantic Relations and U.S. Interests

U.S. policymakers have long regarded both NATO and the EU as crucial to maintaining peace and stability in Europe and stymieing big-power competition that cost over 500,000 American lives in two world wars. The United States spearheaded NATO's creation in 1949 and encouraged the European integration project from its inception in the 1950s. During the Cold War, NATO and the European project were considered essential to deterring the Soviet threat. With strong U.S. support, NATO and the EU have enlarged since the 1990s, extending security and prosperity across the European continent.

The U.S. and European economies are deeply intertwined. According to U.S. Bureau of Economic Analysis data, the transatlantic economy—including the 27 EU member states and non-EU countries such as the United Kingdom (UK), Norway, and Switzerland—typically generates close to \$6 trillion per year in foreign affiliate sales and directly employs around 10 million workers on both sides of the Atlantic. The United States and the EU are each other's largest overall trade and investment partners.

U.S. leadership of NATO and cooperation with the EU has helped to foster democratic and prosperous European allies that, in turn, have bolstered U.S. foreign and security policies and the multilateral trading system. The United States and Europe have worked together on many common challenges—from promoting stability in various regions (including the Balkans, Afghanistan, and Africa), to countering terrorism and cybercrime, to addressing Russia's first invasion of Ukraine in 2014. Historically, U.S.-EU cooperation has been a driving force in liberalizing world trade. Experts point out that the well-honed habits of U.S.-European political, military, and intelligence cooperation are unique and cannot be easily replicated with other international actors. U.S. engagement in Europe also helps limit Russian, Chinese, or other possible malign influences.

At times, some in the United States have expressed frustration with aspects of the transatlantic relationship. Previous U.S. Administrations and many Members of Congress have criticized what they view as insufficient defense spending and burden sharing in NATO, and some have questioned the costs of the U.S. military presence in Europe. U.S. policymakers have long-standing concerns about EU regulatory barriers to trade. President Trump was particularly strident in calling for greater European defense spending and in criticizing EU trade practices as unfair and damaging to U.S. interests. Advocates of this approach maintain that it led to greater European efforts to spend more on defense and address trade inequities.

### Biden Administration Policies and War in Ukraine

Upon entering office in 2021, the Biden Administration prioritized bolstering relations with Europe and rebuilding trust. President Biden expressed strong U.S. support for NATO and its Article 5 mutual defense commitment and pledged to work with the EU and European governments on common global concerns. Biden Administration officials viewed cooperation with European democracies as key to countering challenges posed by China, Russia, and other authoritarian governments. European leaders welcomed the renewed U.S. commitment to multilateralism, exemplified by President Biden's decisions to reverse certain Trump Administration policies and rejoin the World Health Organization and the Paris Agreement on combating climate change. At the same time, some tensions remained and new controversies emerged, including in relation to the U.S. troop withdrawal from Afghanistan in August 2021 and the Australia-UK-U.S. security pact for the Indo-Pacific (known as AUKUS) announced in September 2021.

In 2022, Russia's war against Ukraine largely dominated the U.S.-European agenda and strengthened transatlantic solidarity. The United States, NATO, the EU, and nearly all European governments strongly condemn Russia's actions, steadfastly support Ukraine's territorial integrity, and provide military and/or economic aid to Ukraine. The

United States and many NATO allies have increased military deployments to Central and Eastern Europe to deter further Russian aggression and reinforce the alliance's defense posture. The Biden Administration and many Members of Congress welcomed decisions by Finland and Sweden in May 2022 to seek NATO membership (NATO's accession process for both countries is expected to conclude in 2023).

The United States, the EU, the UK, and other allies have cooperated extensively on imposing sanctions on Russia. The Biden Administration supports EU efforts to end its dependency on Russian energy imports and is working to help boost liquefied natural gas shipments to the EU. Some experts caution that transatlantic unity against Russia could fray as the war in Ukraine continues, as many European countries struggle with high energy costs and inflation and as some in Europe begin to consider requirements for future peace negotiations for Ukraine or how to manage relations with Russia in the longer term.

Revitalizing U.S.-EU economic ties has been another priority for the Biden Administration. In 2021, the United States and the EU reached an agreement to address a long-standing dispute over civil aircraft subsidies and a deal on the steel and aluminum tariffs imposed by the Trump Administration. A U.S.-EU Trade and Technology Council (TTC), launched in 2021, focuses on issues such as emerging technologies, supply chain security, and digital governance. The United States views the TTC, in part, as a vehicle for U.S.-EU cooperation on challenges posed by China and other nonmarket economies; recent TTC meetings have discussed U.S.-EU export controls and other sanctions on Russia. The Biden Administration also has reached a new commercial data transfer arrangement with the EU to replace the Privacy Shield framework (which the EU's top court invalidated in 2020 on grounds that it did not meet EU data protection standards).

U.S. tax credits for the purchase of electric vehicles and other clean energy subsidies in P.L. 117-169 (commonly referred to as the Inflation Reduction Act of 2022, or IRA) have sparked new U.S.-EU trade frictions. The EU contends that certain measures in the IRA could discriminate against EU firms and breach multilateral trade rules. The Biden Administration asserts that EU companies could benefit from parts of the IRA and has proposed some flexibilities in recent implementation guidance. A U.S.-EU task force on the IRA is addressing ongoing EU concerns. Meanwhile, some U.S. officials and business interests express concern that new EU digital trade and competition rules could unfairly target large U.S. technology firms.

Managing relations with China may test the transatlantic partnership as well. European views on China have hardened in recent years and have come to mirror more closely U.S. concerns about China's growing political and economic influence. At the same time, many in Europe remain wary about a possible new U.S.-China "Cold War" and are reluctant to antagonize a major economic partner.

European concerns also exist about ongoing U.S. political polarization and whether the United States will remain a reliable international partner. Some European officials argue that Europe must be better prepared to address future

challenges—both in Europe and beyond—on its own. At the same time, for many Europeans, Russia's war against Ukraine has reinforced the importance of the transatlantic partnership and its combined political and economic clout.

## Issues for Congress

Potential areas in transatlantic relations for deliberation in the 118<sup>th</sup> Congress include the following:

- **Russia's War Against Ukraine.** Many in Congress have expressed interest in European military and financial support for Ukraine. Congress may evaluate U.S. and European assistance to Ukraine and the degree of U.S.-European coordination and burden sharing. Congress also may be interested in examining the conflict's implications for transatlantic security and defense relations, U.S.-European cooperation on energy policies, and Ukraine's integration into Euro-Atlantic institutions. (Ukraine aspires to join NATO and was named an official EU candidate in June 2022.)
- **Future of NATO.** NATO's 2022 strategic concept identifies Russia as the most significant threat to allied security, emphasizes NATO's collective defense role, and addresses a range of other challenges facing the alliance, including China, disruptive technologies, hybrid threats, terrorism, and climate change. Congress may examine these issues as well as future U.S. goals for NATO, the U.S. force posture in Europe, and ongoing allied efforts to increase defense spending.
- **U.S.-EU Agenda.** In addition to U.S.-EU cooperation on Ukraine and Russia, Congress may assess the IRA's potential impact on U.S.-EU relations and U.S.-EU efforts to enhance digital and technology policy cooperation through the TTC and other initiatives. Congress also may consider how various issues facing the EU—including a difficult economic climate, democratic backsliding in some EU members, and EU foreign policy and defense ambitions—could affect the U.S.-EU partnership.
- **Brexit.** Congress may review the implications of Brexit—the UK's 2020 withdrawal as an EU member—for U.S.-UK and U.S.-EU relations, for NATO, and for the Northern Ireland peace accord (its 25<sup>th</sup> anniversary is in April 2023). Some in Congress support a future U.S.-UK free trade agreement; the Biden Administration has not resumed talks begun by the Trump Administration.
- **China.** The Biden Administration has sought European support in addressing strategic, economic, and human rights challenges posed by China. The Biden Administration has restarted a U.S.-EU dialogue on China (begun by the Trump Administration), launched U.S.-EU consultations on the Indo-Pacific, and urged NATO to address the implications of China's rise for transatlantic security. Congress may consider the possibilities for U.S.-European policy coordination toward China and potential obstacles.

Also see CRS Report RS21372, *The European Union: Questions and Answers*, CRS Report R47095, *U.S.-EU Trade Relations*, and CRS In Focus IF12277, *Russia's War on Ukraine: U.S. Policy and the Role of Congress*.

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**Kristin Archick**, Specialist in European Affairs

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