

## State of EU-US relations

Over a year and a half into the presidency of Donald Trump, transatlantic relations continue to adapt to new realities under the 'America First' foreign policy. Its implications have touched several areas, such as climate, defence, sanctions and cooperation within multilateral institutions. EU-US trade relations have deteriorated significantly. However, following a visit by Commission President Jean-Claude Juncker to the US in July, new bilateral trade talks are being prepared. During its September plenary session, the European Parliament is expected to discuss an own-initiative report addressing these issues.

### Background

The US has historically been the EU's closest ally, with common interests and values as well as a shared view of the world guiding bilateral relations and joint actions. Yet, following the election of President Donald Trump, divergences in several areas have led to [doubts](#) about the durability of transatlantic relations. The implementation of the [America First](#) foreign policy has resulted in US criticism of, and withdrawal from, a number of multilateral initiatives, and is recalibrating the US's relations with traditional allies, including the EU. Major areas of tension in bilateral relations have included the Iran nuclear deal, trade, burden-sharing within the North Atlantic Treaty Organization (NATO) and differing perceptions of the multilateral order. Following a disconcerting delay in designating a US Ambassador to the EU, in June 2018 Gordon Sondland was [confirmed](#) in the position.

### Trade relations

#### A strained transatlantic trade relationship

The EU-US trade relationship, which constitutes the largest economic relationship in the world (US\$1 trillion in bilateral trade), has become strained since President Trump took office. From the EU's perspective, at least four issues have increased tensions between the traditionally close trading partners, namely:

- the US decisions in spring 2018 to [impose](#) tariffs on imports of steel and aluminium under the pretext of national security, and its [refusal](#) to grant the EU a permanent exemption;
- the continued US [blockage](#) of new appointments to the Appellate Body (AB) of the World Trade Organization (WTO), which threatens to paralyse the WTO's dispute settlement system;
- the imposition of anti-dumping and countervailing duties on imports of Spanish ripe olives in 2018, which could have wider implications for the EU's common agricultural policy;
- the US threats to impose tariffs on imports of EU cars and car parts before the mid-term elections.

At the same time, the EU and US have (together with Japan) regularly discussed common trade concerns.

#### The July 2018 Juncker-Trump deal: towards de-escalation?

On 25 July 2018, Commission President Juncker struck a [deal](#) with US President Trump to avoid a further escalation. They agreed, among other things, to work toward zero tariffs, non-tariff barriers and subsidies on non-auto industrial goods. The Commission also indicated that it wants to facilitate increased EU imports of liquefied natural gas from the US as well as strengthen trade in several other areas, including [soybeans](#). The two sides further agreed not to go against the spirit of their agreement while they are negotiating; President Trump promised not to impose new tariffs on cars as long as progress is being made (although in August he [claimed](#) that he would) and to reassess the US steel and aluminium measures. Lastly, the parties agreed to work towards WTO reform, address unfair trading practices and launch a dialogue on standards. An executive working group has been established to prepare negotiations on a potential trade deal.

### Security and defence

The approach of the Trump administration to several international security issues has presented marked differences to that of the EU, reversing joint approaches formulated under previous administrations.

## The Iran nuclear deal

In July 2015, Iran and the E3/EU+3 (France, Germany, the United Kingdom and the EU + China, Russia and the US) signed the [Joint Comprehensive Plan of Action](#) (JCPOA), which aimed to ensure the peaceful nature of Iran's nuclear programme in exchange for the termination of restrictive measures against Iran. In May 2018, President Trump announced that the US would leave the deal and (re-)impose sanctions on Iran. The [sanctions](#) block American firms from doing business in Iran, and bar foreign firms (including EU companies) that do business with Iran from accessing the US banking and financial system, while risking substantial fines. In response, the Commission updated the '[Blocking Statute](#)', which allows EU operators to recover damages arising from US extraterritorial sanctions and nullifies the effect in the EU of any foreign court rulings based on them. Talk of an [independent financing tool](#) has been raised in the meantime. In the Middle East, beyond Iran, a point of contention has been President Trump's 2017 decision to recognise Jerusalem as the capital of Israel. In a statement issued on 14 May 2018, the High Representative/Vice-President, Federica Mogherini, [recalled](#) the EU's commitment to 'a two-state solution, based on the 4 June 1967 lines and with Jerusalem as capital of both'.

## NATO

Since the election of Donald Trump, tensions over NATO, and particularly on the issue of defence spending, have increased between the US and EU NATO members. The US has always insisted that NATO allies spend more on defence and live up to the pledge to spend 2 % of GDP on defence by 2024. However, under President Trump the conversation has taken on a more conflictual tone. Some EU leaders have been [resistant](#) to the US urges for radical defence spending increases, making the argument that the EU's approach to security is multi-faceted, in that it includes resources for aid and development. The debate became [heated](#) during the [NATO summit in July 2018](#). At the same time, the Trump administration has [increased](#) US defence engagement in Europe through military exercises, a forward presence and the 'pre-positioning' of military equipment in central-eastern Europe. On security more widely, EU-US cooperation has varied. Cooperation on the Western Balkans has been fruitful, with the [US](#) and [EU](#) having expressed support for the Prespa Agreement, implementation of which would allow the former Yugoslav Republic of Macedonia to join NATO. On energy security, the US has used several occasions, including the NATO summit to raise the issue of the EU's energy security, and [emphasised](#) US opposition to Russian-led pipelines like Nord Stream 2 which increase Europe's dependence on Russian-sourced energy. Some have [speculated](#) that the motives behind this opposition are linked to the US desire to export more liquefied natural gas to Europe.

## Multilateralism

Under President Trump, the US has withdrawn from a number of multilateral bodies and agreements, including the [Paris Agreement on climate change](#), the nascent [Trans-Pacific Partnership](#), the UN [Human Rights Council](#) (based on its accusation of 'chronic bias' against Israel) and [Unesco](#). Along with its blockage of the WTO's AB, this has raised questions about US commitment to the principle of multilateralism (in trade, security and global governance more widely), a cornerstone of EU external action and of cooperation between the two partners. Clashes between Trump and other leaders at the [G7](#) and G20 summits over trade and climate change reinforced these [concerns](#), although he supported both communiqués in the end.

## European Parliament position

On 28 June 2018, the Parliament's Committee on Foreign Affairs (AFET) adopted an own-initiative [report](#) on the state of EU-US relations. It expresses concerns about the change of course in US policy, particularly with regard to trade and the JCPOA, and advocates enhanced transatlantic cooperation in several areas, including conflict resolution, energy, migration and human rights. Parliament has closely monitored developments in EU-US trade relations. In a 2017 [resolution](#), the EP specifically expressed its concern over the vacant posts on the WTO's AB; and a resolution of [15 March 2018](#) raised concerns about the US investigation into Spanish ripe olives. In June 2018, at the inter-parliamentary meeting of the Transatlantic Legislators' Dialogue (Sofia), the EP and the US House of Representatives highlighted in their [joint statement](#) the importance of the 'strong, strategic and unique partnership between the EU and the US', while noting with concern the recent divergences. Among other things, the statement highlights the intention of Congress and the EP to work together towards overcoming the divergences that are more pronounced at the executive level.

Own-initiative report: [2017/2271\(INI\)](#); Committee responsible: AFET; Rapporteur: Elmar Brok (EPP, Germany).

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