

U.S. Foreign Policy in 2021: Five Priorities for a Progressive Transatlantic Agenda

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Introduction

American and European policy makers will be presented with a daunting set of challenges in 2021. Foremost among them include threats to democratic institutions and free societies posed by authoritarian states; growing economic inequities on both sides of the Atlantic; the unmitigated effects of climate change; and most recently, the disastrous global financial and public health implications of COVID-19. Unfortunately, the transatlantic relationship currently faces a significant deficit of trust that is inhibiting cooperation on this set of shared challenges. As a community comprised of some of America's strongest and most prosperous partners, this lack of trust and cohesion has significant consequences for U.S. interests at home and abroad.

In the coming year, the United States and Europe may have an opportunity to overcome some of these challenges—not by looking backward and reverting to old assumptions and policies, but by advancing a renewed and progressive transatlantic relationship. This paper proposes five specific goals for U.S. foreign policy that aim to advance such an agenda while strengthening shared U.S. and European interests.

1. Pursue joint action with Europe on climate change as a top foreign policy priority.
2. Create a strong democratic playing field for competing with China.
3. Advance technology for free societies through standard setting and joint research initiatives.
4. Enforce anti-corruption measures to strengthen democracy in the transatlantic community.
5. Broaden the transatlantic economic agenda beyond trade to focus on digital issues and regulatory harmonization.

Each of these policy goals is explored in-depth below and highlights tactical priorities for the U.S. and Europe to pursue in 2021 and beyond.

Geopolitical and Domestic Realities in 2021

Geopolitical realities in 2021 will provide even greater urgency for reviving the transatlantic relationship. Both Democrat and Republican U.S. foreign policy experts agree that America's unipolar moment is over. U.S. political, military, and economic influence is being challenged by a rising China that seeks to displace American power in the Indo-Pacific and compete with the U.S. for stronger ties with America's traditional allies, including those in Europe. Russia is pursuing an irredentist foreign policy under President Vladimir Putin that undermines the strength of democratic and free societies in an attempt to maintain the Kremlin's internal legitimacy. Within the West, democratic backsliding and the emergence of populist nationalist forces are tearing apart the political and social fabrics of countries that have anchored the transatlantic relationship.

Domestically, the United States will still be dealing with a pandemic not yet under control and a significant economic recession in 2021. There will be little bandwidth to advance major foreign policy proposals that are not linked to alleviating America's economic and public health crises. But critical challenges on the world stage, ranging from China, Russia, Iran, and Afghanistan to trade and climate change, will remain. It is therefore critical that the United States have a willing and capable partner in Europe. This will require early and sustained attention to the transatlantic relationship, including a willingness to discuss issues central to Europe's politics, such as migration (and thus security issues in the Middle East and North Africa) and climate change. Concerted and coordinated efforts by the U.S. and Europe will be more effective than unilateral steps taken by either the U.S. or European nations.

The transatlantic relationship will also be important for achieving U.S. domestic policy goals. The European Union is scheduled to propose legislation in 2021 and 2022 on issues such as economic recovery, trade, digital taxes, the regulation of social media, tariffs tied to carbon consumption, and the rule of law. It is possible that European regulations will set standards globally (as happened with European privacy rules for digital media). Early and constructive engagement with Europe may provide a way to advance progress on these issues, particularly if the U.S. domestic context remains partisan and divided.

Five Policy Priorities for a Progressive Transatlantic Agenda

1. Pursue joint action with Europe on climate change as a top foreign policy priority.

The Trump administration has significantly set back the United States in its domestic and global efforts to address climate change. If there is a new U.S. administration in 2021, the U.S. will have an opportunity to rebuild cooperation with Europe on advancing a progressive climate agenda. Ursula von der Leyen, president of the European Commission, has deemed tackling climate challenges as “this generation's defining task”¹ and the Commission's “first priority.”

Rejoining the Paris Agreement is only the first step. Vice President Biden has also pledged that under a Biden administration, the U.S. will be carbon neutral by 2050. Biden's proposal also makes a federal investment of \$1.7 trillion over the next ten years and leverages additional private sector, state, and local investments to total more than \$5 trillion.²

This strong climate agenda is in line with European Union efforts, which as part of its European Green Deal Investment Plan aims to attract at least 1 trillion euros of public and private investment over the next decade to make the bloc carbon neutral by 2050.³ Much of the investments pledged in the U.S. and Europe will need to be used in support of technology innovation, which is an opportunity for U.S. and European public and private sector entities to boost joint funding initiatives and pool research and development.

Early goals for the U.S. will be to prioritize and integrate climate into all aspects of the transatlantic relationship, including trade, energy, defense, and technological cooperation; to work with the European Union to coordinate the implementation of shared climate targets (specifically pledges to be carbon neutral by 2050); and to partner with EU member states in promoting a strong climate agenda at key multilateral bodies, including the G7 and G20.⁴

Two tactical priorities for the U.S. will be to coordinate with the EU on carbon border tariffs and to strengthen financial and technical collaboration. Border adjustment tariffs (BATs) have emerged as a favored tool among climate experts to safeguard American workers and economic competitiveness while encouraging trading partners to raise their climate performance in order to access the U.S. market. Similarly, the European Green Deal includes a carbon border adjustment mechanism that would start in 2021 and levy taxes on carbon-heavy imports. The U.S. should work alongside the EU to ensure that actions taken are compatible with WTO rules and avoid measures that would lead to transatlantic trade disruptions. To enhance financial and technical collaboration with European partners, the U.S. should also look to use initiatives developed under the European Green Deal to strengthen cooperation in energy efficiency, carbon capture, and other decarbonization and energy efficient technologies.⁵

2. Create a strong democratic playing field for competing with China.

China presents an interrelated set of challenges to the U.S. and Europe that span trade, technological, and governance issues. While tensions between the U.S. and Europe under the Trump administration and European disunity on China policy have inhibited a coordinated transatlantic strategy, there has been considerable convergence in recent years between U.S. and European positions on China. Both the U.S. and Europe share concerns over Chinese forced technology transfers, unfair trade practices, limited market access, and advantages maintained by Chinese state-owned enterprises over U.S. and European companies. There is also interest among U.S. and European partners to develop shared technological standards as China develops and exports its surveillance technologies.

The publication of a European Union white paper in March 2019 marked a fundamental shift in how far Europe was willing to go in pushing back on China. The white paper simultaneously referred to China as a partner, competitor, and systemic rival and outlined the importance of developing a more balanced and reciprocal relationship with China while strengthening Europe's industrial and technological capabilities. Today, the EU is taking important steps, such as creating a chief trade enforcement officer position, developing a strategy for strengthening EU competition laws for accessing the common market, and building efforts to strengthen EU-wide investment screening mechanisms.⁶

On the other hand, there is little appetite in Europe for pursuing hardline approaches, such as economic decoupling. There are also disagreements between the U.S. and European countries on whether to allow Chinese telecommunications company Huawei to develop national 5G networks. Meanwhile, the Trump administration's withdrawal from the Paris Agreement and the Iran nuclear deal, threats to withdraw from the WTO, and issuance of steel and aluminum tariffs on the EU have damaged America's credibility and rendered China a more reliable global partner for addressing environmental and security issues.⁷

To begin to develop a shared agenda on China, the U.S. should first indicate alignment and interest in collaborating with Europe on three policy issues in particular: trade, technology, and human rights. On trade issues, and if there is a new U.S. administration in 2021, there will be more room to advance progress on WTO reform efforts and pursue cases alongside the EU and other countries such as Japan to compel China to change its abusive trade practices, including on intellectual property theft. This coordinated approach will put Beijing under greater pressure than the current unilateral trade war pursued by the U.S.

Regarding technology, the role of Chinese telecommunications firm Huawei in developing EU member state 5G networks is a contentious issue that the U.S. should try to influence. Europeans care deeply about digital privacy and data protection and have shown an interest in developing viable alternatives to Huawei. The U.S. and European governments in cooperation with private sector companies should therefore continue to explore investment and R&D opportunities to nurture competitors such as Finland's Nokia Corp. and Sweden's Ericsson AB, as well as other non-Chinese companies.⁸

Democracy and human rights issues is a third priority area. Standing up to the Chinese Communist Party's (CCP) abuses against Uighur Muslims in Xinjiang and repressive actions in Hong Kong will remain a top issue for the U.S. regardless of who wins the U.S. presidential election in 2020. While Europe has been more reticent than the U.S. to employ offensive tools such as export controls and sanctions to push back against such concerns, Beijing's imposition of a new national security law in Hong Kong has further aligned U.S. and European concerns over the CCP's authoritarian reach. In July 2020, the EU agreed to enact its own export controls of technologies to Hong Kong that could be used for internal repression or surveillance. Moving forward, this development could provide more room for the U.S. and the EU to coordinate on export controls to China and to strengthen a transatlantic democracy and human rights agenda.

The transatlantic community still has the power to influence China's choices if the U.S. and Europe can work together and with other likeminded states to hold China accountable to high standards in trade, technology, and global governance. However, this will first require restoring transatlantic trust and easing political tensions in the U.S.-Europe relationship on policies such as climate change, trade, and sanctions.

3. Advance technology for free societies through standard setting and joint research initiatives.

The U.S., Europe, and other democratic nations have an opportunity to lay the foundations for a progressive vision on AI and emerging technology. The U.S. and Europe maintain a shared set of values and a mutual desire to set democratic standards and bolster defenses at a time when China is developing and exporting surveillance technologies around the world. But Europe's comparative lack of technological capabilities could leave it dependent on Chinese companies that do not share Europe's values on privacy and human rights.

To make up for this weakness, Europe has positioned itself as a first mover in tech regulation—a tool the EU also hopes will boost its technological sovereignty.⁹ In February 2020, European Commission President Ursula von der Leyen released a series of proposals for regulating AI and has pledged billions of euros to turning Europe into a data superpower. Brussels has already had some success on this front; its General Data Protection Regulation (GDPR) has forced major websites to comply with EU data practices despite the frictions this legislation initially caused with U.S. companies.

The U.S. should lead the charge alongside Europe to develop a technology ecosystem that protects and promotes liberal democratic values and that builds consensus among other U.S. allies and democratic states. It will also be critical for the U.S. and Europe to strengthen defenses against technology theft and forced transfers while boosting shared R&D and innovation efforts.

There is already significant collaboration and shared R&D between the U.S. and Europe at both the government and industry level. To enhance this collaboration, the U.S., the EU, and NATO should explore how best to share data sets to train AI algorithms, boost defenses against counter-AI techniques, and investigate other efforts to exploit AI system vulnerabilities.¹⁰ The U.S. and Europe should also share best practices on investment screenings based on lessons learned through the Committee on Foreign Investment in the U.S. (CFIUS) to ensure that foreign entities are not acquiring assets in strategic industries that will erode the transatlantic community's technological edge over authoritarian powers.

4. Enforce anti-corruption measures to strengthen democracy in the transatlantic community.

A strong global anti-corruption agenda is an integral component of a values-based and progressive U.S. foreign policy. Countering corruption and illicit finance is a goal that resonates domestically in the U.S., as it involves strengthening the rule of law, delivering transparent and accountable governance, and addressing the financial drivers of declining trust in democratic institutions. It also has wide application to the transatlantic relationship. Illiberal governments in Europe and elsewhere have been known to use corrupt practices and networks to consolidate power and undermine political opposition. Corruption should therefore be targeted as a means to strengthen civil society and the rule of law in backsliding countries.¹¹

An aggressive agenda on tackling corruption would also target influence from authoritarian regimes like Russia and China that rely on corrupt elite networks to maintain regime stability and undermine Western democracies. Russia in particular has proven capable of buying influence in European politics by funding political parties, corrupting politicians and government officials, and using European markets to launder money and enrich Russian elites. These activities undermine the rule of law in Europe and dent democracy's appeal by promoting corruption and making governments less responsive to their citizens.¹² Russia's efforts are possible because of Europe's patchwork campaign finance regulations (only half of EU member states fully ban foreign donations) and because of the EU's weak financial supervisory architecture. Due to the nature of Europe's single market, Russia and its proxies can undermine Europe's entire financial supervisory system by exploiting the individual member states with the weakest regulations.¹³

There is ample opportunity for the U.S. and Europe to make progress on anti-corruption measures in light of the political will to advance this issue on both sides of the Atlantic. Through domestic and coordinated reforms and legislation, the U.S. and Europe can make progress on shutting down tax havens, exposing fraud and corrupt practices, and bringing transparency to illicit financial schemes and networks. Specifically, the U.S. can work with the UK and the EU to establish international transparency and enforcement mechanisms to close offshore tax havens¹⁴ and develop a global financial wealth registry to reveal accurate wealth ownership and prevent corporations from moving money to low-tax jurisdictions.¹⁵

Another priority for U.S. and European partners on countering corruption involves coordinating more on anti-money laundering efforts. Since power to take concrete action on money laundering resides with national authorities, EU common standards are only as effective as those of the weakest member states.¹⁶ The U.S. should therefore support the creation of a European-wide anti-money laundering regulator that would develop legislation to bring national competencies and enforcement mechanisms up to high and uniform standards.

5. Broaden the transatlantic economic agenda beyond trade to focus on digital issues and regulatory harmonization.

Trade will remain a divisive issue in the U.S. and Europe in 2021. Whether there is a Biden or a second Trump administration, either will face intraparty headwinds on reducing trade barriers and implementing free trade agreements that are not perceived as protecting American workers. This domestic political landscape has been complicated by trade and economic policies pursued by the Trump administration toward U.S. partners, including the EU.

Yet the U.S. and the EU have a \$1 trillion bilateral trade relationship, which constitutes the largest economic relationship in the world.¹⁷ The transatlantic economy creates 16 million jobs in the U.S. and Europe.¹⁸ For these reasons and others, removing barriers to trade in the transatlantic relationship should be promoted as good for the middle class on both sides of the Atlantic. Looking ahead, future trade discussions with the UK and the EU (and particularly the ongoing U.S.-UK free trade negotiations) can advance a strong climate agenda by basing progress around party commitments to Paris climate targets, enforceable environmental standards, and regulatory incentives for clean energy.

Advancing a transatlantic economic agenda to meet environmental aspirations will first have to address tit-for-tat retaliatory measures that the U.S. and the EU have pursued under the Trump administration. Despite originally exempting the EU from Section 232 steel and aluminum tariffs enacted on the basis of national security, the U.S. implemented the tariffs in June 2018. This action set off a round of retaliatory measures from the EU; more than \$3 billion worth of U.S. goods, from whiskey to Harley-Davidson motorcycles, became subject to 25 percent tariffs. Meanwhile, the Trump administration has continued to threaten tariffs on auto imports from the EU.

Both sides must take steps to repair the deteriorating trade relationship and return to their 2018 pledge to work toward “zero tariffs, zero non-tariff barriers, and zero subsidies on non-auto industrial goods.”¹⁹ Although there is little appetite in Brussels and Washington for a resumption of Transatlantic Trade and Investment Partnership (TTIP) talks, a truce on trade will allow the U.S. and the EU to advance a broader economic agenda that includes developing a regulatory framework for digital services, countering China’s market distorting practices, carrying out effective WTO reform and modernization efforts, and advancing an agenda to tackle climate change.

Defining digital taxation rules will be an early hurdle for the transatlantic relationship in 2021 and will require close attention. Seventy-five percent of digital content globally is produced in North America and Europe, and 55 percent more data flows via transatlantic cables than over transpacific routes.²⁰ To maintain this level of data production and transport, the U.S. and the EU must reach an agreement on digital services regulation. The Trump administration’s withdrawal from multilateral negotiations at the Organisation for Economic Co-operation and Development (OECD) on amending global taxation rules for the digital economy has further incentivized EU countries to implement their own national digital services taxes that target large U.S. companies. The OECD is an important venue for reaching a global solution on this issue, and it will be incumbent on a new U.S. administration to work with European countries to either rejoin the OECD negotiations or determine a regional-based solution to digital tax disagreements.

Conclusion

The five policy shifts outlined in this paper are central to advancing a progressive vision for U.S. foreign policy and the transatlantic relationship. This agenda includes addressing shared challenges from China; advancing democratic standards in AI and emerging technologies that meet the needs of free societies; integrating a strong climate agenda into our economic, political, and social ties; promoting tough anti-corruption measures to strengthen democratic

institutions and the rule of law; and advancing equitable trade and regulatory policies that strengthen climate measures and inclusive growth. For each of these efforts, the European Union will be a key partner for the U.S. in 2021 and beyond.

Competing with authoritarian states will require a strategic and robust U.S.-Europe partnership that upholds shared liberal democratic values. Before advancing shared values in our foreign policies, however, the U.S., the EU, and European member states will need to strengthen their own domestic commitments to democracy, social and racial justice, human rights, and the rule of law. This will involve the difficult but necessary work of addressing the drivers of discontent and distrust that have fueled populist movements on both sides of the Atlantic. Without addressing these weaknesses in the transatlantic community, calls to compete with authoritarian states on the basis of shared democratic values will continue to ring hollow.

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