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# Biden's European Honeymoon?

Is the love back in transatlantic relations? In choosing Europe for his first overseas trip as the 46th President of the United States, Joe Biden strikes a stark contrast to his predecessor, who kicked off his foreign travels with a visit to Saudi Arabia. The key question: Did President Biden manage to demonstrate America's determination to rebuild and strengthen its long-standing partnership with democratic allies and revitalize its commitment to multilateralism?

Let us examine the key take-ways from a week of meetings in the G7, NATO, and the EU-US Summit - culminating in a face-to-face with Russian President Vladimir Putin. While some might consider this a 'rallying the troops' exercise before confronting old and new worthy adversaries, the once special US relationship with its allies might not be a such a love-fest after all, at least not yet.

## **The US is back at a table ... for the time being.**

President Biden sought to reassert American leadership and to demonstrate, along with its allies, that the world's democracies are up to the task of facing the emerging challenges of the 21st century in the face of stiff competition from increasingly authoritarian regimes. While the US clearly is keen to step back into a more traditional global role, this is met with cautious optimism.

From a European perspective, worries remain on the impact of the domestic US agenda on its long-term ability to champion multilateral relations. Let's not forget - the -geopolitical reality has shifted; Post Brexit, the UK aims to position itself as a convening power on the global stage. The EU is actively pursuing its strategic autonomy agenda - in all areas of economic and political life. Simultaneously, China has markedly increased its economic and trade power, boosting its overall soft power as an international actor.

Not only is the US returning to a table as opposed to the table of four years ago - the issues at hand are different. In addition to traditional foreign policy matters, like relations with China and Russia, a new transatlantic agenda has emerged. The US and its G7 and EU allies share a commitment to tackling climate change and revamping taxation rules for the 21st century. However, on technology and trade, the allies are yet to find more common ground.

## Climate

Efforts to facilitate a global industrial decarbonization agenda dominated the G7 discussions and the EU-US Summit. Making history, NATO set out a commitment to incorporate climate change considerations into its work. Russia shares the growing interest in climate change, signaled clearly by President Vladimir Putin attending Biden's Climate Summit in April.

From a US perspective, President Biden was able to build upon his commitment to prioritizing climate change as a domestic and foreign policy priority after recommitting the United States to the Paris Climate Agreement and hosting the Climate Summit.

For the EU's efforts to achieve its net-zero carbon emissions goals, the US agreement on several joint policy coordination forums, notably a High-Level Climate Action Group and a Transatlantic Green Technology Alliance, is particularly important. Positive signals aside, the joint commitments have several notable omissions; no common definition of sustainable investments, no clear timeline for phasing out coal and no 'Marshall Plan' on climate.

Though the conversation was ambitious, the odds of a global coalition on a comprehensive climate agenda at the COP26 Summit later this year are questionable. In addition, the US ability to meet its own commitments remains to be seen in the face of stiff resistance from Republicans and some moderate Democrats in Congress.

## Technology

The future of technology relations was a key EU-US summit topic - with several cooperation announcements, as a clear attempt at a united front after years of collision course. Importantly, a future Trade and Technology Council is to reach common positions on e.g. artificial intelligence and semiconductors. The commitment to cooperating on digital standards at the WTO is also worth noting. With a nascent US

era of lawsuits against big technology companies, and the EU digital antitrust charge of the last years, this cooperation could be the beginning of a coordinated approach.

Even with joint aims of promoting a values-based approach to technology and not being out-innovated by China, a shared broader approach to digital policymaking is not a given. A prime example is the lack of clarity on data flows policy. Still, no solution to enable seamless data flows while balancing the strict EU approach to data privacy is in sight. The EU mission to advance strategic autonomy, i.e. by means of strong European players to rival big US technology firms, sets the scene for future complications.

While it is unlikely that the US concerns on the unfair treatment of American tech firms have been resolved, there is now a platform for discussion, leading to cautious optimism.

## Taxation

The agreement in principle by the G7 on a global minimum tax rate was a major accomplishment for the Biden Administration. Leaders agreed on measures to dissuade multinational companies from shifting profits to low tax havens and signed up to levy a minimum 15% corporate tax rate.

An agreement at the OECD level is very likely to follow suit. However, some justified skepticism remains as to the chance of adopting this tax rate globally. The agreement faces an uncertain future in Congress and has already caused unrest amongst some EU countries.

A global compromise on tax issues is key to the agendas of Biden and EU leaders. A tax revamp is branded as instrumental for financing the global recovery. However, the EU view on taxation of the digital economy is fundamental here too. Despite US concerns over potential double taxation of big US technology companies, the EU has doubled down on an EU digital levy in addition to the expected OECD agreement on digital tax.

## Trade and competition

At the G7 Summit, leaders discussed collaboration to bolster supply chain resiliency, cooperation on technology standards, and support for low-income countries - all measures aimed at advancing strategic competition with China. China was also the unnamed addressee of several joint commitments by the EU and the US on a comprehensive WTO reform.

President Biden made great strides on the trade agenda, ending a trade war with the EU elevated to an unprecedented level by his predecessor. A dispute over aircraft subsidies going on more than 17 years was resolved. In a show of good faith, the EU lifted tariffs on US steel and aluminum for six months, effectively giving the Biden Administration a deadline to stamp out the Trump legacy.

## The worthy adversaries

Nothing unites like a common adversary. Russia, the prime longstanding protagonist in transatlantic relations, is now prominently joined by China. President Biden secured both NATO and EU support to counter Russia's global influence. He brought this to a meeting with Russian President Vladimir Putin, aiming to lay the foundation for a re-calibration of the tone of the relationship, particularly on cyber security. The lack of tangible results almost intentional, Biden's more tempered approach did secure a statement from Putin that "they spoke the same language."

The attitude towards China amongst US allies is however more diverse, as a narrative resembling that around Russia is core to Biden's China strategy. The European tour was surely a step towards this. However, the measured tone struck by the G7 and EU leaders is likely to have disappointed the US. The EU especially takes a nuanced approach to China as it is keen to strike a cooperative tone on issues such as climate and trade.

G7 and EU support for his 'Build Back Better Plan' was important for Biden to show resolve and global leadership. However, the lack of details and sufficient level of commitment to rival the Chinese Belt and Road Initiative means that China's soft power is likely to remain unchallenged in the near future.

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