

Transatlantic Trade: US and European Trade Talk Update – August 21, 2020

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Recently, transatlantic attention has focused on Belarus after irregularities were noted with its presidential election on 9 August that resulted in protests in that nation. Meanwhile, talks between the European Union (EU) and the United Kingdom (UK) also resumed this week, continuing to seek a path forward for the UK's future trade arrangements with the bloc.

Last week, the United States (US) and EU indicated talks were underway for a cross-border data flow successor agreement to the invalidated Privacy Shield. The US also modified its tariff lists related to the ongoing large civil aircraft dispute with Airbus. Looking ahead, US Secretary of State Mike Pompeo is [scheduled](#) to participate in the Atlantic Council's Front Page Virtual Event Series on 24 August, where he will discuss his recent trip to Europe and "how European nations are awakening to the China challenge."

Transatlantic Attention on Belarus

The US Department of State issued a [statement](#) on 10 August, expressing deep concern over the conduct of the presidential elections – where President Alexander Lukashenko claimed victory – and characterizing it as "not free and fair." The US Government also condemned "ongoing violence against protesters and the detention of opposition supporters, as well as the use of internet shutdowns to hinder the ability of the Belarusian people to share information about the election and the demonstrations." The US, however, has not imposed any sanctions related to these developments.

Senate Foreign Relations Committee (SFRC) Chairman James Risch (R-Idaho) also issued a [statement](#) in solidarity with the peaceful protestors on 10 August. He stated, ***"Mr. Lukashenko should allow a true accounting of yesterday's ballot, and stand down if, as reports indicate, he was not democratically reelected. He should also immediately cease the suppression of the media, internet blackouts, and the arrests of and violence against those who are pursuing another path for Belarus."*** SFRC Ranking Member Robert Menendez (D-New Jersey) similarly

condemned the arrest of protesters in a separate [statement](#), adding, **“Alexander Lukashenka is living up to his reputation as the last dictator in Europe. Sunday’s ‘election’ was a sham and a tragedy for the Belarusian people who have risked so much for freedom.”**

Furthermore, House Foreign Affairs Committee Chairman Eliot Engel (D-New York) and Ranking Member Michael McCaul (R-Texas) issued a [joint statement](#) on 10 August condemning the crackdown on protesters in Belarus. Both issued a subsequent [joint statement](#) on 17 August responding to Russia’s offer of military assistance to Belarus to quell the protests and urging the Trump Administration to respond to Russia’s perceived “aggression.” They stated:

We stand with the people of Belarus as they exercise their rights to protest and to demand a freer, more democratic country; their voices must be heard. Likewise, as the Kremlin tries to undermine yet another European country’s sovereignty and independence, we strongly condemn Russian President Vladimir Putin’s reckless offer to provide military assistance to the Lukashenko regime in Belarus. We urge the Administration to continue to reject Moscow’s aggression, work with our European allies to support the Belarusian people, to demand the thousands of detained peaceful demonstrators are released, to condemn the Belarusian authorities excessive use of violence, and to defend Belarus’s sovereign right to chart its own future.”

On 20 August, Secretary Pompeo issued a statement supporting the “aspirations of the Belarusian people.” He further noted, **“The August 9 elections did not meet that standard. Belarus, like the United States, is a member of the OSCE [Organization for Security and Co-operation in Europe], which upholds those standards. We urge the government of Belarus to accept the OSCE chairmanship’s offer to facilitate dialogue and engage all stakeholders. We support international efforts to independently look into Belarus’ electoral irregularities, the human rights abuses surrounding the election, and the crackdown that has followed.”** Nonetheless, the Trump Administration has not yet announced any sanctions related to the situation in Belarus.

Meanwhile, on Wednesday, 19 August, the EU bloc convened a [video conference](#) meeting that resulted in the imposition of sanctions against officials involved in violence and falsification of election results in Belarus. No further economic sanctions were imposed, with EU leaders unanimously agreeing upon “targeted sanctions on specific persons, without hurting the people of Belarus.” The EU also decided to provide an added €53 million in support to the nation, while ensuring the funds do not benefit Lukashenko.

EU-UK Trade Talks

Talks between the parties resumed this week. Key areas of discussion remain the same and include levelling the playing field, governance and fisheries, trade in goods and services, participation in EU programs, law enforcement and judicial cooperation, road and air transport, energy and social security coordination. [Reports](#) are suggesting that currently a major issue at stake is whether British trucks will have the freedom to operate on the continent without restrictions, and vice versa. Although the existence of an agreement would not remove all regulatory barriers to trade between the parties, it would make a big difference trade in both directions for imports to remain duty-free and quota-free. That said, any agreement would provide a foundation on which the parties could continue to build on their relationship over time.

The talks ended on 21 August without having made substantive progress on the key issues of fisheries and state aids policy. UK Chief Negotiator David Frost insisted that an agreement could be reached by “September and we will work to achieve this if we can”, but at the same time blamed the EU for failing to come forward with positions that recognized UK sovereignty. EU Chief Negotiator Michel Barnier blamed the UK for wasting time, and expressed doubt that an agreement would be reached by the effective deadline in October. Both sides have made concessions – the EU has accepted that the European Court of Justice will have no role in EU-UK relations, and the UK has accepted that there will be one comprehensive agreement rather than a series of mini agreements. Mutual recriminations are not surprising at this stage of the negotiations, and it was always unlikely that the most intractable issues would be resolved until the eleventh hour. But time is short to bridge the substantial gaps that remain. Talks resume on 7 September.

UK Developments

Meanwhile, UK International Trade Secretary Liz Truss [published an opinion piece](#) in *The Telegraph* vowing to fight US retaliatory tariffs on British goods, which includes Scotch whisky, cashmere and salmon, and expressing the UK’s desire to “settle the issue as soon as possible.” The upcoming US general elections in November, however, is expected to slow the bilateral trade talks. Truss also mentioned the UK is expected to secure a trade deal with Japan by the end of August; a second round of negotiations is happening with Australia in September and with New Zealand in October.

The UK is expected to also return to the negotiating table with Canada in order to agree to a rollover of the EU’s current arrangement with Canada under the Comprehensive and Economic Trade Agreement (CETA). Tariff-free-quotas, which allow only a certain amount of goods to enter at a low import duty, are expected to be a key element of discussion. The UK is reported also to be close to a Free Trade Agreement with Japan, though talks are currently stalled over the treatment of Stilton cheese.

EU-US Developments

On 12 August, the Office of the U.S. Trade Representative (USTR) [announced](#) modifications to the ongoing World Trade Organization large civil aircraft dispute with Airbus. USTR removed from the tariff list certain products from Greece and the UK, while adding an equivalent amount of trade from France and Germany. The amount of products subject to countermeasures remained unchanged at US\$7.5 billion and the tariff rates remained unchanged at 15% for aircraft and 25% for all other products. The modifications will take effect on 1 September.

Last week, 24 EU members including Germany [formally protested](#) US sanctions against European companies involved in the construction of the Nord Stream 2 pipeline. The protest was based on a statement made in July by EU High Representative for Foreign Affairs and Security Policy Josep Borrell concerning US threats against European companies “in the cases of Iran, Cuba, the International Criminal Court and most recently the Nord Stream 2 and Turkstream projects.” It is the strongest diplomatic response so far to [escalating sanctions threats](#) on businesses involved in the Moscow-backed Nord Stream 2 natural gas pipeline.

Following the US decision to sanction companies involved in the Nord Stream 2 pipeline and to maintain tariffs against German products in the Airbus/Boeing dispute, Klaus Ernst, a German Member of Parliament and Chairman of the German Bundestag’s Committee on Economic Affairs and Energy, sent a [letter](#) to SFRC Committee Chairman Risch. He warned the EU could take

countermeasures. Ernst spotlighted German investments in the US, which amounted to US\$373 billion last year, saying they “contributed to the economic prosperity of the United States and also securing jobs in your country.” He further noted that US investments in Germany were considerably less. Ernst added the US trade deficit with Russia contributed far more to Putin than Nord Stream 2.

Brussels continues to strengthen its position, through its [sanction mechanism](#) to deal with these kinds of circumstances, according to Commission Executive Vice President Valdis Dombrovskis. In an answer to a parliamentary question, he also accused the US of being in breach of international law.

On 10 August, the US and EU issued a [joint statement](#) indicating the two sides were in discussions to evaluate an enhanced Privacy Shield framework to comply with the 16 July judgment of the Court of Justice of the European Union in the Schrems II case. Talks between the parties could slow, given the US preoccupation with the upcoming November general elections.

Brief Readout of Secretary Pompeo’s European Trip

US Secretary of State Mike Pompeo travelled to Prague and Pilsen, Czech Republic; Ljubljana, Slovenia; Vienna, Austria; and Warsaw, Poland from 11-15 August. Discussions in these cities centered on the Three Seas Initiative, securing 5G networks, countering malign actions from Russia and China, along with bilateral matters. In Slovenia, Secretary Pompeo signed a [Joint Declaration](#) on 5G technology with Foreign Minister Anže Logar. Secretary Pompeo and Polish Defense Minister Mariusz Błaszczak also signed the recently negotiated US-Poland Enhanced Defense Cooperation Agreement (EDCA) in Warsaw. A fact sheet on the EDCA is available [here](#). Meanwhile, this coming Monday, 24 August, Secretary Pompeo is set to address his recent trip to Europe at an Atlantic Council virtual event and focus on mutual concerns related to China.

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