

Transatlantic Trade: US and Europe – November 23 through December 6, 2020

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The United Kingdom (UK) approved its first COVID-19 vaccine this past week, moving forward with its first inoculations this month. Regulators in the United States (US) and European Union (EU) are still examining the Phase 3 clinical data but are not far behind in their respective approval processes for some vaccine candidates.

Talks between the UK and EU on trade terms resumed on 6 December after a short break for political consultations, with no breakthroughs yet. The European Council meeting set for 10 December may be the determining date between a deal and a “no deal” reversion to World Trade Organization (WTO) trading terms, with tariffs and quotas.

Meanwhile, the UK unveiled a new investment fund to facilitate domestic pharmaceutical manufacturing (see [our blog post](#)). The EU also advanced its “Global Magnitsky”-like human rights sanctions mechanism this week, with a formal signing of the new sanctions regime scheduled for next week.

COVID-19 Updates | UK, US, EU

Beating the US and EU to the finish line, the UK approved the Pfizer/BioNTech vaccine on 3 December, making it the first Western country to approve a COVID-19 vaccine and paving the way for inoculations to begin in that country. Britain’s National Health Service’s [Winter Plan](#) – unveiled by UK Prime Minister Boris Johnson on 23 November – has been preparing the country for its biggest programme of mass vaccination in the history of the UK. Prime Minister Johnson [stressed](#) the first phase of inoculations “will include care home residents, health and care staff, the elderly and those who are clinically extremely vulnerable”. The UK secured 40 million initial doses of the Pfizer/BioNTech vaccine.

Meanwhile, US and EU regulators are still reviewing the data but are not far behind in their respective approval processes. On 1 December 2020 European Medicines Agency (EMA) received a

Conditional Marketing Authorization (CMA) application for the COVID-19 vaccine from [Pfizer/BioNTech](#) and [Moderna](#) and it started a rolling review of [Janssen's](#) vaccine.

Moderna applied for emergency use authorization (EUA) on 30 November, joining Pfizer/BioNTech in this vaccine approval process. The US Food & Drug Administration (FDA) advisory committee is set to meet 10 and 17 December to discuss the Pfizer/BioNTech and Moderna vaccine EUA applications, respectively.

US officials are debating who should receive the limited number of vaccine doses expected yet this year. Federal and state officials concur that the nation's 21 million health care workers should be first in line for the vaccine. Differences emerge for other high-risk groups, including the 53 million adults aged 65 or older, 87 million essential workers and more than 100 million people with medical conditions that increase their vulnerability to the virus. The Trump Administration has told states that they have ultimate authority for determining who is vaccinated first, while adding it will allocate the scarce early vaccine doses based on states' total populations. Operation Warp Speed has said that 40 million doses of vaccine could be available for Americans in December, assuming that regulators greenlight both the Pfizer/BioNTech and Moderna vaccines in December.

With two COVID-19 vaccine candidates nearing EUA approval, the US Department of Defense has been conducting vaccine distribution dry runs, partnering with Pfizer and McKesson for a series of trial shipments to delivery locations to test processes and system. At a press briefing on 24 November, General Gustave Perna – who co-leads Operation Warp Speed – said that FDA EUA approval would kick-start the distribution of 6.4 million vaccine doses among 64 US states, territories and major cities, based on population. A potential complication in distribution worldwide is the temperature requirements for storing vaccines, with some US health systems already noting they are not prepared to distribute vaccines continually stored in frigid temperatures, which the Pfizer/BioNTech vaccine requires.

On 23 November, AstraZeneca announced early results of its vaccine candidate based on interim analysis of Phase 3 trials in the United Kingdom and Brazil, reporting an average efficacy of 70% in large-scale trials. AstraZeneca is the third major drug company to report late-stage data for potential COVID-19 vaccines.

US President Donald Trump spotlighted the struggling restaurant industry on 27 November and urged congressional action on another COVID relief package. He tweeted:

The restaurant business is being absolutely decimated. Congress should step up and help. Time is of the essence!"

Reports emerged after the Thanksgiving holiday break that an informal bipartisan group of U.S. Senators was working to jump-start stalled coronavirus stimulus talks, with a number of calls reportedly exchanged. Senators are exploring options to address key relief provisions that are set to expire at the end of the year – such as expanded unemployment insurance and eviction moratoriums from the CARES Act. Separately, the Problem Solvers, a bipartisan group of moderate lawmakers, has been in talks with Trump Administration officials and Senators from both parties, coming away from those talks confident that an agreement is possible before January.

A surprise \$908 billion stimulus proposal emerged from moderates this past week; it appears to have jumpstarted long-stalled COVID relief negotiations. On Thursday, 3 December, Speaker of the House Nancy Pelosi (D-California) and Senate Majority Leader Mitch McConnell (R-Kentucky) held a rare call to discuss their “shared commitment” to a stimulus package and a deal to fund the US Government beyond 11 December. There is talk that any potential coronavirus relief package could be attached to the U.S. Government funding bill in the Lame Duck session of Congress.

Addressing a special United Nations session on COVID-19 this past week, European Council President Charles Michel [proposed](#) an international treaty on pandemics to better confront future outbreaks on Thursday, 3 December. The proposed treaty would be within the framework of the World Health Organization (WHO) and would address risk monitoring and financing for coordinated research, as well as improving access to healthcare, strengthening healthcare systems and securing supply chains.

Meanwhile, Hungary and Poland continue to block the release of funds to EU Member States worth a total 1.85 trillion euros (\$2.25 trillion) from the EU’s seven-year budget and a post-COVID development fund, reiterating its objections to rule-of-law provisions. EU diplomats discussed attaching an explanatory declaration to the funding package to make the rule of law provisions more acceptable to Budapest and Warsaw, but both countries rejected that initiative on 4 December. Hungarian Prime Minister Viktor Orban said there was no urgency to get an agreement on the European budget this year, adding,

Leave the legal status quo unchanged and everything will go smoothly and quickly.”

Notable UK Developments

The COVID-19 pandemic has highlighted the importance of having a strong domestic medicines and diagnostics manufacturing industry, with the UK and other countries (including the US) emphasizing the need to shore up (incentivize and/or return) domestic manufacturing. On 30 November, Prime Minister Johnson [announced](#) a new £20 million new capital investment fund – the Medicines and Diagnostic Manufacturing Transformation Fund – to expand medicines manufacturing and be more responsive for future pandemics. The fund is expected to improve UK domestic medicine supply chains and resiliency, while also creating thousands of highly skilled jobs.

Demonstrating climate change leadership, on 4 December, Prime Minister Johnson [announced](#) Britain would target reducing emissions by at least 68 percent by 2030, compared to 1990 levels (an advance on the earlier 57% emissions reduction target). The announcement comes ahead of the UK co-hosting the Climate Ambition Summit on Saturday, 12 December, which coincides with the fifth anniversary of the historic Paris Climate Agreement.

UK-EU Talks | No Breakthrough; Negotiations Continue

Time is running out for the UK and EU to reach terms on a trade deal before Britain departs the customs union at the end of the year. While UK Business Secretary Alok Sharma [affirmed](#) Britain remains “committed to reaching an agreement”, he also acknowledged, “time is short and we are in a difficult phase. There’s no denying that.”

After a week of late night talks, EU Chief Negotiator Michel Barnier and UK Chief Negotiator David Frost took a break from the talks to consult with their political principals at the end of the week. Prime Minister Johnson and Commission President von der Leyen spoke on 5 December, and issued a [joint statement](#) acknowledging continuing differences on critical issues: level playing field, governance and fisheries. The two principals agreed that negotiating teams should make a further effort to see whether these differences could be resolved. Talks resumed in Brussels on the evening of 6 December.

European Council President Michel acknowledged the ongoing talks, reminding,

But the end of December is the end of December and we know that after the 31st of December we have the 1st of January, and we know that we need to have clarity as soon as possible.”

If no deal is reached, 1 January will see the imposition of tariffs and other barriers to UK-EU trade. On 7 December EU chief negotiator Michel Barnier told the European Parliament that Wednesday 9 December is the deadline to reach a deal or not – the European Council is due to meet on 10 December and could approve a deal if one has been reached. It would then require ratification by the European Parliament and the UK Parliament.

Meanwhile, Britain’s House of Commons is set to vote on 7 December on the controversial Internal Market Bill, legislation that has been condemned by the EU, US President-elect Joe Biden and US lawmakers and some British lawmakers. While the House of Lords removed provisions that would have conflicted with international treaty obligations, Prime Minister Johnson’s government is set to ask the lower chamber to reinstate the provisions, which could further strain the ongoing EU-UK talks. Cabinet Office Minister Michael Gove has [said](#) on 7 December that, if solutions being considered in discussion with the European Commission on implementation of the Northern Ireland Protocol are agreed, the UK would remove and deactivate the controversial provisions.

EU-US Developments

On 26 November, the EU Parliament agreed on the first tariff reduction measure in 20 years between the EU and US. The [agreement](#), a result of a [mini tariff package](#) signed with the United States in November, targets the elimination of tariffs on live or frozen lobsters from the US. In return, the EU will see a relief in US duties on [EU products](#) such as certain glassware, surfacing preparations, lighters and prepared meals. With a plenary vote of 638 in favor, the regulation is expected to be approved this month and come into the effect immediately. If approved, the effects of the regulation would be retroactive to 1 August 2020.

Ahead of his January inauguration, the EU invited President-Elect Joe Biden to two summits next year, seeking to rebuild a new strategic alliance between the transatlantic partners. This includes building on shared values and mutual interests toward finding alignment on global challenges, such as an approach to addressing issues with respect to the People’s Republic of China (PRC). The media [reported](#) on an EU strategic plan that would center the new alliance on addressing the COVID-19 pandemic and economic recovery, combating climate change, upholding multilateralism and shared values and promoting peace and security. A statement on the formal plan will be issued after EU27 Leaders further discuss it on 10-11 December.

On 2 December, the European Commission released its transatlantic [agenda](#) outlining objectives of the European Union for the relationship. EU High Representative, Josep Borrell shared,

With our concrete proposals for cooperation under the future Biden administration, we are sending strong messages to our US friends and allies. Let's look forward, not back."

The agenda highlights the importance of standardized trade relations and rules that allow the trade flows to grow and create opportunities for both parties. European Commission President Ursula von der Leyen said US intervention is needed in order to deliver the best humanitarian aid and reduce the impact of the pandemic on the global economy that in turn could further harm the European economy.

European Council of Foreign Affairs, a think tank, [published](#) ten ideas to “**help update European thinking**” as an action plan strategy on transatlantic transformation. The paper focuses in the fields of health, trade, security, climate change, democracy, sovereignty and human rights, as well as regional challenges posed by China, Russia, Middle East and Africa. As per trade, the paper suggests a joint action between the EU and the US to reform the WTO and a common approach towards data protection. The paper also discusses a compromise at an Organisation for Economic Co-operation and Development (OECD)-level for digital taxation.

Meanwhile, Senate Finance Committee Ranking Member Ron Wyden (D-Oregon) warned countries against unilateral digital services taxes (DSTs), after US companies reported receiving invoices from France. In a statement released by his office, Senator Wyden said,

France's decision to collect a discriminatory digital services tax next month represents an escalation against American employers and leave more U.S. industries open to unfair foreign taxes. France, and all countries considering DSTs, should abandon these unilateral measures, and focus their energies on the OECD's multilateral process to reach a fair negotiated agreement. Otherwise the U.S. will have no choice but to use every available tool to defend against these predatory taxes."

Other Notable US Developments

US Secretary of State Michael Pompeo participated in the 1-2 December virtual NATO Foreign Ministerial, hosted by Alliance Secretary General Jens Stoltenberg. A Department of State [readout](#) reflected,

Secretary Pompeo emphasized the threat the Chinese Communist Party (CCP) poses to Allied security interests and encouraged increased cooperation to safeguard against the CCP's malign activities."

The Secretary and other NATO counterparts also discussed Black Sea security with Ukrainian and Georgian Foreign Ministers, “Russia, arms control, regional security, NATO 2030 and the Forward Looking Reflection Process, and strengthening shared bonds and values between NATO and its Asia-Pacific partners.”

On 3 December, Deputy Secretary of State Stephen Biegun participated in the virtual Organization for Security and Co-operation in Europe (OSCE) Ministerial Council. According to State Department, he [called](#) “attention to the violent crackdown in Belarus following the fraudulent August 9 election; the recent violence related to Nagorno-Karabakh [Azerbaijan territory disputed by Armenia]; Russia’s ongoing aggression in eastern Ukraine and occupation of both Ukrainian and Georgian sovereign territory; the Transnistria conflict in Moldova and Russian malign action and hybrid threats.”

On 1 December, the State Department [announced](#) the Arctic Education Alliance, a new education partnership between organizations and universities in the United States and Greenland. The education initiative will build vocational education programs that support training in sustainable tourism, hospitality, and land and fisheries management in Greenland. State will support the Alliance by providing approximately \$1.8 million through a cooperative agreement awarded to the University of Alaska Fairbanks.

Sanctions Updates | EU, US

This week, EU Member States agreed on a Magnitsky-like sanction mechanism that “establishes a framework for targeted restrictive measures to address serious human rights violations and abuses worldwide”. EU Member States have granted the EU the power to apply travel bans and asset freeze measures to those targeted by the sanctions under the new regime.

Alexei Navalny, Russian opposition leader and victim of a Novichok poison attack in August, is one of the main figures inspiring the EU sanctions initiative. In highlighting the EU’s role in addressing Russian oligarchs, he stated before the European’s Parliament Foreign Affairs Committee,

The answer is very, very simple: money. So the EU should target the money and Russian oligarchs”.

EU leaders confirmed to the media that the EU’s global human right violation sanction regime will be signed formally on Human Rights Day (10 December).

Similarly, the Council adopted on 1 December [conclusions](#) that for the first time calls on the launch of an EU Action Plan focusing on the global supply chain sustainability, promoting human rights, social and environmental due diligence standards and transparency by 2021. Addressing the issue of human rights in the global supply chain, particularly in relation to human rights abuses such as child labour and slavery, are at the core of the Council’s conclusions. It also calls on DG Trade to consider including “responsible supply chain management provisions in trade agreements and for robust essential element clauses on human rights”.

Meanwhile, over the past two weeks, the EU adopted a number of sanctions resolutions related to situations in Turkey, Ethiopia, Algeria and Belarus. On 26 November, the EU adopted a [resolution](#) to condemn Turkey for the activities in Varosha territory of the island of Cyprus, voting 631 in favor,

three opposed and 59 abstentions. As EU-Turkish relations reach a historic low, the Members of the European Parliament called for a unified response from the EU and the imposition of sanctions as a response to Turkey's illegal actions. The leaders also called for the importance of maintaining negotiations toward a reunification of Cyprus that respects Greek and Cypriot sovereignty. The possibility of imposing sanctions to Turkey is on the agenda of next week's European Summit on 10-11 December.

The European Parliament enacted a [resolution](#) related to the situation in Ethiopia following alleged human rights violations in the ongoing political conflict. They further called for an immediate ceasefire commitment between the Government of Ethiopia and the Tigray People Liberation Front in order to achieve a democratic resolution of the conflict.

The European Parliament also [condemned](#) unlawful acts perpetrated in Algeria, stating the deteriorating human rights situation suffered in the country and specifically called on the immediate release of journalist Khaled Drareni.

Regarding the situation in Belarus, the European Parliament continues to [condemn](#) the human rights abuses under President Alexander Lukashenko's regime, calling for specific investigations into the murder of a teacher and opposition supporter, Ramal Bandarenka, who was allegedly killed by the police or security forces.

The US Government continues to focus on Iran, while also imposing sanctions related to criminal organizations in the Western Hemisphere and the situation in Libya these past two weeks. On 3 December, Treasury's Office of Foreign Assets Control (OFAC) [designated](#) Shahid Meisami Group and its director. The Shahid Meisami Group is a subordinate of the Iranian Organization of Defensive Innovation and Research, which was previously designated in 2014. On 25 November, the United States [sanctioned](#) four entities located in the PRC and Russia for supporting Iran's missile program, under the *Iran, North Korea, and Syria Nonproliferation Act* (INKSNA).

On 2 December, OFAC [designated](#) Mexican national Lucio Rodriguez Serrano as a Specially Designated Narcotics Trafficker pursuant to the *Foreign Narcotics Kingpin Designation Act* ("Kingpin Act"). Rodriguez Serrano was noted to be engaged in various activities on behalf of Rafael Caro Quintero, a major Mexican narcotics trafficker.

On 1 December, [designated](#) Jhon Fredy Zapata Garzon pursuant to the Kingpin Act, for materially assisting the international narcotics trafficking activities of the Clan del Golfo. Treasury noted three of his family members and associates are also being designated along with four businesses they own or control.

On 25 November, OFAC [designated](#) Mohamed al-Kani (al-Kani) and the Kaniyat militia in Libya under the Global Magnitsky Human Rights sanctions mechanism. Treasury noted both were responsible for the murder of civilians recently discovered in numerous mass graves in Tarhouna, as well as torture, forced disappearances, and displacement of civilians.

WTO Update

On 30 November, the mandate of the last member in office of the [WTO's Appellate Body](#) concluded. Ms. Hong Zhao's departure means the WTO dispute resolution panel no longer has any judge. Trade disputes in the international arena continue to face uncertainty, as the Appellate Body has been non-operational since 10 December 2019, after the Trump Administration exercised a US veto

over replacing judges. Hopes are set on President-Elect Joe Biden possibly lifting U.S. restrictions and allowing WTO members to form consensus on the selection process and reform of the multilateral forum.

[Frank Samolis](#), [Matthew Kirk](#) and [Wolfgang Maschek](#) contributed insights to this report.

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