

## Transatlantic Trade | US and Europe – Week of January 17, 2022

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Russia and Ukraine remain a focus for officials from the European Union (EU), the United Kingdom (UK), and the United States (US), with the US Secretary of State dispatched to Europe this past week. Notably, a bipartisan US Senate delegation visited Ukraine this week, with one Senator suggesting the US Government is vetting potential effects of removing Russia from the SWIFT (Society for Worldwide Interbank Financial Telecommunication) system. Due to concerns related to potential Russian retaliation directed at Europe's liquefied natural gas (LNG) sources, Bloomberg [reported](#) late on Friday that US officials were talking to Qatar and other LNG producing countries about supplying Europe with gas.

Meanwhile, the US and UK confirmed they were commencing formal talks to discuss the United States' steel and aluminum tariffs. The UK hosted its second Africa Investment Conference this past week, with a focus on sustainable, green investments; the UK and Australia secured a new Cyber and Critical Technology Partnership. The French EU Council Presidency continued this week to set forth its priorities, ranging from agriculture and fisheries to mirror clauses and investments in new technologies. The European Parliament made some progress on the proposed Digital Services Act, while the EU27 Finance Ministers discussed the proposed Directive implementing the OECD's Pillar II agreement. The European Commission also published a toolkit this week to help mitigate foreign interference in research and innovation in the bloc. Next week, the UK and EU are set to meet again to discuss issues with respect to implementing the Northern Ireland Protocol. In addition, with Omicron cases decreasing in the UK, the Government relaxed COVID-19 restrictions in the country.

*In this issue, we also cover:*

- *Notable US, UK, and EU developments;*
- *A brief UK-EU trade deal update; and*
- *COVID-19 highlights among the transatlantic partners.*

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## **Notable US Developments**

Ukraine President Volodymyr Zelenskyy met with US Secretary of State Antony Blinken on 19 January in Kyiv. A [Ukraine Government summary](#) of the meeting reflected,

The Head of State also stated the need to impose preventive sanctions against Russia in order to curb the Kremlin's aggressive intentions. In this context, the President stressed that Nord Stream 2 is a geopolitical weapon and a threat to the energy security of Ukraine and Europe.”

The US Department of State's [summary stressed](#),

Secretary Blinken emphasized again that if Russia chooses the path of further aggression against Ukraine, the United States, together with our Allies and partners, will impose crippling costs on Russia's economy, reinforce NATO's presence in frontline Allied states, and increase defensive assistance to Ukraine above and beyond what we are already providing.”

US President Joe Biden fielded questions from the media in a [two-hour press conference](#) later on 19 January, including the lack of unity between the US and European allies on potential package of sanctions against Russia. In response, he stated:

I think what you're going to see is that Russia will be held accountable if it invades. And it depends on what it does. It's one thing if it's a minor incursion and then we end up having a fight about what to do and not do, et cetera. But if they actually do what they're capable of doing with the forces amassed on the border, it is going to be a disaster for Russia if they further ingra- — invade Ukraine, and that our allies and partners are ready to impose severe costs and significant harm on Russia and the Russian economy.”

After immediate blowback related to President Biden's “minor incursion” phrasing – including from the Government of Ukraine [which noted](#) the comments could embolden the Kremlin – White House Press Secretary Jen Psaki [released a statement](#) that same day, seeking to clarify the President's remarks:

President Biden has been clear with the Russian President: If any Russian military forces move across the Ukrainian border, that's a renewed invasion, and it will be met with a swift, severe, and united response from the United States and our Allies.”

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In Berlin on 20 January, Secretary Blinken gave a [speech](#) titled, “The Stakes of Russian Aggression in Ukraine and Beyond.” He urged Russia to consider a diplomatic solution and de-escalation of the military build-up at Ukraine’s border. Secretary Blinken said of Russian President Vladimir Putin’s intentions toward Ukraine:

There’s been a lot of speculation about President Putin’s true intentions, but we don’t actually have to guess. He’s told us repeatedly. He’s laying the groundwork for an invasion because he doesn’t believe that Ukraine is a sovereign nation. . . . Just a few days ago, the Russian ministry of foreign affairs tweeted in celebration of the anniversary of Ukraine and Russia’s unification in the year 1654. That’s a pretty unmistakable message this week of all weeks.”

Secretary Blinken also said that Ukraine is not the only country in danger of Russian control. He warned,

Russia’s efforts to turn its neighbors into puppet states, to control their activities, to crack down on any spark of democratic expression will intensify.”

As part of an educational outreach effort and ahead of the Secretary’s speech, the US Department of State published some fact sheets on [Russia’s disinformation narratives](#) and [Russian disinformation on Ukraine](#). On 20 January, the US Department of the Treasury [sanctioned](#) four individuals engaged in Russian government-directed influence activities to destabilize Ukraine.

Secretary Blinken was in Switzerland on Friday, 21 January, where he met with Russian Foreign Minister Sergey Lavrov in Geneva. In [remarks to the media](#) ahead of the bilateral meeting, Foreign Minister Lavrov stated the meeting was an opportunity to discuss the Kremlin’s security proposals and related US concerns. Secretary Blinken focused his remarks on saying the meeting is “part of an ongoing effort to de-escalate tensions and to prevent further Russian aggression against Ukraine.” He further stressed his trip included close consultation with allies and partners, including Ukraine. Both officials were clear this meeting would not result in any breakthroughs; talks are expected to continue. Meanwhile, the US, along with the North Atlantic Treaty Organization (NATO) and in consultation with the EU, is expected to present written responses to Russia’s security demands as early as next week.

Senator Jeanne Shaheen (D-New Hampshire) – Chair of the Senate Foreign Relations Subcommittee on Europe and Regional Security Cooperation and a member of the Senate Ukraine Caucus – and Senator Rob Portman (R-Ohio) co-led a bipartisan delegation of US Senators to Ukraine early this week. The congressional delegation [met with](#) President Zelenskyy; their visit also included meetings with Ukraine’s Prime Minister and Ukraine’s Ministers of Defense, Foreign Affairs, Energy and Interior. Upon their return to Washington, the congressional delegation [reportedly](#) briefed President Biden. Senator Shaheen also shared with reporters:

I think the administration is still doing an analysis of what the collateral damage would be to kicking Russia out of the SWIFT system, both for its impact on the United States and on our

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European allies.”

US officials have repeatedly said that no option is off the table, as Washington looks at ways to deliver severe costs to the Russian economy should it invade Ukraine.

On 20 January, Senators Shaheen, John Cornyn (R-Texas), Ben Cardin (D-Maryland), Roger Wicker (R-Mississippi), Lindsey Graham (R-South Carolina), and Richard Blumenthal (D-Connecticut) [introduced](#) the *Ukraine Democracy Defense Lend-Lease Act*. The bill would provide the US President with enhanced authority to more swiftly enter into lend-lease agreements directly with Ukraine and expedite the delivery of military equipment. Also on Thursday, White House National Economic Council Director Brian Deese said the Biden Administration is working with partners to increase alternative LNG supplies to Europe.

Further appealing to Washington decision makers, Ukraine President Zelenskyy gave [an interview](#) with The Washington Post later in this week. He called for a dialogue with Russia, saying, “everyone will lose,” if Russia invades Ukraine. He called for the world to have a unanimous position on the imposition of sanctions against Russia for its aggressive actions. President Zelenskyy stressed:

We all live on this Earth. This is about values. There are rules that may help us survive in this world. You can’t capture someone’s territory, and you can’t invade.”

This weekend, at Camp David, President Biden is meeting with his national security team to discuss the situation with Russia. Late on Friday, the US Embassy in Kyiv [tweeted](#):

The first shipment of assistance recently directed by President Biden to Ukraine arrived in Ukraine tonight. This shipment includes close to 200,000 pounds of lethal aid, including ammunition for the front line defenders of Ukraine.”

Meanwhile, with no de-escalation seen from Russia, the Pentagon reported US and NATO forces plan to conduct large-scale military exercises starting next week. [Neptune Strike 22](#), a naval exercise, will occur in the Mediterranean and last until 4 February.

Separately, after US Trade Representative Katherine Tai [said last week](#) that talks with the UK over the United States’ steel and aluminum tariffs “is very much on our minds,” the UK and US jointly announced on 19 January the start of bilateral discussions on this matter. UK Secretary of State for International Trade Anne-Marie Trevelyan and US Secretary of Commerce Gina Raimondo spoke virtually that day, discussing – [as a joint statement reflected](#) – “the impact on their industries stemming from global excess capacity driven largely by China.”

On Friday, 21 January, the Biden Administration also focused on the American semiconductor

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industry. The White House released a [fact sheet](#) on the Administration's efforts to bolster domestic semiconductor capacity. The White House and US Secretary of Commerce Gina Raimondo spotlighted Senators Sherrod Brown (D-Ohio) and Rob Portman's efforts in getting the *US Innovation and Competition Act* (USICA) passed in the Senate, a measure that includes \$52 billion in funding for the US semiconductor sector. The US House of Representatives, however, has yet to act on the bill. On Thursday, Speaker of the House Nancy Pelosi (D-California) indicated the House and Senate were "very close to being ready to go to conference" to reconcile differences between the Senate's USICA and House proposals. The Biden Administration urged Congress on Friday to get the bill passed. Intel [also announced](#) a new location for two facilities – in Ohio, a \$20 billion investment to establish a Midwest hub for chips production – on Friday.

In [a decision](#) released last week, the US District Court for the Eastern District of Virginia determined "gruyere" had become a common generic name for American cheese consumers – a victory for US cheesemakers that also highlights a long-standing disagreement between the US and EU on geographical indications (GI). European Commission Spokeswoman Miriam Garcia Ferrer reportedly said last Friday that gruyere cheese remains a GI that is protected not only in the EU and Switzerland, but also in those countries with which the EU has trade agreements with GI provisions. The US and EU do not have a trade agreement.

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## **Notable UK Developments**

Similar to the United States, UK officials remain focused on Russia and Ukraine. On 20 January, UK Prime Minister Boris Johnson spoke with German Chancellor Olaf Scholz about the situation in Ukraine. A [summary](#) reflected,

They shared their deep concern at the ongoing destabilising action by Russia in Ukraine, and said any invasion into Ukraine would be a severe strategic mistake."

On 20 January, the UK [hosted](#) its second Africa Investment Conference with a focus on sustainable investments to support continent's transition to clean growth. To enhance UK-Africa partnerships, the UK launched a digital tool – Growth Gateway – that seeks to link African and British businesses to UK Government trade, finance and investment services and opportunities. Prime Minister Johnson [addressed](#) the Africa Investment Conference virtually, saying via the Clean Green Initiative,

[W]e want to work alongside our African partners to build new and high-quality infrastructure according to the highest standards of transparency and environmental protection."

Also on 20 January, UK Foreign Secretary Liz Truss [agreed to](#) a new Cyber and Critical Technology Partnership with Australian Foreign Minister Marise Payne. The new agreement includes provisions to build greater resilience to ransomware amongst Indo-Pacific nations and to sharpen legal sanctions against cyber attackers. During her visit to Australia, Secretary Truss and Minister Payne also [discussed](#) "the UK's cooperation and leadership in the Indo-Pacific with Australia, tackling state and hybrid threats, and defending shared values and the rules-based system."

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On 14 January, the UK Department of International Trade published the [joint statement](#) of the 15th meeting of the India-UK Joint Economic and Trade Committee (JETCO). They welcomed the formal launch of free trade agreement talks, with the first round held on 17 January. The JETCO statement also noted,

Both sides recognised the vital role Intellectual Property (IP) plays as a driver for economic growth and global trade and welcomed the ongoing engagement under the UK-India MoU on IP, which is now delivering results.”

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## **Notable EU Developments**

The evolving situation in Ukraine is also high in the EU’s foreign policy agenda, following last week’s decision to extend economic sanctions against Russia and [discussions](#) during an informal meeting of Foreign Ministers. EU High Representative for Foreign and Security Policy Josep Borrell spoke with Ukraine’s Foreign Minister Dmytro Kuleb on 19 January. According to a [statement](#) issued after the call, Borrell “reiterated EU’s firm and unchanged support to Ukraine” and affirmed the “EU’s determination to continue to call on Russia to de-escalate and withdraw its forces”. EU27 Ministers will be discussing the state of affairs this coming Monday; US Secretary of State Blinken [has been invited](#) to join them.

On 18 January, the European Parliament [elected](#) Maltese [Roberta Metsola](#) from the center-right European People’s Party (EPP) Group, as the new President of the European Parliament, with 458 votes in her favor; against 101 votes to the candidate by the Greens, [Alice Kuhnke](#); and 57 votes to the Left candidate, [Sira Rego](#). President Metsola will serve out the remainder of the parliamentary term until the next election in May 2024.

French Minister for Agriculture and Food Julien Denormandie presented the agriculture and fisheries policy [priorities](#) of the French Council Presidency during a Ministerial meeting on 17 January. The reciprocity of trading standards is one of the main priorities of the French Presidency, as it seeks to pursue mirror clauses in future trade agreements that ensure “agri-food products imported into Europe abide by the EU’s environmental and health standards, particularly as regards the sustainable use of phytopharmaceutical products – and, on the other hand, low-carbon agriculture, in particular carbon sequestration in agricultural soils.”

French President Emmanuel Macron [reiterated](#) the concept of mirror clauses in trade agreements as a key priority, in his speech before the European Parliament this week. President Macron said that “transforming our industries, investing in new technologies” shall be key policy priorities, which will contribute to protecting the environment and the creation of ‘European digital champions’. With respect to escalating tensions in the region, President Macron stressed Europe should “arm itself, not out of defiance of other powers, but to ensure its independence in this world of violence, not to be subject to the choices of others, to regain control of its borders and space”.

Executive Vice President and Trade Commissioner Valdis Dombrovskis reiterated with US Ambassador Tai the EU’s concerns over a proposed US tax credit for electric vehicles. The EU has previously raised these concerns, noting the proposal could discriminate against electric vehicles imported from the EU to the United States.

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Early this week, EU27 Finance Ministers discussed the proposed Directive implementing the OECD's Pillar II agreement, introducing an effective corporate tax rate of 15 percent. The French Presidency is keen to swiftly endorse the proposal with the aim to transpose the rules by 1 January 2023. However, a group of Member States raised some reservations this week – namely Poland, Estonia, Slovenia and Hungary – which poses risks to the ambitious deadline.

Inter-institutional negotiations continued this week on the EU proposal for an international procurement instrument that would grant retaliatory powers to Brussels against countries excluding EU companies from public tenders. The methodology used to grant exemptions from this instrument, as well as the price adjustment mechanism, are two of the sensitive provisions where divergent views exist between the Council of the EU and the European Parliament. The French Presidency aims to conclude negotiations on the instrument by early March.

Meanwhile, in an interview this week, Slovenia's Prime Minister Janez Janša [said](#) his country was negotiating to allow Chinese Taipei (Taiwan) to open an office, not an Embassy, for trade purposes. This could increase the Sino-European tensions, which have been tested in recent weeks with respect to the situation with Lithuania.

On 20 January, the European Parliament [endorsed](#) the negotiating position for the Digital Services Act, setting out rules governing the platforms responsibilities vis-à-vis online content. Last minute changes were adopted in the text, introducing a ban on targeted ads for minors and a ban on targeted ads based on sensitive personal data, such as health, political and religious beliefs, sexual orientation and racial or ethnic origin. Inter-institutional negotiations can now begin to determine the final set of EU rules.

Meanwhile, on 18 January, the European Commission [published](#) a [toolkit](#) that can be used as guidance by universities, research institutes and others in the EU to help mitigate foreign interference in research and innovation. The guidance was published as part of the EU's Strategy for a [Global Approach to Research and Innovation](#), which promoted the EU openness in research and innovation but warned of potential foreign interference risks that could compromise the integrity and autonomy of the EU's Research & Innovation (R&I) systems.

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## **UK-EU Trade Deal Update**

Following last week's [outcome](#) of Vice-President Maroš Šefčovič and UK Foreign Secretary Truss' meeting, discussions have intensified in preparation of next week's meeting (24 January).

In [an opinion piece](#) published on 20 January, Secretary Truss argued the Northern Ireland Protocol must be changed to protect the hard-won peace established by the Belfast (Good Friday) Agreement. She noted the following challenges with respect to implementing the Northern Ireland Protocol:

Needless paperwork has put hundreds of businesses off trading within the United Kingdom. Rules are frustrating efforts to bring everything into Northern Ireland from beloved family pets to critical medicines."

Secretary Truss said the UK Government has proposed the following pragmatic solution:

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[O]nly goods actually going to the European Union should face checks and processes. We remain happy to keep checking those that do to ensure there is no need for a hard border North-South.”

To respect Northern Ireland’s “fundamental democratic right to have a say,” she also said,

[W]e must end the role of the European Court of Justice as the final arbiter of disputes and revert to the same rules as found in other international treaties.”

Secretary Truss said of the ongoing talks with the EU,

I am willing to do whatever is needed to preserve peace and stability in Northern Ireland, which includes taking legitimate safeguard measures if necessary, as the Protocol allows.” She concluded by saying, “I believe the UK and EU can bridge the gaps and deliver for Northern Ireland.”

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## **COVID-19 Highlights**

On 19 January, British Prime Minister Johnson [addressed](#) the House of Commons, providing an update on COVID-19 efforts and saying scientists estimate that Omicron has peaked in the UK. Consequently, he stated,

[W]e can return to Plan A in England and allow Plan B regulations to expire.”

The Prime Minister also said that mandatory certification will end on 27 January, adding:

Organisations can, of course, choose to use the NHS Covid Pass voluntarily but we will end the compulsory use of Covid status certification in England.”

In sum, the employees can now return to workplaces and the government will no longer mandate the wearing of face masks anywhere, with the suggestion that face coverings be used in enclosed or crowded places, particularly where you come into contact with people you do not normally meet. Notably, it is still a legal requirement for those who have tested positive for COVID to self-isolate, with the isolation reduced to five full days with two negative tests.



In the United States, on 15 January, despite a 30-fold increase in on-board COVID cases on cruise ships, the US Centers for Disease Control and Prevention (CDC) did not sustain its COVID restrictions on the cruise industry that were set to lapse that day. This action came after the Agency recommended just two weeks ago against cruise ships for even for vaccinated passengers, with the Agency's official guidance stating "even fully vaccinated travelers may be at risk for getting and spreading COVID-19 variants."

A preliminary study in Israel found that a fourth shot of COVID-19 vaccine boosts antibodies to even higher levels than the third jab but it is not enough to prevent Omicron infections. An Israeli medical official was quoted as saying,

We know by now that the level of antibodies needed to protect and not to get infected from Omicron is probably too high for the vaccine, even if it's a good vaccine."

Meanwhile, Yale School of Public Health researchers [have developed](#) an easy-to-use clip-on device that can detect low levels of coronavirus. The "Fresh Air Clip," a 3D-printed air sampler measuring about one inch in diameter, collects samples of air on a film inside the badge-shaped device. The researchers are looking at how best to scale application in workplaces, schools and with community members.

The Council of the EU reviewed this week the list of countries subject to temporary travel restriction for non-essential travel to the EU. Argentina, Australia and Canada have been [removed](#) from the current exemption. The Council is reviewing the list of exemptions based on how COVID-19 infection rates continue to develop.

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National Law Review, Volume XII, Number 24

Source URL: <https://natlawreview.com/article/transatlantic-trade-us-and-europe-week-january-17-2022>