

Transatlantic Trade | US and Europe – Week of March 28, 2022

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The United States (US) and United Kingdom (UK) continued to ratchet up additional pressure on Russia this week, while the European Union (EU) and UK appear to have different opinions on how best to continue to coordinate the pressure campaign against Russia. The UK and US aligned this week with high-level visits to India, part of coordinated efforts to address India's position toward Russia with respect to Ukraine.

The US Trade Representative testified before the congressional trade committees this week, fielding questions about the Biden Administration's 2022 trade policy agenda. The US Government released its annual National Trade Estimate Report; it also released a new strategy that seeks to collaborate with some identified fragile countries, or those facing potential fragility, in order to prevent additional conflicts.

This week, the EU hosted its next summit with the People's Republic of China ("China"). The EU Ambassadors also endorsed the political agreement of the proposed International Procurement Instrument, keeping the bloc on track to have a final law published this summer.

The UK Government announced a new programme this week that supports implementation of the African continent's free trade agreement. The British Government also welcomed significant Australian investments in clean energy, technology and infrastructure projects.

In this issue, we cover:

- *Ukraine and Russia, and transatlantic responses;*
- *Other notable US, UK, and EU developments;*
- *A brief UK-EU trade deal update; and*
- *A brief COVID-19 update.*

Ukraine-Russia | Western Allies Continued Collaboration

Financial Services Commissioner Mairead McGuinness and Deputy Secretary of the US Treasury Wally Adeyemo [announced](#) this week the creation of an EU-US Sanctions Dialogue to cooperate on international sanctions implementation. Commissioner McGuinness stressed,

We will continue to coordinate our response with the strongest determination and unity. And we are fully committed to strengthening our close cooperation on sanctions and sharing information with our US and other partners.”

Meanwhile, coordination between the EU and UK with respect to the sanctions against Russia appears to be running into difficulties, after the UK suggested establishing the Group of Seven (G7) as the main forum for coordinating sanctions and creating a Secretariat role, similar to the one at the NATO. However, the EU diplomatic side has expressed reservations with this proposal, while also acknowledging the G7 format has assisted with discussions on sensitive security issues.

On 28 March, Deputy Secretary of the Treasury Adeyemo [addressed](#) the Chatham House in London, speaking of the coordinated global pressure campaign against Russia. He shared, “we are going to increasingly focus our efforts on going after industries that are critical to Russia’s ability to project power, purchase the military equipment necessary” to continue the conflict in Ukraine. He added,

[W]e also plan to take actions to disrupt their critical supply chains.”

The UK also [approved](#) new legislation on 30 March that provides the Government with authority to prohibit maintenance on aircraft or ships belonging to specific sanctioned Russian oligarchs or their businesses. The UK Government immediately sanctioned oligarchs Eugene Shvidler and Oleg Tinkov. The legislation also extended the finance, trade and shipping sanctions imposed on Crimea to non-government controlled territory in Donetsk and Luhansk, Ukraine.

On 31 March, the US Government targeted operators in the Russian technology sector to prevent it from evading the multilateral sanctions in efforts to procure critical western technology. The Department of the Treasury’s Office of Foreign Assets Control (OFAC) [designated](#) 21 entities and 13 individuals. Treasury also determined three new sectors of the Russian Federation economy are subject to sanctions pursuant to Executive Order 14024.

The UK Government [announced](#) 14 new designations on 31 March against Russia propagandists and state-own media organizations. British Foreign Secretary Liz Truss said in a statement,

Britain has helped lead the world in exposing Kremlin disinformation, and this latest batch of sanctions hits the shameless propagandists who push out Putin’s fake news and narratives”.

On 29 March, the US Department of Commerce [added](#) 73 more airplanes to US restrictions, alleging they appear to have violated US export controls by flying into Russia. The Department also took another 12 planes off the list of 100 that were targeted initially on 18 March.

On 1 April, the US Commerce Department [added](#) 120 entities in Russia and Belarus to the Entity List. According to Commerce:

Ninety-five (95) entities are being added as military end-users under the destinations of Belarus (24 entities) and Russia (71 entities) for acquiring and attempting to acquire items subject to the Export Administration Regulations (EAR) in support of Belarus's and Russia's militaries. Twenty-five (25) entities also are being added under the destination of Russia for acquiring and attempting to acquire items subject to the EAR in support of Russia's military modernization efforts."

Looking ahead, Secretary Blinken [is set](#) to travel to Brussels, Belgium, from 5-7 April, to attend the NATO Foreign Ministerial that is expected to focus on Ukraine. The Secretary will also join a G7 Ministerial Meeting and hold additional discussions with other Allies and partners, while in Europe. Under Secretary of State for Political Affairs Victoria Nuland [travelled](#) to Europe on 2 April, for an eight-day trip that includes stops in France, Turkey, Greece, Cyprus, and Germany, to further strengthen bilateral relationships and emphasize unified support for Ukraine.

US Developments

On Thursday, the US Senate approved Alan Estevez to serve as the next head of the Commerce Department's Bureau of Industry and Security, which oversees US export control restrictions.

This week, Deputy National Security Advisor (NSA) Daleep Singh was in New Delhi to discuss ways to deepen US-India economic cooperation and mutual interests in "a free and open" Indo-Pacific. A White House [summary](#) of the visit reflected, Deputy NSA Singh also continued the United States' "close consultations with Indian counterparts about the destabilizing economic impacts" from Russia's conflict with Ukraine. Deputy NSA Singh also "advanced ongoing discussions about the development of an Indo-Pacific Economic Framework [IPEF]."

US Trade Representative Katherine Tai [will be in Singapore](#) this coming Monday (4 April), where she looks to strengthen the bilateral trade relationship and identify areas of cooperation through IPEF. Her visit follows Singapore Prime Minister Lee Hsien Loong's [bilateral meeting](#) with President Biden at the White House on 29 March. This coming Friday (8 April), Ambassador Tai will meet separately in Washington with European Commission Executive Vice President Margrethe Vestager and Spain's Minister of Industry, Trade, and Tourism Reyes Maroto.

Ambassador Tai's overseas trip comes after this week's separate testimony before the House Ways & Means and the Senate Finance Committees on the President's 2022 Trade Agenda. Ambassador Tai said before the House Ways & Means Committee that she did not think eliminating the Section 301 tariffs would significantly reduce inflationary pressure, compared to other policy options. At the Senate hearing, she faced bipartisan criticism on the President's agenda on a number of topics. Republicans and some Democrats criticized the lack of tariff reductions and new market access for American companies in IPEF. Ambassador Tai countered saying the old US trade policies of

prioritizing tariff reduction and liberalization contributed to the loss of manufacturing jobs and a backlash against trade agreements in America.

On 31 March, the Office of the US Trade Representative (USTR) released the [*2022 National Trade Estimate Report on Foreign Trade Barriers*](#) (“NTE Report”), providing a comprehensive review of significant foreign barriers to American exports of goods and services, US foreign direct investment, and American electronic commerce in key export markets for the United States. While China remains a focal point of concern in the report, the NTE Report also touches on some trade concerns with respect to the EU, such as restrictive data policies and the promotion of “technological sovereignty” or “digital sovereignty” as a policy objective by EU leaders. USTR also reviews the UK in the NTE Report, while acknowledging the country’s trade policies are evolving since it separated formally from the EU.

Also on Thursday, the Senate passed a bill (S. 3580) intended to strengthen ocean shipping regulations for the first time in decades, setting up potential conference negotiations with the House. Senator Amy Klobuchar (D-Minnesota) argued the bill would address congestion at ports and increased shipping costs. In sum, the House (H.R. 4996) and Senate bills would give the Federal Maritime Commission more power to regulate large container ships. They also would prevent those ships from rejecting US exports at the docks, such as less lucrative agricultural goods, in favor of hauling empty containers back to foreign ports to load foreign exports faster.

On 1 April, the US Court of International Trade handed opponents of the Section 301 tariffs a partial victory, as it ordered USTR to reconsider and provide justification for some of the tariffs that the previous Administration imposed on more than \$350 billion worth of Chinese goods and the current Administration has sustained. The Court denied the US Department of Justice’s request to dismiss the case and said,

Final List 3 and Final List 4 require reconsideration or further explanation regarding the USTR’s rationale for imposing the tariffs and, as necessary, the USTR’s reasons for placing products on the lists or removing products therefrom.”

USTR must next file its remand results by 30 June.

Also on Friday, the Biden Administration launched the implementation of the [*“United States Strategy to Prevent Conflict and Promote Stability”*](#), with the United States seeking to initially partner with Haiti, Libya, Mozambique, Papua New Guinea, and Coastal West Africa (Benin, Côte d’Ivoire, Ghana, Guinea, and Togo). The US and these countries will develop comprehensive 10-year plans that emphasize locally driven solutions to address emerging threats and underlying causes of violence and instability in their countries or broader region. Notably, the US International Development Finance Corporation (DFC) intends to invest more than \$25 billion and mobilize an additional \$50 billion by the end of 2025 across priority sectors in low income, lower-middle income, and fragile states. DFC’s Portfolio for Impact and Innovation (PI2) will support early-stage firms who may operate in fragile contexts who lack the track record or scale of traditional finance partners.

Furthermore, the State Department recognizes that an important part of the new Strategy and its implementation will be partnerships with civil society, multilateral organizations, and other global partners. Assistant Secretary of State for Conflict and Stabilization Operations Anne

Witkowski [travelled](#) to Berlin, Germany, from 3-7 April, leading a delegation to the Stabilization Leaders Forum, which includes representatives from Australia, Canada, Denmark, the EU, France, Germany, the Netherlands, Sweden, and the UK. Organized by the German Ministry of Foreign Affairs, the Forum will explore perspectives and priorities for stabilization and conflict prevention efforts.

UK Developments

On 29 March, the UK [launched](#) a programme of up to £35m to support negotiations and implementation of the African Continental Free Trade Area (AfCFTA). The announcement came as Wamkele Mene, Secretary General of the AfCFTA Secretariat, visited London to discuss how the UK can continue its work as a strategic partner to the new African trading bloc.

On 30 March, Prime Minister Boris Johnson hosted a UK-Australia investment roundtable, where Australian investors [announced](#) £28.5 billion for clean energy, technology and infrastructure projects across the UK. Investment Minister Lord Grimstone said of the development:

The investment announced today not only builds on the UK-Australia Free-Trade Agreement but will help level up every part of the UK. Investment is a driving force for the creation of jobs and higher living standards, and I'm delighted we'll see this right across the country."

On 31 March, Foreign Secretary Truss was in India, as part of a wider diplomatic push with respect to the Russia-Ukraine conflict. The Foreign Secretary [stressed](#) "the importance of democracies working closer together to deter aggressors, reduce vulnerability to coercion and strengthen global security." Foreign Secretary Truss also discussed further developing defence-related trade, including innovative security technology and strengthening defence ties.

On 1 April, Prime Minister Johnson chaired a roundtable of industry leaders from the wind sector, as part of a series of roundtables focused on energy security. He spotlighted offshore wind potential as a secure and renewable energy source, amid UK's moves away from Russian energy. A 10 Downing Street [summary](#) added the discussion included "auctions, improving the resilience of the energy grid, reducing costs and exploring what more could be done to ensure that locally supported windfarms can be built" quickly.

EU Developments

The EU-China Summit took place on 1 April, among the EU27 Heads of State and Government, European Council President Charles Michel European Commission President, Ursula von der Leyen and China's Prime Minister Li Keqiang and China's President Xi Jinping. The Summit focused on the ongoing conflict in Ukraine and the broader relationship. The [press statement](#) issued recalls the "EU's and China's responsibility as global actors to work for peace and stability". It continued, stating,

[T]he EU called on China to support efforts to bring about an immediate end to the bloodshed in Ukraine, consistent with China's role in the world as a permanent member of the UN Security Council, and its uniquely close relations with Russia."

With respect to sanctions against Russia, the press statement noted they were imposed with the aim to stop the ongoing conflict, while stressing,

Any attempts to circumvent sanctions or to aid Russia by other means must be stopped.”

On the broader EU-China relationship, the statement reflected the “need to address long-standing concerns related to market access and the investment environment in China”. The statement further noted:

Leaders mandated the High-level Trade and Economic Dialogue to find concrete ways to progress on these issues before the summer.”

EU-China cooperation will continue to include a focus on climate change and energy transition, while the High Level Digital Dialogue between the two parties is set to resume.

Separately, the European Commission [launched](#) on 24 March anti-dumping duties between 31.5 and 50.7 percent of imports of Chinese calcium silicon in the EU. These inputs are necessary for the production of special steels and the steel production chain.

EU Commissioner for Agriculture Janusz Wojciechowski [stressed](#) this week that the European Commission is ready to establish fast-track trade route, by means of green lanes to boost Ukraine's imports and exports via Poland to the Baltic Sea. Commissioner Wojciechowski affirmed the Polish Government will be delivering agri-food and other goods across Poland.

This week, the European Parliament's research service [published](#) a research on the impact of the Russia-Ukraine conflict with respect to commodity imports from Russia. While the impact will depend on the duration of the ongoing conflict and possible future sanctions, the two-page analysis reflected commodity prices have already reached record highs.

On 30 March, EU Ambassadors endorsed the political agreement of the proposed International Procurement Instrument, the new EU's trade defense tool. After the completion of a few procedural steps, expected to be completed by May or June, the proposed law would be published in the Official Journal of the EU, becoming official EU law.

The French Presidency put forward this week a new compromise proposal on the Foreign Subsidies proposal, seeking to address some concerns raised by Member States, such as limiting the administrative burdens and providing a clear timeframe for the Commission's investigations. In the European Parliament, negotiations between political parties continue, ahead of the vote on the draft Report, currently scheduled for May.

The European Commission [published](#) a package of proposals this week in the context of the

European Green Deal, a flagship initiative of the current mandate. Four proposals have been put forward to the co-legislators (Council and European Parliament):

- A [Proposal for a Regulation on Ecodesign for Sustainable Products](#), which aims to address the environmental impact throughout a product's lifecycle, accompanied by the [Ecodesign and Energy Labelling Working Plan 2022-2024](#);
- The [EU Strategy for Sustainable and Circular Textiles](#), which includes concrete targets for more durable, repairable, reusable and recyclable textiles;
- A [Revision of the Construction Products Regulation](#), which would align the EU regulatory framework with the sustainability and climate objectives, and
- A [Proposal for a Directive on empowering consumers for the green transition](#), which would include obligations for traders to provide consumers with information on products' durability and reparability. The proposal also adds new prohibited unfair commercial practices, such as the lack of information on the durability of products, or making generic environmental claims.

The European Commission's advisory Platform on Sustainable Finance published its [final report](#) outlining ways to align investments with the four environmental priorities of the EU's taxonomy of green investments – (1) ensuring a sustainable use of water and marine resources; (2) protecting and restoring biodiversity and ecosystems; (3) transitioning to a circular economy; and (4) preventing and controlling pollution. The top recommendation focuses on the possibility of providing green labels to a number of activities, provided they meet specific environmental criteria, such as mechanical recycling, and manufacturing plastic packaging goods that use recycled material or are designed for recycling or reuse.

UK-EU Trade Deal Update

On 30 March, the EU [launched](#) a World Trade Organization (WTO) challenge against the UK over its subsidy schemes for offshore wind sector, claiming the UK practices pertaining to the promotion of low carbon energy generation projects are discriminatory. This request is set to launch official talks between Brussels and London within the context of a WTO panel. The European Commission [press release](#) stated: "The criteria used by the UK government in awarding subsidies for offshore wind energy projects favour UK over imported content," which it claims "violates the WTO's core tenet that imports must be able to compete on an equal footing with domestic products and harms EU suppliers."

Meanwhile, The Financial Times [reported](#) this week the UK is considering postponing full Brexit customs checks expected to enter into force on 1 July, at the request of its British Ministers in light of the current situation in Ukraine, which could result in further trade chaos and inflation. However, the UK Government has not issued a formal statement to this effect.

The UK Government [announced](#) this week the members of the UK-EU Trade and Cooperation Agreement Domestic Advisory Group, tasked with providing input to the Government on the impact of the UK-EU Trade and Cooperation Agreement regarding their sectors. Forty-two industry lobby groups, professional organizations and trade unions were appointed to the Domestic Advisory Group, representing a wide range of industries, including aerospace, retail, logistics, food and drinks, technology, pharmaceutical and related services, among others.

COVID-19 Update

Following reports on the compromise reached on a deal to potentially provide a World Trade Organization (WTO) TRIPS waiver for COVID-19 vaccines, more than 40 European civil society organizations signed a [letter](#) calling on the EU to refrain from rushing WTO member countries to adopt this compromise.

During Thursday's US Senate Finance Committee hearing, Ambassador Tai faced bipartisan criticism over the lack of transparency surrounding the presumed WTO waiver agreement reached earlier this month. Senator Mike Crapo (R-Idaho), the top ranked Republican of the Committee, stated,

While Members [of Congress] may have different views on the merits of this waiver, every member here should agree with me that the Administration cannot withhold documents concerning U.S. rights under a congressionally-approved trade agreement."

The legislation he references allows the United States to participate in the WTO. Senator Robert Menendez (D-New Jersey), who chairs the Committee, also stated that Senators have been "kept in the dark" about details of the compromise reached between the US, EU, India and South Africa. Ambassador Tai emphasized there still was no final agreement between all the WTO members, adding her testimony before the Senate Finance Committee was part of the Administration's consultations with Congress on the proposed deal. She made the same point during testimony before the House Ways & Means Committee on Wednesday, as several Republicans criticized the proposed WTO TRIPS waiver compromise. Chairman Menendez rejected her argument, saying,

There's a difference between notification and consultation."

Senator Tom Carper (D-Delaware) pressed her on consulting with Congress, asking her to provide a written explanation of how the Administration intends "to increase its engagement with Congress and outside stakeholders" as negotiations continue.

Also this week, Novavax [reportedly](#) submitted a request to the European Medicines Agency to expand the authorization of its coronavirus vaccine for adolescents aged 12 to 17 years old. In the US, the Food & Drug Administration approved a fourth dose of the mRNA COVID-19 vaccine for adults ages 50 and older.

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