The United States (US) and European Union (EU) focused this week on forced labor and concerns with their respective supply chains, with the US releasing updated guidance on some related concerns coming from one region within the People’s Republic of China (China). Russia was also in the spotlight, with the US focused on cyber-attacks originating from actors based in the country and the EU sustaining its targeted Ukraine-related sanctions against the Russian Federation.

The European Commission released its much anticipated “Fit for 55 package” this week, which includes a carbon border tax proposal of particular interest to the World Trade Organization (WTO). Talks at the WTO over a possible TRIPS Agreement
waiver for COVID-19 vaccines remain stalled. Meanwhile, the United States welcomed German Chancellor Angela Merkel to the White House this week, along with United Kingdom (UK) Secretary of State for International Trade Elizabeth Truss, who met with her counterpart at the Office of the US Trade Representative (USTR).

In this issue, we cover:

- COVID-19 highlights among the transatlantic partners;
- Notable EU, US, and UK developments; and
- Sanctions developments with respect to Russia.

**COVID-19 Highlights | EU, US, UK**

Last week’s WTO TRIPS Council did not yield any results as informal discussions continue between diplomats on the proposal to waive intellectual property rights for COVID-19 vaccines. Consultations in smaller configurations were held on 14 July and are due to continue on 20 July. Timing is running short, as diplomats are due to submit a report to the next General Council scheduled for 27 July. Senior German officials underlined ahead of Chancellor Merkel’s visit to the US on Thursday that Germany strongly opposes waiving the intellectual property protections for COVID-19 vaccines and reiterated that reinforcing the vaccine production capacity is a better approach to deliver vaccines to countries in need.

The WTO talks stalled as proponents and opponents failed to find common ground. Reports indicate that South Africa rejected limiting the scope of its proposal to just patents this week, as some members have suggested, including the United States. This makes other WTO members leery that South Africa and India may view the waiver as an extension of their domestic industrial policies, with South Africa in particular seeking to establish a pharmaceutical industry domestically. India, which has a robust pharmaceutical industry, has been vocal against the TRIPS Agreement for years.

On 9 July, the European Commission announced an agreement with the Republic of Senegal to provide a 6.75 million EUR grant to support the construction of a large manufacturing plant for producing COVID-19 vaccines and other endemic diseases. The new plant, due to start its construction later this year, is envisaged to increase Africa’s vaccine production capacity while similarly reduce dependency on importing vaccines. Meanwhile, as the COVID-19 Delta variant spreads rapidly across Europe, the European Medicines Agency and the European Centre for Disease Prevention and Control issued a statement urging Member States to strengthen their vaccination rates.

Meanwhile, US vaccination rates have stalled, with about 68 percent of the population at least partially vaccinated, amid a surging Delta variant. White House Health Advisor Dr. Antony Fauci argued on Sunday for more mandates at the local level for businesses and schools to require COVID-19 vaccinations. On Monday, 12 July, the FDA issued a new warning for the Johnson & Johnson COVID-19 vaccine and a possible link to Guillain-Barré, a rare autoimmune nerve disorder. The cases reportedly occurred about two weeks post-vaccination, mostly among men over the
In the UK, more than two-thirds of British adults have received two doses of a COVID-19 vaccine, reaching the Prime Minister’s target goal one week early. This week, the British Government updated its travel lists, adding Bulgaria and the Hong Kong Special Administrative Region (China) to the green list, and Croatia and Taiwan (China) to the green watchlist, meaning passengers arriving in England after 4 a.m. on Monday, 19 July, will no longer need to quarantine on arrival.

**Notable EU Developments**

On 14 July, the European Commission published its long anticipated [Fit for 55 package](#), bringing forward numerous legislative proposals aimed at aligning EU policies with the goal of reducing net greenhouse gas emissions by at least 55 percent by 2030. The package addresses legislative changes to carbon taxes, carbon pricing within the EU, carbon reduction and transition, and specific proposals aimed at reducing greenhouse gas emissions in the transport, aviation, shipping and agricultural sectors. A revision of the [Energy Taxation Directive](#) promotes clean technologies in the energy sector, removes outdated exemptions and reduces rates for fossil fuels. A proposal for a [Carbon Border Adjustment Mechanism (CBAM)](#) introduces obligations to EU importers to purchase carbon certificates (similar to the EU’s Emission Trading System – ETS) for imported goods (currently covering cement, iron and steel, aluminium, fertiliser and electricity products) not priced under the EU’s carbon pricing rules. The mechanism is anticipated to become operational in 2026.

The CBAM proposal has attracted the interest of the international community, particularly the WTO, which is expected to closely scrutinize the proposal to ensure it does not discriminate against WTO members. The proposal reflects, “At country level, exemptions from having the CBAM applying to imports from such countries could be granted to countries who have in place a carbon pricing system that imposes a carbon price at least equivalent to the price resulting from the EU ETS on products subject to the CBAM.” Notably, it does not include waivers for least-developed countries (LDC). Additional legislative revisions included in the package are adjustments to the [EU Emissions Trading System (ETS)](#), a proposal for [Effort Sharing Regulation](#), proposals revising the [Renewable Energy Directive](#), and the [Energy Efficiency Directive](#). Further sector specific legislative proposals focus on [Stronger CO2 emissions standards for cars and vans](#), a proposal for [Alternative Fuels Infrastructure Regulation](#), a proposal for an [Alternative Fuels Infrastructure Regulation](#), a proposal for [ReFuelEU Aviation Initiative](#), a proposal for [FuelEU Maritime Initiative](#) and a proposal for [Land Use, Forestry and Agriculture Regulation](#). The European Parliament and the Council of the EU will be going through the broad package of legislative measures after the summer recess, where legislative scrutiny of the broad package is expected to commence.

With regard to the Digital Levy proposal, which was initially delayed to 20 July, the European Commission has now decided to postpone the publication to October 2021, in order to allow more time for technical details to be worked out with respect to the Organisation for Economic Co-operation and Development’s (OECD) Inclusive
Framework Agreement.

The European Commission also published forced labor guidelines this week that aim to assist companies in identifying forced labor, in accordance with commitments of the EU’s Trade Policy Review. The voluntary guidelines were published ahead of the release of the sustainable corporate governance law, anticipated to bring due diligence obligations for companies to tackle potential forced labor within their supply chains. As the European Commission considers the elements to be included in the new legislative regime, there appears to be support for establishing an import ban on goods produced with forced labor.

Notable US Developments

US President Joe Biden met with Chancellor Merkel on Thursday, 15 July, at the White House, where they announced the US-Germany Climate and Energy Partnership (fact sheet) to develop sustainable energy technologies and work with emerging economies. The leaders affirmed their bilateral cooperation on other matters in a Washington Declaration, including working together “to ensure that the rules, norms, and standards that govern emerging technologies are channeled toward freedom rather than repression.” In remarks to the media, President Biden acknowledged he reiterated US concerns about the Nord Stream 2 pipeline from Russia to Germany; he added, “Chancellor Merkel and I are absolutely united in our conviction that Russia must not be allowed to use energy as a weapon to coerce or threaten its neighbors.”

US Secretary of the Treasury Janet Yellen suggested on Sunday that despite recent G20 endorsement and a commitment from the European Union (EU) to pause a digital tax plan until October, key pieces of the inclusive framework on the OECD Inclusive Framework may not be worked out until next year. Pillar one of the OECD Inclusive Framework includes a commitment to remove all digital services taxes as well as “other relevant similar measures on all companies;” pillar two would set a global corporate minimum tax rate on large multinational corporations. The Secretary shared pillar two is “further along” than pillar one.

Meanwhile, the US Senate must approve any International tax deals before they can take effect. Several Republican lawmakers have already announced their opposition to the OECD agreement in its current form. When pressed by the media on whether pillar one would require a two-thirds ratification vote in the Senate, Secretary Yellen said the Biden Administration would “work with Congress.”

On Tuesday, 13 July, USTR joined the US Departments of State, Treasury, Commerce, Homeland Security, and Labor in issuing an updated advisory for businesses whose supply chains (e.g., silicon and polysilicon products) run through the Xinjiang Uygur Autonomous Region (“Xinjiang”) of China. In sum, the advisory cautioned businesses to exit supply chains, ventures, and/or investments connected to Xinjiang or risk running afoul of US law. Apart from potential export control violations and sanctions violations in dealing with designated persons, the advisory identifies legal risks arising from any violation of statutes criminalizing forced labor, including knowingly benefitting from participation in a venture, while knowing or in reckless disregard of
the fact that the venture has engaged in forced labor; and violation of the US prohibition on the importation of goods produced in whole or in part with forced labor or convict labor. The updated guidance further details four primary types of potential supply chain exposure to entities allegedly engaged in human rights abuses in the Xinjiang region. Businesses with supply chains running through Xinjiang will need, at a minimum, to implement robust due diligence programs to ensure they do not violate US laws, particularly since the Biden Administration is expected to actively enforce US laws with bipartisan oversight from American lawmakers.

US Secretary of State Antony Blinken released the 2021 Congressional Report pursuant to the Elie Wiesel Genocide and Atrocities Prevention Act on 12 July. In unveiling the report, Secretary Blinken spotlighted, “This year, for the first time, the report provides direct, detailed accounts of atrocities taking place in specific countries, including Burma, Ethiopia, China, and Syria.”

The US Senate was in session this week, while House lawmakers held a work week. The US House of Representatives will return to session next week. The rest of this month and August are expected to provide more insight into Democrats’ “two-track” strategy of enacting President Biden’s American Jobs Plan and American Families Plan. One track includes the Republican-supported physical infrastructure package, and the other is a partisan spending package centered on Democratic priorities, such as fighting climate change, increasing child care and raising taxes on corporations and the wealthy. The Senate is moving forward with a goal of holding a final vote on the infrastructure proposal this month (debate could begin as soon as next week). However, Senate Majority Leader Chuck Schumer (D-New York) warned last week that the Senate may have to work into its scheduled August recess to finish work on the bipartisan infrastructure bill and a budget resolution (the second initiative).

On Tuesday, 14 July, Senate Budget Committee Democrats announced they had reached agreement on a $3.5 trillion social spending package. Among other things, the package reportedly includes a provision that would tax imports from nations with insufficient climate change policies. Speaker of the House Nancy Pelosi (D-California) endorsed the Senate proposal the next day, saying it includes many of House Democrats’ top priorities. Democrats will next need to draft the legislative text of the spending package.

In response to recent, high-profile cyber-attacks on American interests, the White House announced a multi-agency government task force aimed at curtailing malicious, state-sponsored cyber activity and hardening the nation’s cybersecurity defenses. The weekly interagency meetings have resulted in a series of initiatives to shore up digital resilience among small businesses, prevent anonymized cryptocurrency platforms from being used for ransom payments, and offer cash rewards via the State Department’s “Rewards for Justice” program for information leading to the arrests of state-linked ransomware actors. On Thursday, 15 July, the US Departments of Homeland Security and Justice, along with other federal partners, announced a new website – StopRansomware.gov – a one-stop hub intended to help protect American businesses and communities from ransomware attacks.

After President Biden and US lawmakers called on Russia to sanction ransomware
groups targeting Americans, the “REvil” cybercriminal gang, which carried out this month’s attack on American software company Kaseya, disappeared off the dark web. White House officials declined to respond to press inquiries of whether the US Government had been involved in REvil’s website being taken down, or if it had pressured the Russian Government to do so.

At Thursday’s WTO Trade Negotiations Committee, Ambassador Tai urged a “meaningful” outcome to the WTO fisheries subsidies negotiations to protect oceans and fisheries resources, and to support respective countries’ fishers and workers. After 20 years of negotiations, Ambassador Tai spotlighted the United States is pushing for effective disciplines on the most harmful fisheries subsidies, which includes a targeted approach to address the use of forced labor on fishing vessels. With respect to whether special and differential treatment for poor and vulnerable artisanal fishers in developing country Members and LDC Members is appropriate, Ambassador Tai acknowledged, “Flexibilities for certain developing country Members with demonstrated needs can serve a valid purpose.” She added:

The United States believes that a blanket approach with permanent carveouts is neither appropriate nor effective given the purpose of this agreement. Moreover, it does not reflect the reality that some self-declared developing country Members are among the largest producers and subsidizers or among the wealthiest or more significant Members of this organization. We are prepared to consider flexibilities for particularized situations that does not result in the pitfalls of a blanket approach.”

Notable UK Developments

On 15 July, British Prime Minister Boris Johnson detailed how the Government would level up and unite the whole of the United Kingdom. Apart from investing in infrastructure and connectivity, the plan includes new “County Deals” to take devolution beyond the largest cities to ensure the rest of England has powers on part with metro mayors over matters such as transport, skills and economic support. The Government will publish a White Paper in the fall, which will include more details on the Government’s approach.

On Tuesday, 13 July, UK Secretary of State for International Trade Truss met with US Trade Representative Katherine Tai in Washington, a follow-on meeting to Ambassador Tai’s June trip to London. A USTR readout reflected the large civil aircraft framework “creates a platform for future collaboration on shared challenges, including those posed by the anti-competitive practices of China and other non-market economies.” The meeting also touched on fair competition in the global economy and forced labor concerns. A UK Department for International Trade summary of the bilateral meeting is available here.

Sanction Updates | Russia

The Council of the EU decided on Monday, 12 July, to prolong targeted sanctions against specific sectors of the Russian Federation by six months, until 31 January
2022. The sanctions were related to Russia’s failure to implement the Minsk agreements with respect to Ukraine. This set of sanctions limits access to EU primary and secondary markets for certain Russian banks and companies, while also prohibiting forms of financial assistance to Russian financial institutions. Direct or indirect import, export or transfer of defense materials is prohibited, along with access to sensitive technologies used in the Russian energy sector.

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