Friday, January 14, 2022

Amid increased tension between the Russian Federation (Russia) and Ukraine, diplomatic talks between the United States (US), European countries, the North Atlantic Treaty Organization (NATO) and Russia concluded this week, with US officials saying they are taking stock of the discussions, while Russian officials indicated talks were a “dead end.” These past few weeks and this week, US, United Kingdom (UK) and European Union (EU) officials continued to warn Russia against another invasion of Ukraine. American officials indicated later this week that Russia might soon launch a false-flag operation to provide a pretext for an invasion of Ukraine. Meanwhile, the situation in Kazakhstan appears to have stabilized, with reports that Russia troops are withdrawing, at the Kazakh Government’s request.

The UK released its Annual Sanctions Report for 2021 this week and formally
launched trade negotiations with India. With France at the helm of the EU, the French Presidency focused this week on European supply chains and Africa, especially ahead of its February EU-African Union Summit. In the near-term, Britain will host its UK-Africa Summit on 20 January. Transatlantic partners also continue to grapple with the highly transmissible Omicron COVID-19 variant, albeit signs appear to indicate the Omicron surge may be cresting.

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.

**Notable US Developments**

On Monday, 10 January, Russia and the United States held their Strategic Stability Dialogue (SSD) in an attempt to resolve some bilateral concerns; Deputy Secretary of State Wendy Sherman briefed the media at the conclusion of the SSD. Deputy Secretary Sherman again warned that should Russia invade Ukraine the United States and allies are prepared to impose financial sanctions. These sanctions reportedly will include key financial institutions, export controls that target key industries, enhancement of NATO force posture on allied territory, and increased security assistance to Ukraine.

US officials also participated in the NATO-Russia Council on 12 January, and the Organization for Security and Cooperation in Europe (OSCE) on 13 January. American and European officials continue to warn Russia against another invasion of Ukraine, stating,

> Russian aggression will be met with swift, severe, and coordinated consequences.”

On 12 January, Deputy Secretary Sherman met with her counterparts from the UK, France, Germany and Italy, with the group calling on Russia to de-escalate the situation with Ukraine. At the conclusion of the four hour NATO-Russia Council, Deputy Secretary Sherman briefed the media, saying some of Russia’s proposals were non-starters, while adding,

> [T]he United States and our NATO Allies made clear we will not slam the door shut on NATO’s ‘Open Door’ policy – a policy that has always been central to the NATO Alliance.”

She also spoke of Russia’s increased propaganda and disinformation campaign and reminding Russia invaded Ukraine in 2014. While in Brussels, Deputy Secretary Sherman also met with Bjoern Seibert, Chief of Staff for European Commission President Ursula von der Leyen, discussing Russia and its “unprovoked” military build-up at Ukraine’s border.

US Secretary of State Antony Blinken held multiple calls this week with his
counterparts in Europe about supporting Ukraine’s sovereignty and territorial integrity. On 13 January, he spoke with Icelandic Foreign Minister Thordis Gylfadottir and Czech Foreign Minister Jan Lipavsky. On 11 January, Secretary Blinken and Ukrainian Foreign Minister Dmytro Kuleba discussed the situation with Russia. While saying diplomacy is the only path forward, a readout of the call reflected Secretary Blinken “reiterated that if Russia chooses the path of further conflict, the United States and our Allies and partners are prepared to impose enormous costs on Russia’s economy, to reinforce NATO’s presence in frontline Allied states, and to increase defensive assistance to Ukraine.” The Secretary also spoke this week with Dutch Foreign Minister Wopke Hoekstra.

Russian diplomats characterized this week’s round of diplomatic talks as a “dead end.” National Security Adviser Jake Sullivan briefed the media on Thursday, saying that the US intelligence community has information that Russia is “laying the groundwork” for a potential pretext to invade Ukraine, such as fabricating a provocation by Ukrainian forces. The next day, a US official said that American intelligence suggests that a Russian group of operatives “trained in urban warfare and in using explosives” in eastern Ukraine might “carry out acts of sabotage against Russia’s own proxy-forces,” thereby providing the Kremlin a convenient excuse to send over the border some or all of its 100,000 troops stationed along Ukraine’s border. It has been suggested that such activities could begin sometime between mid-January and mid-February. American officials have previously explained stated such activities happened in 2014, reminding this resulted in Russia invading and seizing Crimea and parts of the Donbass region of Ukraine.

Amid this week’s diplomatic efforts, the US Senate moved to consider a Republican-led Nord Stream 2 bill (S. 3436) on Thursday, but the measure failed to advance after a 55-44 vote, falling short of the requisite 60 votes. Despite Ukrainian officials calling for Congress to pass the legislation, the White House advocated against Senate Democrats supporting the bill, arguing the measure would undercut the Administration’s strategy to deter a Russian invasion of Ukraine. Senate Minority Leader Mitch McConnell (R-Kentucky) countered Democrats are “more concerned about standing with Berlin than with Kyiv,” a reference to Germany’s long-standing support for the Nord Stream 2 pipeline. Prior to the Thursday vote, on 12 January, 39 Senate Democrats introduced the Defending Ukraine Sovereignty Act of 2022, arguing this alternate bill would impose steep costs in the event of a Kremlin invasion of Ukraine.

Meanwhile, Russian troops, which interceded in Kazakhstan last week at the request of the Government via the Collective Security Treaty Organisation (CSTO), reportedly began leaving the country on Thursday and are expected to complete their withdrawal in ten days. Kazakh authorities reportedly arrested nearly 10,000 people during the protests. A US State Department spokesperson welcomed reports of calm being restored in Almaty at a press briefing on 11 January. The Department’s spokesperson also said of the CSTO withdrawal,

> Until that process is completed and until the CSTO peacekeeping forces are withdrawn, we’ll continue to call upon all collective security treaty organization, collective peackeping forces to respect international human rights and to uphold their commitment to promptly depart Kazakhstan, as
the Government of Kazakhstan has requested.”

Due to the unrest last week, which saw the Kazakh Government shutdown the internet, some bitcoin miners are reportedly reconsidering the country as a global crypto hub. The situation resulted in bitcoin’s global computing power to drop about 13 percent as data centers used to produce the cryptocurrency were offline. There is also concern the Kazakh Government may seek to impose regulations and greater oversight of the sector.

On 14 January, the Governments of the United States, France, Germany, Italy, the UK, and the EU issued a joint statement on Serbia’s 16 January National Referendum, welcoming Serbia’s constitutional changes “as a key step to strengthen the independence of the judiciary and to enhance the transparency and effectiveness of the country’s rule of law institutions.” They also chided Kosovo, saying,

We note with regret that the Kosovo government has not allowed the Organization for Security and Cooperation in Europe (OSCE) to collect ballots of eligible voters living in Kosovo for the upcoming referendum in accordance with past practice.”

Next week, US Agency for International Development (USAID) Administrator Samantha Power will travel (19-21 January) to Bosnia and Herzegovina (BiH) “to reaffirm the United States‘ commitment to partnering with the citizens of BiH in their quest to build a democratic and prosperous future in a stable, functional BiH of two entities, three constituent peoples, and all other residents.”

On 12 January, US Trade Representative Katherine Tai delivered remarks on the future of US transatlantic trade at a virtual event hosted by the Institute for International and European Affairs. She recapped positive developments in 2021 and emphasized the US-EU Trade and Technology Council (TTC) is a forum for tackling important trade and technological issues that transcend borders. During the Q&A portion, Ambassador Tai said “it’s a matter of pragmatism” as to why the US had yet to engage in steel/aluminum tariff talks with the UK, noting it took six months to conduct such negotiations with the EU and formally commenced talks with Japan on the duties in December. She added,

But certainly, the UK is very much on our minds, and I am confident that we will take this up when the time is right.”

The US Department of Labor reported on 12 January that the consumer price index jumped seven percent last year, the fastest pace since 1982. The report cited COVID-driven worker shortages and supply-chain bottlenecks as contributing to rising inflation in America. On Thursday, the US Department of Commerce reported the US trade deficit in 2021 surged to a new record high. The combined goods and service trade deficit for the first 11 months of the year totaled $785 billion, which is higher than the annual record of $763 billion set in 2006.

**Notable UK Developments**

On 13 January, UK Prime Minister Boris Johnson spoke with Ukraine President
Volodymyr Zelenskyy. A 10 Downing Street summary reflected,

The leaders discussed the disastrous consequences of a Russian invasion of Ukraine, and the Prime Minister set out the preparations with our partners for coordinated and wide-ranging economic sanctions in response to any such action.”

Also on Thursday, British Prime Minister Johnson spoke with NATO Secretary General Jens Stoltenberg, discussing the Russian military build-up at Ukraine’s border. A summary of the call reflected the leaders also stressed “the importance of Russia not closing the door on dialogue, noting that the only way forward was for Russia to de-escalate and engage in meaningful discussions.”

Spanish Prime Minister Pedro Sánchez and UK Prime Minister Johnson discussed the Russia-Ukraine situation, the upcoming NATO Summit in Madrid, instability in the Sahel region of Africa, along with illegal immigration. A summary also noted,

Both leaders agreed to continue to work towards a UK-EU treaty on Gibraltar and the Prime Minister reiterated the importance of a resolution on the Northern Ireland Protocol.”

On 13 January, the UK and India launched negotiations on “an ambitious” free trade agreement (FTA). International Trade Secretary Anne-Marie Trevelyan met with her counterpart, Indian Minister of Commerce and Industry Piyush Goyal, to formally start the talks in New Delhi. An FTA with India aligns with the UK’s strategy to refocus trade on the Indo-Pacific. The first round of negotiations will begin on 17 January, and future rounds of negotiations will take place approximately every five weeks.

The Foreign, Commonwealth & Development Office released its Annual Sanctions Report for 2021 this week, which shows that, in its first full year since leaving the EU, the UK has imposed sanctions against 160 individuals and entities. Lord (Tariq) Ahmad of Wimbledon, Minister responsible for UK sanctions, stated,

By leaving the EU and moving to an independent sanctions policy, the UK has become more agile and has real autonomy to decide how we use sanctions and where it is in our interests to do so.”

On 11 January, the UK and Oman signed a Sovereign Investment Partnership (SIP), agreeing to work closer together on increasing investments in both countries. The new partnership will identify and support commercial investments in areas such as clean energy and technology.

Notable EU Developments

EU flags were lowered this week in Brussels in memory of the European Parliament President David Sassoli who passed away on 11 January 2022, after being hospitalized since 26 December. Senior European officials expressed their deep sadness of the passing of “a sincere and passionate European”, as stated by European Council President Charles Michel and European Commission

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President Ursula von der Leyen. Prominent Members of the European Parliament also conveyed their condolences. Roberta Metsola (EPP Group, Malta), who is running to become the next President of the European Parliament and will most likely be elected, is expected to assume the interim President responsibilities, ahead of the formal vote, which will take place at next week’s plenary session.

The Sino-Lithuanian dispute continues to generate headlines this week, as Deputy US Trade Representative Jayme White and Lithuanian Vice Minister of Foreign Affairs Arnoldas Pranckevičius met in Washington on Tuesday. From the EU side, EU Foreign Ministers met on Thursday and Friday to discuss the issue and possible EU responses. The French Presidency expects this debate to not only address the current dispute but to be used as an opportunity to generally address the EU’s overall approach vis-à-vis the People’s Republic of China (“China”).

The French Presidency, which is keen to revive the EU-Africa partnership, hosted a high-level conference this week, in anticipation of the EU-African Union Summit, scheduled on 17-18 February 2022. French Foreign Affairs and Trade Minister Franck Riester reiterated French President Emmanuel Macron’s goal to “rebuild an economic and financial New Deal with Africa” by concluding new long-term partnership agreements with countries in Africa. European Commission Executive Vice President and Trade Commissioner Valdis Dombrovskis underlined the great potential for growth in trade, noting “only about 17 per cent of African trade flows take place between African countries”. The relaunch of the Euro-African partnership should “strive to strengthen economic integration while leading the climate and digital transition of our economies”, suggests the Trade Commissioner.

On 13 January, the French Presidency hosted a conference on “A stronger industry for a more independent Europe” where the vulnerabilities of Europe’s supply chains, notably in raw materials were addressed. The conference highlighted the “Important Projects of Common European Interests”, which is expected to allow the disbursement of subsidies in strategic sectors such as batteries, hydrogen, microelectronics and cloud. France is actively pursuing to incorporate pharmaceuticals in this category as well.

Meanwhile, to implement the broader policy context of rebalancing the sourcing and demand of critical materials, the French Government announced this week its intention to increase financial support for projects addressing the sourcing of critical raw materials needed for Europe’s green transition. The projects are expected to focus on the metals of batteries (e.g., nickel, cobalt, lithium) and rare metals used in electro-mobility and new energies, in an attempt to likely to rebalance the offer and demand tension of certain materials in the EU market.

On 13 January, the Council decided to renew the economic sanctions to Russia for an additional six months (until 31 July 2022), amid the critical situation in Ukraine. The sanctions would limit the access to EU primary and secondary capital markets for certain Russian banks and companies and prohibit some financial assistance towards financial institutions. Direct or indirect import of defense-related materials is also prohibited, while limitations are imposed on access to sensitive technologies in the Russian energy sector.
UK-EU Trade Deal Update

UK-EU negotiating talks resumed after the Christmas recess on Thursday this week. Secretary of State and post-Brexit negotiator Liz Truss hosted the talks with her EU counterpart, European Commission Vice President Maroš Šefčovič, in the UK. A lot is at stake on this round of negotiations, as the UK showed at the end 2021 a willingness to negotiate some of the contentious issues, such as the role of the European Court of Justice in the Northern Ireland Protocol. Ahead of the meeting, the UK Government noted that Secretary Truss would urge the EU to fix the problems in the Protocol to deliver for Northern Ireland and protect the Belfast (Good Friday) Agreement.

Earlier this week, Secretary of State Truss’ approach was consistent with her predecessor’s, as she commented in ‘The Telegraph’ on 9 January that the UK would be willing to trigger the safety clause in Article 16 to unilaterally carve out its obligations from the Northern Ireland Protocol, should the talks with the EU fail. Secretary of State Truss underscored,

I want a negotiated solution but if we have to use legitimate provisions including Article 16, I am willing to do that. This safeguard clause was explicitly designed — and agreed to by all sides — to ease acute problems because of the sensitivity of the issues at play”.

COVID-19 Highlights

Earlier this week, the World Health Organization (WHO) warned it is too early to consider the COVID-19 pandemic could revert into an endemic, as there are still important risks of infections. WHO officials noted that half of the European continent could become infected by the Omicron variant over the next two months. The highly contagious Omicron variant, which is the dominant variant in Western Europe and is now spreading in the Balkans, is expected to increase hospitalizations. As such, the WHO warns that shifting away from restrictive measures could be premature at this stage.

German biotechnology company BioNTech in partnership with InstaDeep collaborated on an Artificial Intelligence project, which yielded successful and promising results on establishing an early warning system that would detect potential high-risk SARS COV2 variants. BioNTech has now submitted the data of the research in a scientific journal for peer review.

As COVID-19 infections in the world are on the rise with the high transmissibility of the Omicron variant, discussions about the possibility of requiring a fourth vaccine dose has commenced. In Europe, the European Medicines Agency (EMA) has thus far expressed skepticism about the need to require a fourth jab, as it prefers to first examine the vaccine’s efficiency against the Omicron variant, and to better understand the development of the epidemiological evolution of the current wave of infections before issuing a recommendation. On 11 January, Greece approved a mechanism to administer the fourth dose against COVID-19 to the vulnerable. Meanwhile, the International Coalition of Medicine Regulatory Authorities (ICMRA) met on Wednesday to discuss whether additional booster shots would constitute the
best strategy to curb the infections, as well as the composition of the next-
generation of COVID-19 vaccines.

On Thursday, 13 January, US President Joe Biden spoke to Americans amid what some experts are anticipating is the peak of or is nearing the peak of Omicron infections in the country. The President announced his Administration is moving to procure 500 million additional COVID-19 tests to meet demand around the country, a move that comes after reports that Americans are struggling to find COVID-19 at-home tests. He also affirmed the Administration is set to roll out a website next week allowing Americans to order COVID-19 tests that will be shipped to their homes at no charge. On Friday, the White House released a fact sheet outlining the Administration’s plan for distributing the COVID-19 tests.

White House COVID-19 Coordinator Jeff Zients assured on Wednesday, 12 January, that the Biden Administration has stockpiled 750 million N95 masks for health care workers and first responders. He also said the Administration is “strongly considering” options to make more high-quality masks available to all Americans. The next day, President Biden confirmed the Administration is moving to provide free high-quality masks to Americans.

On 13 January, the Supreme Court ruled the OSHA ETS represented an overreach by the Federal agency, thereby halting the Agency from enforcing the rule. The Court’s conservative majority wrote in an opinion,

OSHA has never before imposed such a mandate. Nor has Congress. Indeed, although Congress has enacted significant legislation addressing the COVID–19 pandemic, it has declined to enact any measure similar to what OSHA has promulgated here.”

Further analysis of the Supreme Court action on OSHA’s ETS is available here. Meanwhile, the Supreme Court said on Thursday that it was not inclined to block the CMS Rule vaccine rule for health care workers, which was blocked in 25 states at the beginning of the week and in effect in the other 25 states.

US Secretary of Labor Marty Walsh expressed disappointment with the Supreme Court ruling on the ETS, with OSHA posting his statement to its ETS webpage. President Biden also issued a statement of disappointment, noting,

[I]t is now up to States and individual employers to determine whether to make their workplaces as safe as possible for employees, and whether their businesses will be safe for consumers during this pandemic by requiring employees to take the simple and effective step of getting vaccinated.”

Despite the stay on the ETS, OSHA appears to be moving forward with trying to promulgate a potential permanent rule, accepting public comments that could shape decisions about whether to expand enforcement to smaller employers.

GlaxoSmithKline (GSK) and Vir Biotechnology shared on 13 January that they are seeking an expansion to the US emergency use authorization (EUA) of their antibody-based COVID-19 treatment, sotrovimab, to include an option for the therapy to be
given as a shot in the arm. The drug can prevent mild or moderate cases of COVID-19 from worsening and is administered currently via an intravenous (IV) infusion. Tests have indicated the drug works against the fast-spreading Omicron variant, via IV or shot. The shot option would allow family doctors to administer the treatment and spare patients from having to go to a hospital. On 7 January, the US Food and Drug Administration amended the EUA for the Moderna COVID-19 Vaccine to shorten the time between the completion of a primary series of the vaccine and a booster dose to at least five months for individuals 18 years of age and older.

On Tuesday, Dr. Fauci said at an event in Washington, the United States is approaching the “threshold” of transitioning to living with the coronavirus as a manageable disease. Bill Gates, co-founder of Microsoft and of the Bill and Melinda Gates Foundation (BMGF), echoed this sentiment reportedly in a tweet this week,

> Once Omicron goes through a country then the rest of the year should see far fewer cases so Covid can be treated more like seasonal flu."

On 12 January, US Agency for International Development (USAID) Administrator Samantha Power met with BMGF Chief Executive Officer Mark Suzman. A summary of the meeting noted,

> The two discussed the recently announced whole-of-government effort, the Initiative for Global Vaccine Access (Global VAX), to accelerate vaccine delivery and administration."

[They also discussed the US government climate commitments launched at COP26.]

In the UK, Omicron’s surge may have peaked. On 13 January, the UK Government extended free personal protective equipment (PPE) for frontline health and care staff extended until 31 March 2023. Meanwhile, British Prime Minister Johnson is facing calls to resign from senior members of his own party, after he apologized for attending a cocktail party in 2020 while the country was in a COVID-19 induced lockdown.