

United States: Indispensable Nation – Unavoidable Problem (for Europe)

U.S. NEW INDUSTRY AND TRADE POLICIES



Analysis

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In an era where geopolitical dynamics are rapidly evolving, the United States' new industry and trade policies under President Biden, often dubbed 'Bidenomics', present both challenges and opportunities for Europe. With massive federal investments and a focus on green re-industrialization, these policies are set to significantly impact the global trade landscape and the European Union's strategic positioning, including Poland's burgeoning economy.

UNITED STATES: INDISPENSABLE NATION – UNAVOIDABLE PROBLEM (FOR EUROPE)

U.S. NEW INDUSTRY AND TRADE POLICIES

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U.S. interests, security, and resilience through a green re-industrialization are the keywords that have been topping the agenda of a new ‘Bidenomics’. It will affect the European Union as a significant challenge but might offer new opportunities for Poland as well.

President Biden proclaimed a policy of “investing in America and investing in American people”. He achieved in 2022 what some of his predecessors tried to do and failed. Bi-partisan landmark bills envisage truly massive and unprecedented federal spending:

1. *Infrastructure Investment and Jobs Act* provides in total of \$1.2 trillion, including \$550 billion of which would be new federal spending to be allocated over the next five years.
2. *The CHIPS and Science Act* allocates \$280 billion in new funding over a five-year period to boost domestic research and manufacturing of semiconductors in the United States.
3. *The Inflation Reduction Act* will authorize \$891 billion in total spending – including \$783 billion on energy and climate change.

Top administration representatives, such as Jake Sullivan, National Security Advisor, formulate policy objectives in the following way¹:

“The Biden administration has enacted the most far-reaching new investments in decades, including the bipartisan Infrastructure Investment and Jobs Act, the CHIPS and Science Act, and the Inflation Reduction Act. We are promoting new breakthroughs in artificial intelligence, quantum computing, biotechnology, clean energy, and semiconductors while protecting the United States’ advantages and security through new export controls and investment rules, in partnership with allies”.

¹ Jake Sullivan, The Sources of American Power. A Foreign Policy for a Changed World, *Foreign Affairs*, November/December 2023 issue, Published on October 24, 2023

<https://www.foreignaffairs.com/united-states/sources-american-power-biden-jake-sullivan/>

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U.S. NEW INDUSTRY AND TRADE POLICIES

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Or here²:

“Our objective is not autarky—it’s resilience and security in our supply chains. ... A second step in our strategy: working with our partners to ensure they are building capacity, resilience, and inclusiveness, too. ... Ultimately, our goal is a strong, resilient, and leading-edge techno-industrial base that the United States and its like-minded partners, established and emerging economies alike, can invest in and rely upon together. ... So we are leveraging the Inflation Reduction Act to build a clean-energy manufacturing ecosystem rooted in supply chains here in North America, and extending to Europe, Japan, and elsewhere. This is how we will turn the IRA from a source of friction into a source of strength and reliability.”

Florid rhetoric, such as “working with ... like-minded partners”, heralding a new approach towards meeting the demands for a more secure, fair, cooperative and democratic world, hides the realities³.

Consecutive U.S.-EU Trade and Technology Council’s summits brought less than little progress⁴ as the U.S. massive subsidies and federal investments changed the rules of the game, not to mention the fact that increased tariffs for several crucial European products, stayed. What remains are the promises to work towards transatlantic alignment on the industrial policies of two otherwise highly integrated economies.

Europe has been trying to find answers to the consequences of the assertive U.S. manufacturing-centered economic nationalism that violates the principles of equal

² National Security Advisor Jake Sullivan on Renewing American Economic Leadership at the Brookings Institution 27.04.2023 <https://www.whitehouse.gov/briefing-room/speeches-remarks/2023/04/27/remarks-by-national-security-advisor-jake-sullivan-on-renewing-american-economic-leadership-at-the-brookings-institution/>

³ Fareed Zakaria, We now have a Biden Doctrine. It makes me nervous. *Washington Post*, 5.05.2023 <https://www.washingtonpost.com/opinions/2023/05/05/biden-doctrine-sullivan-protectionism-economy/>

⁴ Established in June 2021 Council’s objective was to “coordinate approaches to key global trade, economic, and technology issues and to deepen transatlantic trade and economic relations based on these shared values”.

UNITED STATES: INDISPENSABLE NATION – UNAVOIDABLE PROBLEM (FOR EUROPE)

U.S. NEW INDUSTRY AND TRADE POLICIES

| Eugeniusz Smolar

competition, violates the WTO rules, weakens the competitive edge of the EU's strategic industries, encourages the transfer of European production to the U.S. and sparks tensions over the race for subsidies among the EU member states.

Prompted by the crises new EU subsidy rules of the Member States may lead to a widening of development disparities within the Union. Thus, many states are concerned about fiscal stability and competitiveness in the common market and the risk of conflict over subsidies, because:

1. The vast majority of member states' aid goes to companies in Germany, France, the Netherlands, or Italy, in line with the EU's policy of protecting companies and citizens from rising energy prices TCF, replaced by TCTF, more broadly responsive to US investment under the IRA⁵.
2. Smaller countries either do not have the same financial capacity or are less inclined to resort to the tools of state interventionism.

In response to the IRA the EU has adopted a Green Deal Industrial Plan in February 2023 that aims to expand subsidized investment in green technologies to the amount of more than €400 billion in the next decade. Germany and France have announced in 2023 their own multi-billion subsidies to attract new investments, to further shield manufacturers from high energy costs, as well as to promote clean technologies (Germany – €28bn by 2028 and France €54bn by the end of the decade).

The American administration was unmoved on the issue of European subsidies aimed at strengthening the competitiveness of its industries⁶. The current rather feeble ex-post

⁵ TCF – *Temporary Crisis Framework*, European Commission, March 2022 with changes in July and October 2022 setting out the rules and procedures for the granting of support by Member States. TCTF – *Temporary Crisis and Transition Framework for State Aid* of March 2023 is more reactive to US IRA investments. See *EUR-Lex* <https://eur-lex.europa.eu/legal-content/EN-PL/TXT/?from=PL&uri=CELEX%3A52023XC0317%2801%29>

⁶ [U.S. Treasury Secretary Janet] Yellen says 'good policy' for EU to match US green plan with own subsidies, *Euractiv.com*, 9.02.2023 <https://www.euractiv.com/section/energy-environment/news/yellen-says-good-policy-for-eu-to-match-us-green-plan-with-own-subsidies/>

UNITED STATES: INDISPENSABLE NATION – UNAVOIDABLE PROBLEM (FOR EUROPE)

U.S. NEW INDUSTRY AND TRADE POLICIES

| Eugeniusz Smolar

coordination works because European security dependence on the U.S. and the integration of the security and economic spheres means that the EU as a whole and individual member states have much less bargaining power.

At the same time, Poland has been experiencing lasting, very strong economic development for many years, and its position in trade and industrial relations within the EU, and with Germany particularly (currently 28% of Poland's total trade) has been growing, so the strengthening of the German economy, currently experiencing stagnation, will have a positive impact on our economic situation.

The EU is today better prepared to navigate geopolitical rivalries and to counter unfair competition and aggressive pressure tactics from China and... the United States⁷. The first shot over the bow was the challenge to the dominant role of five American big tech giants in the cyber sphere (Apple, Amazon, Google owner Alphabet, Meta Platforms and Microsoft) and one Chinese – ByteDance, by naming them digital "gatekeepers" under the 2022 Digital Markets Act⁸. The new regulations were based on the case-by case analysis of how the corporations operate in the EU market⁹.

⁷ Matthias Matthijs and Sophie Meunier, Europe's Geoeconomic Revolution. How the EU Learned to Wield Its Real Power, *Foreign Affairs*, September/October 2023, Published on 22.08.2023

<https://www.foreignaffairs.com/europe/european-union-geoeconomic-revolution>

⁸ Digital Markets Act (DMA), *The European Commission*, October 2022

https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/europe-fit-digital-age/digital-markets-act-ensuring-fair-and-open-digital-markets_en. Regulation (EU) 2022/1925 of the European Parliament and of the Council of 14 September 2022, on contestable and fair markets in the digital sector, *Official Journal of the European Union*, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32022R1925>.

⁹ See A. A. Ambroziak, "EU's perspective on the functioning of giant online platforms in the digital economy" in *The European Union Digital Single Market Europe's Digital Transformation*, Edited by Ł. D. Dąbrowski and M. Suska, Routledge, London and New York 2022 https://library.oapen.org/viewer/web/viewer.html?file=/bitstream/handle/20.500.12657/53166/9781003262534_10.4324-9781003262534-2.pdf?sequence=1&isAllowed=y

UNITED STATES: INDISPENSABLE NATION – UNAVOIDABLE PROBLEM (FOR EUROPE)

U.S. NEW INDUSTRY AND TRADE POLICIES

| Eugeniusz Smolar

Poland and Europe have vested interests in the alliance with the economically growing and powerful America as without it, challenged by China and Russia, it won't be possible to build a safer, more sustainable and more peaceful world. Therefore, moving away from off-shoring towards friend-shoring of production and services, and towards trade agreements that serve the US and EU's interests should be our common objective.

Poland's burgeoning economy could benefit from such development. However, it is a widespread worry that toxic conflicts and dysfunctional party politics in the U.S. will negate such positive development if not stopped dead by the return to power of Donald Trump¹⁰.

¹⁰ Robert M. Gates, The Dysfunctional Superpower. Can a Divided America Deter China and Russia?, *Foreign Affairs*, November/December 2023, Published on September 29, 2023

<https://www.foreignaffairs.com/united-states/robert-gates-america-china-russia-dysfunctional-superpower>

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