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“Midterms – a Decisive Moment for the Orientation of the Western World”

KAS Event “US Midterm Elections - a perspective from Europe”

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The US midterm elections come at a moment in the transatlantic relations when we have largely consolidated the relationship. The year 2021 was a breakthrough year for transatlantic relations. We emerged from four years of nearly entirely dysfunctional relations.

Remembering dysfunctional relations and seeing America coming back in January 2020, we worked on our hopes and expectations. We had the EU - US Summit in June 2021, we established the Trade and Technology Council.

The legacy was a rather long list of irritations, of which not all are gone. But there has also been a need of opening new spaces for future constructive cooperation. So today we have on our table a good list of ongoing initiatives. The challenge is not only about bilateral relations. There are shared responsibilities on the global stage. There is no doubt that with the like minded partners we have to fly the flag of our democratic values and ethics.

So yes, we have used these two years to not only solve our major irritants, but also to create a space for collaborating on the accelerated progressive and profound transformations of our societies. On both sides of the Atlantic we need our citizens to stay with us as driving forces for our future competitiveness and well-being.

I think here of digital and green transitions or the nexus between trade, technology and security.

Globally, we face distortions in the international level playing field, and we see trading rules applied through a power-based prism. And, we know that only trade based on rules can create win-win outcomes.

That is why the EU-US Trade and Technology Council has become an important platform for transatlantic relations. The TTC gives us the opportunity to grow the EU-

US relation. It offers the possibility to create an environment that would allow EU-US businesses to thrive and regulators to coordinate approaches to key global trade, economic, and technology issues and to deepen transatlantic trade and economic relations based on these shared values.

We clearly see the value-added of the TTC in the current geopolitical context. It gave us a solid foundation for the discussions on sanctions deployed on Russia. This channel of cooperation makes us more resilient and facilitates working with other allies.

In the ongoing technological race against China, the TTC help us advance the resilience of transatlantic supply chains in key sectors for the green and digital transition and cooperate on standards for emerging technologies.

The TTC allows us to fly the flag of our democratic values and ethics and be a beacon for like-minded partners. The EU and the US will need to continue to shape common regulatory spaces to ensure that future standards are rooted in democratic values.

This also demands our joint action at the international level, especially within the WTO.

The WTO rulebook not only needs to reflect the world that we currently live in, but it also needs to adjust to future challenges that await us.

That is why finding a way to cooperate on reforming the WTO is fundamental. In the recent Ministerial Conference, the WTO has obtained a broad mandate and the commitment to restore the Appellate Body by 2024.

The EU and the US have now the opportunity of positively influencing the multilateral trading system and strengthening it against non-market economies and authoritarian influences. To be effective, the EU and the US will need to continue reform efforts alongside like-minded partners. Our strength as partners resides in our shared values and our common determination to address and be fit for the challenges that await us.

It goes without saying that our strength also lies in our democratic systems. However, we both face challenges to our democratic values and have home grown problems.

More than 370 Republicans on the ballot have questioned the integrity of the recent US presidential elections or even think that the 2020 election should be overturned. Democracy cannot be taken for granted. We used to talk about its protection, there are moments now that call for the fight for democracy.

The Economist Intelligent Unit, in its most recent democracy index, ranks the US 26th, between Chile and Estonia. We see as well a growing polarization of the American political system. It seems that Democrats and Republicans are today farther apart ideologically than at any time in the past 50 years.

The times when moderate-to-liberal Republicans could sometimes find common ground with moderate-to-conservative Democrats on contentious issues seems to be largely gone.

This will make it difficult for the Biden administration to find for his second half of the term a bi-partisan consensus and pass new legislation. The same can be seen in Europe. The far-right is now in government in Poland, Hungary, Italy, Sweden.

We keep our fingers crossed for President Biden who campaigned in 2020 to reclaim the “soul of the nation” and for the need to fight for democracy.

As we have our conversation when the outcome of the mid-term elections is not yet fully known, all we can say is that regardless of who ends up winning the House and the Senate, we will have to rebuilt our links at the legislators level.

The next Transatlantic Legislators’ Dialogue will take place in Washington on 2-3 December. It will be a forum to discuss our common challenges, such as the war in Ukraine, our trade and digital cooperation, how to tackle growing inflation, how to ensure resilient supply chains, and how we can continue to tackle climate change.

The new composition of the Congress will have the impact on the EU-US relations, content, forms of action.

In the long term, the share of Americans with European roots will continue to diminish which will have impact on the relevance of Europe in the perception of Americans.

There might be changes to the Biden domestic agenda in which case the way they will be handled will influence relations with Europe. Confluence of domestic, bilateral and global issues is a big unknown.

There might be constraints to Biden's access to funding and legislative agenda. Moving in policy making towards executive orders wherever feasible might be an option. A partisan gridlock could also reduce the efficiency of the functioning of the Congress. Senate so far has confirmed only 27% of Biden's ambassadorial positions. In short there might be institutional stumbling blocks to pushing through President Biden's agenda. But let me also say that it would be a bad signal to the world to see a deepening partisanship and its dysfunctionality which we remember from the period 2016-20.

There are some warnings coming from opinion surveys that only 33% of the Republicans compared with 71% of Democrats believe that domestic problems can be solved by working with international partners. Some also worry efforts to block President's initiatives to weaken Democrats ahead of presidential elections. I understand that there will be no risk of majority to reject president's veto. Will there be sufficient political will for common interests and space for cooperation ?

In February 2022, 50% of Republicans were not in favour of deepening US commitment to NATO and only 13% of democrats with this attitude.

This is a moment to remind ourselves that we built together after the IIWW a common global order, a world system, a political formation that creates opportunities for all people across the world. It looks like we will need the EU and the US working together in particular on reforming UN and WTO.

On WTO rule book we need not only to ensure that it reflects the world we currently live in but it must be fit for the challenges that await us in the future.

We both understand that these are issues where we need mobilization of other like minded democratic partners. Together, we can be more relevant than individually. It is a necessity based partnership. We appreciate the importance of basic shared values and common interests, when it comes to the brutal Russian aggression, fight for climate, challenges brought by pandemics.

There are common concerns regarding the functioning of democratic system, its transparency, anti-corruption commitment. These challenges are both global and domestic, require our common commitment. Does Americans care about democracy today? Pew says that 71% of Americans see democracy at risk but only 7 % of them see it as the most important issue.

The last speech by President Biden before the midterm elections, in which he argued for democracy, sounded like a speech of leader in despair talking to citizens who care more about prices of banana and gasoline and not the state of their democracy. It is for me, being a Pole, with our own political situation, very sad that also in the US people were voting for candidates promising to ditch the constitution and rule of law.

On the occasion of the midterm elections a lot has been told about the polarization of American society. I don't like this argument, it accepts symmetry of the dividing lines and blames both sides. Still, it is true that American society has never been so polarized. On every subject there are divisions. One common enemy seems to be China.

The gun issue seems to be not about having a gun but having a semi automatic. Abortion issue made the result of elections depending on the turnout, if women would be a majority, democrats would win.

Further polarization seems to be very dangerous.

In 2024 America will need a president that would reconcile America.

What policy changes can be expected within the new Congress? We might expect some in regard to Ukraine and to climate related policies.

When it comes to Ukraine, I would not expect a big change. Ukraine's relations with the US are and will be crucial for the future of Ukraine. The US has played fundamental role in supporting the Ukraine across the whole spectrum of war related activities, sanctions, coordination of the like minded partners, scale of aid. Here we might see the continuation, maybe with new types of strings attached to the aid. There might be voices against a blank check approach. We could hear during the campaign from Kevin McCarthy, the Republican House leader who could replace Nancy Pelosi as the House speaker, warning that that Republicans are "not going to

write a blank check to Ukraine". It is true, as well, that more Republicans than Democrats have been in favor of cutting the aid for Ukraine. I would not exclude that Ukraine issues might be exploited as a very unfortunate political battleground.

Maybe even there will be more politically visible pressure to make America become more isolationist. That would be very bad for our relations, requiring a more strategic reaction from Europe. In any case, the EU should spare no effort to retain a united front with the US for the support for Ukraine. And let us hope, that the cooperation of the like minded will continue with regard to the reconstruction of Ukraine.

The new House can bring more trade tensions and more drag on global and American climate ambitions. A lot will depend on the commitment of the White House.

There might be more pressure on President Biden to lean harder on the EU with regard to China. This might impact the use of the TTC Working Groups.

The issue of Inflation Reduction Act will not go away. It is not only about electric vehicles and tax credits and buy American in future oriented sectors might be an effective set of policy instruments with negative impact on the European economy. While some European politicians point to the risk of the race to the bottom when it comes to state subsidies, the choice today is to have a task force to find solutions through conversation.

Creating by the EU our own new subsidy regime is not a solution, most likely our pockets are not so deep. We need to talk and we need strategic reflection on the EU side. There is next TTC meeting on 5 December.

The economic case for the IRA is too compelling for the Congress to reverse the course. But we need to find a way to move forward. Probably through giving a hard look to the implementation phase.

To conclude, let me just touch upon the issue of the next presidential elections. The new Congress will count the electoral votes then. It's members will be the ones to consider and act on any objections to the vote's legitimacy.