

EU-US Trade and Technology Council

New forum for transatlantic cooperation

SUMMARY

In December 2020, the European Commission proposed the creation of the EU-US Trade and Technology Council (TTC), to facilitate trade, expand investment, develop compatible standards, boost innovation and strengthen the partners' technological and industrial leadership. The TTC also aims to 'lead values-based digital transformation'. Meanwhile, trade between the EU and US continues and is as important as ever, manifested in the fact that, together, they form the largest bilateral economic relationship in the world, with the largest global data flows across the Atlantic. However, in recent years, transatlantic trade and technology policy relations have been marked by low levels of cooperation and a number of sources of tension. The 2021 change of administration in Washington nevertheless reinvigorated the relationship between the two.

The TTC was formally launched during the EU-US Summit on 15 June 2021. High-level politicians will guide the Council, while the groundwork will be carried out in ten working groups, comprised of experts from both partners. They will cover issues such as common standards, resilient supply chains, tech regulation, global trade challenges, climate and green tech as well as investment screening and export controls.

The establishment of the TTC has been widely welcomed by stakeholders and the think-tank community as an important step towards bridging existing gaps and moving on with a forward-looking agenda, focused on strategic areas and new ways of cooperation. While there is a genuine will to work together on common challenges, some difficult issues such as unresolved issues from the past and different approaches to regulating digital markets persist, and it remains to be seen whether the TTC will lead to the creation of an ambitious joint policy that influences trade and technology worldwide. The first meeting is due to take place on 29 September 2021 in Pittsburgh, Pennsylvania.



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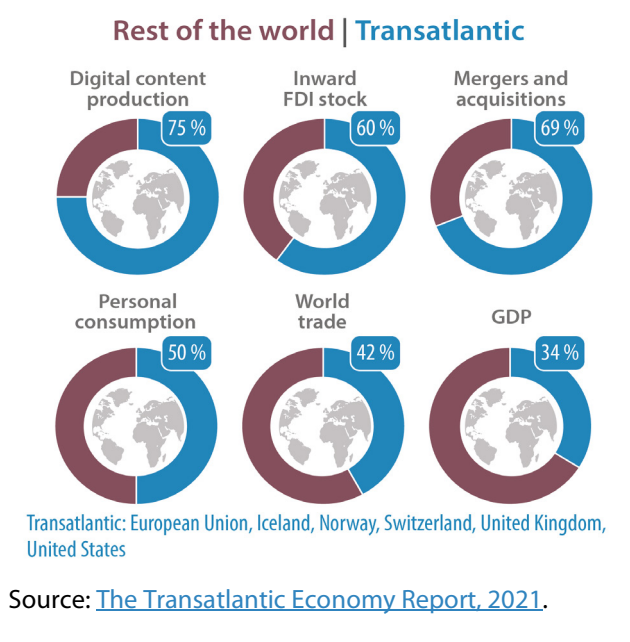
Transatlantic economic ties

A relationship like no other

The European Union (EU) and the United States (US) have the largest bilateral economic relationship in the world, which influences the global economy to a large extent. This is because one or other of the two is the largest [economic partner](#), in terms of combined trade and investment, of most other countries. Furthermore, they carry enormous heft globally in terms of consumer wealth and gross domestic product (GDP); they account for the lion's share of the digital economy; and remain open destinations, as manifested by their share of world trade, inward foreign direct investment (FDI) levels and mergers and acquisitions (see Figure 1). The trade in goods between the two has been rising over the last decade and the US remains the EU's largest overall trade and investment [partner](#) (see Figure 2).¹ The EU has a trade surplus with the US in goods (+€150 billion), and deficit in services (-€16.5 billion).

The depth of the transatlantic economic relationship is particularly evident when considering the mutual investment stock between the two, which is bigger than trade. In 2019, EU companies invested €2 161 billion in the US (almost 45 % of [total FDI](#)), and US enterprises invested €2 003 billion in the EU (roughly 30 % of all foreign investment stock). In comparison, EU firms invested only €198 billion in [China](#), and Chinese enterprises €63 billion in the EU. The US investment in the EU is triple that which it invests in the whole of Asia, while EU investment in the US is eight times the amount it invests in India and China. These figures underline that mutual investment is a cornerstone of the economic links and is crucial in creating jobs and growth on both sides of the Atlantic.

Figure 1 – Importance of transatlantic economy on global stage: Selected indicators

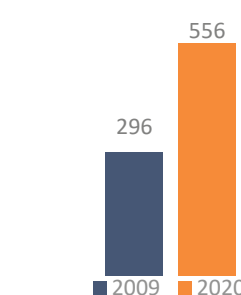


The digital bond

Turning to the digital economy, the US was the largest supplier of [digitally enabled services](#) to the EU in 2019 (€167 billion), and the EU [exported](#) €130 billion in return, making the US its second market after the Asia-Pacific region (€150 billion). These services are important, as they generate an additional value-added effect on trade, through their deployment in export goods manufacturing (for example technical services), which also makes them key elements of [global value chains](#).

Furthermore, the most-used international bandwidth, and the densest connections, are between the EU and the US. For example, approximately 55 % more data is transmitted via transatlantic than transpacific cables. The transatlantic [data flows](#) continue to be the fastest and biggest in the [world](#), accounting for more than half of Europe's data flows and about 50 % of US flows. These strong digital ties are also echoed in trade in digital products and services: while it is difficult to produce precise statistics on digital trade due to the increasing [complexity](#) in

Figure 2 – EU-US goods trade value (€ bn)



Source: [Council of the EU](#).

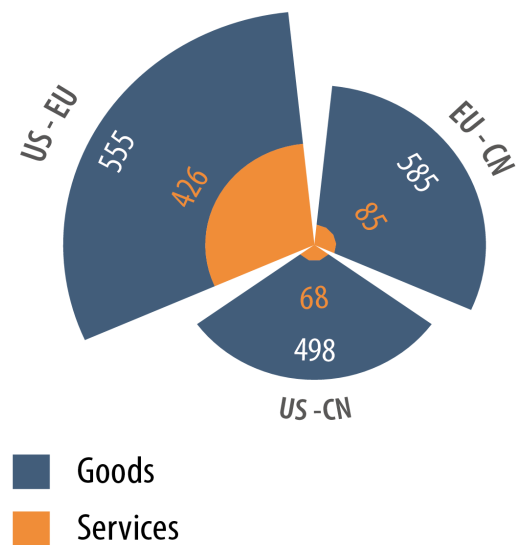
technologies and business models, it is certainly growing, possibly at an accelerating rate: for example, two-way EU-US [digital trade](#) increased from an estimated US\$166 billion in 2005 to US\$292 billion in 2015, and two-way [digital services](#) trade amounted to US\$412 billion in 2018.

The elephant in the room

It is useful to analyse the importance of the transatlantic links in comparison to ties with China. Taking the latest available data into account (2020 for goods and 2019 for services), total trade in goods and services between the EU and US is much higher than that between either of them with China (see indicative numbers in Figure 3). In other words, total trade between the EU and China is only 68 % of transatlantic trade, and for US trade with China, this figure stands at 58 % of its trade with the EU.

The differences are particularly pronounced in the services trade, where the EU and US trade over five times more with each other than with China.

Figure 3 – Total trade in goods and services between the EU, US and China (in € bn)



Source: Commission ([EU-US](#)) & ([EU-China](#)), US Trade Representative ([US-China](#)).

Recent trade and tech relations

Together but apart

While the EU and the US are long-standing allies, sharing democratic values and deep economic ties, the traditionally close relation came under noticeable strain during the Trump administration.

A significant source of friction was the imposition of tariffs on imports of [steel and aluminium](#) under [Section 232](#) of the Trade Expansion Act (imports threatening national security). The EU responded with (i) [rebalancing measures](#) in the form of duties on imports of selected US products; (ii) launching [legal proceedings](#) in the World Trade Organization (WTO); (iii) [safeguard measures](#) necessary to prevent or remedy serious injury to the EU steel industry (prolonged to 30 June 2024). Another irritant has been the activation of [extraterritorial sanctions](#) against Russia, Iran and Cuba, which also impacted EU businesses and citizens. The Trump administration also initiated a Section 232 investigation concerning [automotive imports](#) (cars and car parts), which did not lead to imposition of tariffs, but nonetheless increased tension between the partners. Further escalation was avoided in July 2018, when (then) European Commission President Jean-Claude Juncker reached a [political agreement](#) with President Donald Trump. Both parties committed to working together to reduce or eliminate certain tariffs and non-tariff barriers to trade.² They also declared joint action to protect their companies better from unfair global trade practices, as well as agreeing efforts to reform the WTO, although differences persist.³

Further escalation was averted, but more tensions have followed.⁴ In October 2018, the US announced its [intent](#) to negotiate a trade deal with the EU (aimed, on the US side, at reducing the [trade deficit](#)). The long-standing [WTO disputes](#) between the two on [Airbus](#) and [Boeing](#) resulted in imposition of tariffs in 2019-2020: American tariffs covered nearly US\$7.5 billion of annual EU imports and European tariffs nearly US\$4 billion of US imports.⁵ In August 2020, the EU and the US released joint statement on the first [tariff reductions](#) to be negotiated in more than two decades – known as a '[mini-tariff package](#)'. This was adopted by the EU in December 2020.

On the digital front, cooperation with EU was low on the Trump administration agenda, with [digital taxation](#) a major point of disagreement. The EU is strongly in favour of the principle of global digital services taxes (DSTs), and some of its Member States introduced national taxes in the absence of a multilateral solution. The Trump administration was unsupportive in the search for an [international solution](#) and launched investigations under Section 301 of the [Trade Act](#) of 1974 on the digital taxes set up in 10 [jurisdictions](#), including the whole of the EU, to determine their effect on US companies and consistency with principles of international taxation.⁶ It also threatened and suspended retaliatory tariffs against [France](#), after the latter agreed to postpone the tax.

Another significant irritant has been the European Court of Justice's 2020 invalidation of the EU-US [Privacy Shield](#) on the grounds that the US law does not adequately protect personal data from the EU. The EU's focus on investigations and rulings on the tech-sector, in which a large majority of firms are US-based, has led to accusations of [protectionism](#). Commentators underline that, as a principle, the US considered digital economy as an [extension](#) of the traditional economy that can be regulated by existing laws. The EU on the other hand recognised that the digital economy poses new challenges that need novel laws, particularly in areas such as data privacy, online platforms and harmful content. It has therefore been at the forefront of regulating the sector with landmark laws, such as the General Data Protection Regulation (GDPR), and has proposed far-reaching new regulations, including the [digital markets act](#) and the [digital services act](#).

Back – to the future

With the election of President Joe Biden, a new, more collaborative, chapter in EU-US relations was opened. On 5 March 2021, the EU and the US [agreed](#) to a four-month suspension of the retaliatory tariffs on exports imposed in the Airbus and Boeing disputes. On 15 June 2021, both sides announced they had reached an agreement. Under the '[Understanding on a Cooperative Framework for Large Civil Aircraft](#)', a joint working group was established to address bilateral issues and global challenges.⁷ The tariff truce has been extended – both sides agreed to suspend application of WTO-allowed countermeasures for a period of five years. Progress on steel and aluminium tariffs has been less swift. In a joint EU-US [statement](#) on 17 May 2021, both parties announced that no further measures will be introduced that would have a negative impact on bilateral trade. The parties also commenced a dialogue aiming to tackle the problem of excess global capacity, seeking to 'find solutions before the end of the year'.⁸

Turning to the digital policy sphere, the new administration prioritised addressing the main points of discontent as soon as possible, before the more forward-looking common agenda can be developed. In the digital tax area, the US announced and immediately [suspended](#) tariffs, which were supposed to retaliate for the national digital services taxes introduced in six jurisdictions, including Austria, India, Italy, Spain, Turkey, and the United Kingdom. The US also terminated the remaining four investigations (against the European Union, Czechia, Brazil and Indonesia), since the taxes have not been implemented in those jurisdictions. The US push for [higher tax revenues](#) to finance the post-pandemic economic recovery ultimately led to a far-reaching, albeit provisional, agreement to overhaul the global tax system. As many as 134 of 139 OECD Base Erosion and Profit Shifting ([BEPS](#)) members pledged support for the new [global corporate tax system](#), including all G20 members.⁹

On the privacy shield issue, from the [outset](#) the Biden administration looked to finding a solution. In March 2021, both sides released a [joint statement](#) on intensifying negotiations, which could lead to an enhanced EU-US Privacy Shield. Analysts and commentators underline that the EU has moved swiftly to regulate the digital sphere with novel laws, such as the GDPR, while the US – home to many of the most successful internet companies and Silicon Valley – has been [absent](#) from digital space governance to a significant degree. Commentators contend that this may create a dangerous [vacuum](#), which could be taken up by authoritarian states. Furthermore, advanced EU tech law-making may be perceived by the US as that it is being presented with a [fait accompli](#). President Biden's administration has distanced itself from his predecessor by [moving](#) towards

proactively regulating ['big tech'](#) and the digital realm, and in working together with the EU to take an active part in joint global standard-setting.¹⁰

Trade and Technology Council

'Where both sides agree, the world usually follows'

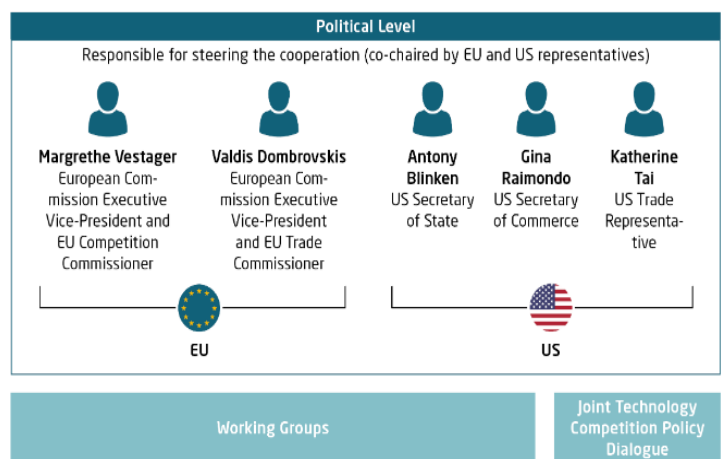
The Trade and Technology Council was first mentioned in December 2020, in a European Commission communication on a new ['EU-US agenda for global change'](#). The EU proposal to establish the TTC mentioned fortifying common technological and industrial leadership in the world and bolstering transatlantic trade and investment. Suggested means to achieve this included 'reducing trade barriers, developing compatible standards and regulatory approaches for new technologies, ensuring critical supply chain security, deepening research collaboration and promoting innovation and fair competition.' In February 2021, the Commission expanded the concept of the TTC with its [trade policy review](#), integrating it in the green and digital post-pandemic economic recovery.

On 15 June 2021, European Commission President Ursula von der Leyen and US President Joe Biden formally [launched](#) the EU-US Trade and Technology Council (TTC), at the EU-US Summit in Brussels. The [joint statement](#) following the summit read that both parties have a strategic interest in driving global digital transformation that incentivises trade and investment, boosts innovation, and protects and promotes critical and emerging technologies and infrastructure. The EU and the US plan to work together on the development and deployment of new technologies. This cooperation would be based on shared democratic values, including respect for human rights.

The TTC will meet regularly at political level to steer cooperation (see Figure 4). Other members of the College and representatives of US Departments will also be invited, depending on the topic discussed, to ensure a whole-of-government approach. The political level will feed into the working groups, led or co-led by relevant departments, services or agencies. These will focus on transforming the political decisions into concrete results. The groups will coordinate the technical work and report back to the political level. The partners agreed to cover the following ten fields:

- Cooperation on technology standards in emerging technologies, such as artificial intelligence (AI) and internet of things;
- Climate and green tech;
- Secure and resilient supply chains, including semiconductors;
- Security and competitiveness of information and communication technologies (ICT);
- Data governance and technology platforms;
- The misuse of technology threatening security and human rights;
- Export controls;
- Investment screening;
- Promoting access to and use of digital technologies by small and medium-sized enterprises (SMEs);
- Global trade challenges.

Figure 4 - TTC structure



The TTC's major goal is to intensify the bilateral trade and investment relationship, while addressing existing technical barriers to trade and preventing the emergence of new ones. The allies will strengthen their cooperation on technology, digital issues and supply chains. Importantly, the Council will lead to cooperation on development of international standards, and make it easier to cooperate on regulatory policy and enforcement, with a goal of increasing convergence. However, the work of the Council would be without prejudice to the regulatory autonomy of both parties, fully respecting the varying legal systems in both jurisdictions. Cooperation within the TTC is supposed to bear fruit on the multilateral stage: it will improve EU and US coordination in relevant bodies and promote a 'democratic model of digital governance.'

The joint statement also mentions that in parallel, the EU and the US will establish a Joint Technology Competition Policy Dialogue. It will focus on developing joint approaches and enhancing cooperation on competition policy and enforcement in the tech sectors. There will also be deeper cooperation on cybersecurity information sharing and situational awareness, accompanied by cybersecurity certification of products and software. The [first meeting](#) of the TTC is scheduled to take place on 29 September 2021 in Pittsburgh, Pennsylvania.

Focus on supply chains

One of the working groups will focus on secure and resilient supply chains, including semiconductors. It is useful to look closer at this area, as it touches upon both the trade and technology aspects and is crucial to economic recovery from the crisis. It is also where the [trade and security](#) policies intertwine. In both the EU and the US, the coronavirus pandemic highlighted the vulnerabilities of critical supply chains – which [continue](#) today – and the importance of their [resilience](#). The [recovery plan](#) indeed mentions that after the pandemic, and using the [2021-2027 multiannual financial framework](#) and the [Next Generation EU](#) instrument, Europe should become more green, digital and [resilient](#). In this context, [notions](#) of strategic autonomy, digital sovereignty and technological sovereignty – even if frequently used as synonyms and not yet defined in a singular way – have been increasingly prominent in the policy debate, which also revolved around the strategic supply chains.

In May 2021, the European Commission published an update to its [new industrial strategy](#), in which it analysed EU's strategic dependencies, reviewing 5 200 imported products. The findings, published in the [report on strategic dependencies and capacities](#), identified 137 products in sensitive ecosystems for which the Union is highly dependent.¹¹ About a quarter of these (34 products) are also highly vulnerable, given their low potential for diversification and substitution with domestic production. They are used mainly in the energy-intensive industries (such as raw materials) and health ecosystems (such as APIs – active pharmaceutical ingredients), but are also of key importance to the success of the green and digital transformations (such as semiconductors). The EU imports about half of these products from China. The report also included six in-depth reviews of strategic areas: raw materials, batteries, APIs, hydrogen, semiconductors and cloud and edge technologies.

Similarly, the Biden administration, which seeks to develop a meaningful [industrial strategy](#) for America, examined vulnerabilities and ways to strengthen the resilience of US [critical supply chains](#) in a 100-day report. It assessed critical minerals and materials, batteries, pharmaceuticals and APIs and semiconductors in detail. China is also the main source of dependencies for the US.

The [Commission](#) estimated that in sensitive ecosystems, the EU is less dependent on the US than vice-versa, but both have important common dependencies vis-à-vis China, particularly regarding APIs, critical raw materials and products needed for the green and digital transition. The updated Industrial Strategy states that where common dependencies exist, 'the EU may choose to pool resources and build stronger and more diverse alternative supply chains with our closest allies and partners'. It also suggests the TTC as a platform for such collaboration. One of the six main recommendations included in the [100-day report](#) by the US government is to 'work with allies and partners to decrease vulnerabilities in the global supply chains.'

The most important supply chain of common interest under the TTC is that of [semiconductors](#). This sector, while underpinning a multitude of digital and green technologies, is characterised by large investment needs and steep technological barriers – even with significant funding there is no guarantee of [success](#) in producing the cutting-edge chips.¹² The US has almost half of the global sales [market share](#), while the EU is at 10 %. Europe is heavily dependent on the US for semiconductor design and the associated design tools, while both partners rely heavily on Asia for the most advanced chip manufacture. However, the EU has a strong position in certain sub-segments such as discrete semiconductors (global [sales leader](#)), analogue integrated circuits, micro-controllers, power electronics, sensors, chip architecture and advanced chip-making equipment. Europe is also well positioned in the '[More than Moore](#)' market, (products made up of a mix of semiconductors), as well as in dedicated processors for applications in the automotive and industrial sectors (including machinery), which are all expected to grow significantly in the future. Potential therefore exists for complementarities and synergies and both sides have attractive and unique capabilities.

In view of the global shortage of semiconductors, both sides took steps to improve the situation. The EU is seeking to [achieve](#) 20 % (in value) of global production of 'cutting-edge and sustainable semiconductors' by 2030, and has identified microelectronics as one of the [key investment areas](#) under the [Recovery and Resilience Facility](#). The US is also [considering](#) a significant increase in investment in the industry (see the [Innovation and Competition Act](#), the [bipartisan infrastructure framework](#), and the [reconciliation bill](#)), and making use of the joint R&D opportunities with key partners, such as Taiwan, Europe, [Japan](#), and [South Korea](#). The 100-day report also states that pooling the resources of different nations could help to increase investments and diversify the risks. During the June 2021 EU-US Summit, both sides committed to building a partnership aiming to rebalance global supply chains in semiconductors, and increase the security of supply, as well as the ability to design and manufacture the 'most powerful and resource efficient semiconductors'. It remains to be seen if a combined effort by the EU and US governments, private sectors and research institutions will deliver tangible results over the next few years. Nonetheless, the TTC offers a chance to coordinate efforts to diversify supply chains so that they reinforce each other, rather than duplicate or conflict. The press reports that TTC may also help to [avoid](#) a harmful subsidy race in the sector and ensure export controls of chip technologies.

Views and reactions

In a [joint statement](#), BusinessEurope and the US Chamber of Commerce welcomed the establishment of the TTC, as an important step to achieving deeper transatlantic technological and industrial leadership, boosting bilateral trade and investment, and stimulating innovation and productivity. Main areas of the TTC such as AI, cooperation on standards and cybersecurity are of critical importance to both EU and US future competitiveness and the joint work could lead to an important transatlantic consensus.

The [Transatlantic Business Council](#) would like the TTC to focus on solving the most pressing trade challenges, through a joint EU-US approach to WTO reform and market access issues. It also underlines the importance of TTC in developing common digital/tech standards and recommends that it is involved in discussing policy and regulatory developments of mutual interest, both those already under consideration in the EU and those in the future.

The Information Technology Industry Council ([ITI](#)), a global ICT trade association, expressed its support for the 'outcome oriented' TTC. It [called](#) for it to be based on principles of non-discrimination, consultative rule-making and international regulatory compatibility. According to the ITI, the TTC should be based on transparency and lead to development of the international, industry-driven, voluntary standards. The ITI also recommends that the TTC develops shared, rules-based approaches to tackling unfair trading practices and other distortive practices which are not covered by the WTO rules. It also called for aligned policy approaches to export controls and investment screening, and strengthened cooperation on research and development (R&D), critical supply chains and long-term cooperation between enterprises and research institutions.

[DigitalEurope](#) proposed strands of work it considers crucial to EU digital industry. It supports TTC development of common principles for government access to personal data held by the private sector for law enforcement and national security purposes. It also would like the TTC to advance WTO e-commerce negotiations and the [Information Technology Agreement](#) (ITA) expansion. According to DigitalEurope, the Council should work towards mutual recognition of cybersecurity certifications and conformity assessment regimes, as well as global standards for sustainable public procurement of ICT. DigitalEurope also advocates aligned and complementary R&D actions in post-pandemic recovery packages for critical technologies and components. It recommends that the TTC advances international standard harmonisation and mutual recognition of conformity assessments. This should also cover platform regulation and lead to development of harmonised framework for content moderation, aligned criteria on export controls, and joint programmes enhancing digital skills.

The Information Technology and Innovation Foundation ([ITIF](#)), welcomed the launch of the TTC as a 'useful vehicle for a pragmatic and cooperative agenda'. It has however opposed any regulatory harmonisation, as the two sides differ fundamentally in their approaches, and recommended clearly defined national rules instead. The ITIF also warned that if the two sides cannot work together, this will lead to a stronger China.

Semiconductor global industry association, [SEMI](#), also supported the establishment of the TTC and called for the constructive dialogue and cooperation (including regulatory) to be strengthened on critical technologies and supply chains. SEMI considered that both the EU and the US are well-placed to build on their shared strategic interests, advance their regulatory cooperation and find ways to safeguard the long-term resilience of supply chains.

Karan Bhatia, Vice-President of [Google](#), argued that the TTC is necessary to avoid unilateral approaches on major current issues such as data flows and regulation of digital platforms. One role for the TTC should also be to prevent divergence on emerging technologies such as AI and to boost EU and US cooperation on technology challenges posed by third-countries. Karan Bhatia argued that the TTC should be based on mutual consultation, to avoid erecting any new trade barriers.

The think-tank community outlined some factors for success and possible pitfalls for the TTC. According to the [Atlantic Council](#), the TTC should avoid becoming bogged down in technical discussions, but rather focus on major strategic issues such as 'fostering and managing new technologies, maintaining a competitive and open digital marketplace, and strengthening democracy in the digital age'. It could set the parameters for accord, and turn to specialists on both sides to work out the details. The think-tank also argues that the TTC is well-positioned to address main issues of discontent in frank high-level discussions, even if detailed negotiations are carried out elsewhere.

The [Egmont Institute](#) asserted that, in order to succeed against digital competition from authoritarian regimes, the TTC should expand its base by clearly specifying the role of third countries and how they could follow and take part in its workings. It also sees a risk that the unresolved main issues will weigh in on the TTC if not addressed quickly and hamper the achievement of its goals.

The [Brookings Institution](#) argues that the TTC should focus less on China, but instead promote attractive, democratic and inclusive models of internet governance rooted in the [values](#) on which the internet was built. By doing so, it can offer a real alternative to authoritarian internet control and corporate surveillance. The TTC could be fundamental in building a global coalition of countries interested in preserving the internet as decentralised system based on incentives.

The [German Council for Foreign Relations](#) (DGAP) argues that the TTC needs to create strategic interdependencies between the EU and US, most notably through tech and industrial policy coordination, focused on semiconductors and next-generation manufacturing, and based on common standards and data sharing. Such interdependencies – symmetric and distributed in an agreed manner – would allow use of 'the entire breadth of the transatlantic space to strengthen a joint stake in technology, supply chains, and data'. The TTC should also lead to coordinated

sanctions for cybersecurity incidents and pave the way for a new legislative relationship, where legal proposals are consulted at all stages at interagency level and Congress works closely with the European Parliament to stress-test them with a view to creating potential non-tariff barriers to digital trade. Furthermore, DGAP advocates that the EU and US offer alternatives to the [digital silk road](#) (particularly in the [Global South](#)), through standard-setting, joint ICT development priorities, and infrastructure development, as well as global promotion of digital rights as human rights.

The [Tony Blair Institute for Global Change](#) warns that, while bridging the gap on transatlantic issues is welcome, it will not be sufficient to thwart the authoritarian ambitions of some countries to control the internet. To counter these, the EU and the US should offer internet infrastructure financing and capability support to emerging economies, and the TTC should have a stronger international dimension.

[Merics](#) underlined that the TTC offers both allies a chance of reducing the politicisation of the discussion on China, by working out practical level solutions within the context of wider challenges. However, the think tank also sees that the TTC has so far not mentioned how it could support innovation, connectivity and digital rights in the Global South. It sees that it will be crucial to observe in the future whether and how the allies move from addressing transatlantic to engaging other partners and organisations.

Outlook

At this nascent stage of the TTC, it is challenging to comment in detail on all its strands and chances of success. Previous attempts to bring the allies closer together, such as the 1995 [New Transatlantic Agenda](#) and the 2007 [Transatlantic Economic Council](#), are considered to have delivered [mixed results](#): there was some [success](#), but the progress occurred in incremental steps, rather than delivering a decisive breakthrough such as wider regulatory alignment or coordinated trade policy. The most notable setback has been the inability to successfully conclude the Transatlantic Trade and Investment Partnership ([TTIP](#)) after more than three years of negotiations.

Nevertheless, the TTC offers a chance to turn the page. It could potentially mark a new phase in both trade and digital relations, where the partners move from addressing urgent, pressing issues, to the development of a coherent, common long-term policy. The high-level of politicians involved certainly gives the TTC a strong leadership, and the orientation is forward-looking, focused on strategic areas and on finding new ways of cooperation – rather than mainly on past disputes. The [World Economic Forum](#) estimates that, by 2022, as much as 60 % of global GDP will come from the digital economy. If allies find common positions, the TTC has a potential to [shape the digital space](#). This can be achieved through the sheer size of the transatlantic economy, as well as by influencing associated international and multilateral fora.

A good example is joint standard-setting, a topic which is becoming increasingly important in [global governance](#), as seen at the 2021 Group of Seven (G7) Summit. The TTC mentions standard-setting in the context of emerging technologies, such as the AI and internet of things. While there have only been a few successful examples so far – mostly in the e-vehicles sector – the fact that the TTC will focus on emerging, not yet standardised technologies, [opens](#) a possibility to exert real global influence. At the same time, strong incentives exist: digital technologies are evolving fast, and in the absence of joint EU-US standards, these will be developed by other countries, which do not share the [same values](#), but increasingly deploy the technology for surveillance and censorship purposes. This poses [threats](#) to security and the [liberal rules-based order](#). Importantly, standards are also fundamental to preserving a [free and open internet](#). Common standard-setting can offset the impact of initiatives such as the 'belt and road initiative', which [internationalise](#) Chinese standards along its FDIs in a bottom-up approach (digital silk road). While China is a relative newcomer to standard-setting compared to the EU and US, it invests heavily in advanced technologies, both financially and through its diplomatic actions. Its technological prowess is well known in fields such as [AI](#) or [5G](#). This, coupled with the ambition to dominate the standardisation of emerging

technologies – as demonstrated by its [Made in China 2025](#) and 'China Standards 2035' strategies – mean that China will be an increasing [influence](#) in international standard-setting and the digital economy. A majority of the observers and commentators mentioned above agree that limiting this influence is only possible through joint transatlantic action.

The allies are well-positioned to take-up this challenge together. The EU is widely considered to be a '[regulatory superpower](#)' and is advanced in legislating the digital economy, often setting the standards for the rest of the world. Through the Member States, the EU also has more [leadership positions](#) in two very significant global standardisation organisations – the International Standardization Organisation ([ISO](#)) and the International Electrotechnical Commission ([IEC](#)) – than any other major power. At the same time, American firms [dominate](#) digital markets. Influence comes with size, and these markets are characterised by [network externalities](#) – users tend to flock to the biggest providers and use the standards created by them. Therefore, the power and size of US digital companies is a crucial asset in global standard-setting. These complementarities mean that, if the TTC leads to the development of joint standards, the words of a [new EU-US agenda for global change](#) may just come true: 'Where both sides agree, the world usually follows'. However, while press reports on the [negotiations](#) point in the direction of bringing principles in areas such as AI closer, it is worth noting that the Commission needs [Council's mandate](#) to negotiate an international agreement – and the latter institution is not formally involved in the TTC.

Some of the working groups will open up entirely new areas for cooperation. These include the climate and green tech, which reflects the [alignment](#) of both allies on the climate goals and common challenges they both face, such as reliance on external sourcing of indispensable [critical raw materials](#). The same goes for SMEs: while the EU and the US collaborated in the past on [export promotion](#), the joint action on improving access to and use of digital technologies is a novelty. While the fundamental issue of the Privacy Shield will not be [directly covered](#) by the TTC, one of the working groups is dedicated to the key topic of data governance.

As both trade and the digital realm are increasingly intertwined with security, some of the working groups address this dimension. On technology security, this concerns, for instance, the ICT and the misuse of technology groups. The cooperation between the EU and US is already [established](#) in cybersecurity (including through EU-North Atlantic Treaty Organization (NATO) cooperation on defence) and both sides have a shared geopolitical and strategic [interest](#) in developing ways to tackle authoritarian hybrid threats. Agreeing a common position and mobilising support will also be important in multilateral fora such as the UN, as demonstrated by the West's inability to [block](#) a controversial resolution on [cybercrime](#). The areas in which the TTC may be helpful include establishing cyber security and cyber warfare norms and standards, developing joint technological governance, the protection of [critical infrastructure](#), tackling [dual use](#) of information technologies, interoperability of frameworks and common cybersecurity certification of products and software. The TTC could also foster a common approach towards China's [military-civil fusion strategy](#). It remains to be seen whether the issue of online content moderation will also be covered by the TTC. While the EU made a significant step to regulate content with the proposed [digital services act](#), the discussions in the US also [intensified](#) after the attacks on the Capitol by Trump supporters.

The International Telecommunication Union

The [ITU](#) is a United Nations (UN) agency with 193 countries listed as members. Its standards are protected by WTO rules and cannot be prohibited in international trade. Some Western [observers](#) argue that under the leadership of its Secretary General, Houlin Zhao of China, ITU expanded its mandate from a telecommunications agency to a general technology agency. This reportedly helps to advance the Chinese agenda, as countries benefiting from the belt and road initiative often [support](#) China's [ITU proposals](#). While the Western allies [succeeded](#) by a narrow margin in preventing adoption of a proposal on face recognition standards, another very significant proposal on a '[new IP](#)' ([internet protocol](#)) will be debated next year during the ITU conference, which takes place every four years. Democratic commentators consider that this proposal aims at easier [state-control](#) of the internet. The role of the TTC may be meaningful in fora such as ITU – a common transatlantic position is a strong basis around which like-minded global allies can rally.

Other groups will also work on different aspects of security; export controls for instance, which may work on preventing [technology transfers](#), particularly when they are forced or when this technology may be reused in ways that infringe on human rights or security. The EU has recently modernised its [framework](#) for the control of exports, brokering, technical assistance, transit and transfer of dual-use items. Another group is on investment screening: both the [EU](#) and the [US](#) have recently reinforced their screening frameworks and it will be [interesting to see](#) whether these can be coordinated or harmonised. Blocking FDI in the whole of the transatlantic economy could be a powerful deterrent, at least in theory, particularly since both the partners share similar concerns.

Likewise, the strand of work on 'global trade challenges' offers many possibilities. Areas where both allies may work out [joint priorities](#) include industrial subsidies, unfair conduct of state-owned enterprises (SOEs), trade and market-distorting practices, notification requirements, and new plurilateral agreements on digital trade and new service areas. Press flagged up the [possibility](#) of sharing sensitive data from anti-subsidy and anti-dumping investigations, and even possible joint tariffs on products from non-market economies.

On the other hand, it is unclear how the TTC may contribute to resolving some major long-standing issues such as the WTO reform and ending the WTO Appellate Body [crisis](#). According to the [Carnegie Endowment for International Peace](#), an early test of how successful the relationship on trade will be is the swift removal of the most pressing bilateral trade irritants, and preventing remaining disagreements from deteriorating the overall relationship. The Carnegie expects some sectoral trade agreements, but not a return to TTIP-style negotiations.

Despite many joint interests and a will to cooperate, the success of the TTC is not a given: as the [AUKUS](#) case shows, it may be affected by unexpected political developments. While the EU and US are long-standing partners that share democratic and liberal values, there are also important differences between the two. In its 2019 [strategy](#), the EU describes China as a cooperation partner, a negotiating partner, an economic competitor, and a systemic rival. The US has a more confrontational approach, but the EU, while much more closely aligned to the US, has so far [focused](#) on avoiding becoming entrenched in the escalating US-China [contest](#). Another issue is that the EU is more inclined to actively regulate markets than the US, which [traditionally](#) tended to consider legislative intervention mainly to correct imperfections not dealt with by market forces. This may create a [schism](#) that is hard to overcome, as Europe's institutionally-led legal approach is different to the US market-based approach, and both are rooted in the partners' respective historical and cultural DNAs.

However, there are some signs that the US, following the publication of a bipartisan [report](#) that highlighted competition issues in the digital markets, seems to be increasingly moving in a [similar direction](#) to the EU. President Biden's July 2021 [executive order](#) announces that the US will address challenges to competition brought upon by dominant internet companies and connected to their control of data. While it is unclear whether or to what extent the TTC 'Data governance and

European Parliament

In its resolution of June 2021, the European Parliament supported the idea of the [establishment of the TTC](#) and called for 'close EU-US cooperation on emerging and disruptive technologies, including joint export and import restrictions vis-à-vis authoritarian states'. Parliament is not directly a part of the TTC but, according to Chair of the Special Committee on Artificial Intelligence in a Digital Age, Dragos Tudorache (Renew, Romania), is involved in creating a complementary [parliamentary engagement](#) with Congress. In a July 2021 [statement](#), following the first Transatlantic Legislators' Dialogue (TLD) in the 117th Congress, co-chairs Radosław Sikorski and Jim Costa welcomed the TTC and called for it to have a significant parliamentary dimension. They also called for removal of the remaining trade irritants and joint actions to set standards in the technology space.

The July 2021 Committee on Foreign Affairs (AFET) own-initiative [report](#) on the future of EU-US relations, expected to be debated and voted upon during the October 2021 plenary session, supports stronger regulatory, green, sustainable and digital partnership through the TTC. It also calls for an agreement on conformity assessment benefiting SMEs and regulatory cooperation on big-tech, as well as for information exchange and cooperation on FDI screening in strategic sectors, including on potential hostile takeovers.

technology platforms' working group will cover the regulation of [online platforms](#), it is likely that lack of coordination will lead to incompatible or contradictory [rules](#). The role of the EU-US Joint Technology Competition Policy Dialogue will also be pivotal in bridging the gaps between both the legal systems and avoiding the emergence of new rifts. In any case, timely delivery of tangible results will be of key importance, considering the fast-moving nature of the digital realm.

MAIN REFERENCES

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ENDNOTES

- ¹ This is when taking trade in goods and services into account. Considering only the former, the US was until recently the EU's largest trading partner in goods. While it remains by far the biggest goods export market for Europe, China overtook the US in 2020, as the largest EU import source for goods.
- ² It is worth noting that both parties committed to launching a close dialogue on standards and strategic cooperation, including intellectual property theft, forced technology transfer, industrial subsidies, distortions created by state owned enterprises, and overcapacity.
- ³ These practices include intellectual property theft, forced technology transfer, industrial subsidies, distortions created by state owned enterprises, and overcapacity.
- ⁴ In July 2018, the US confirmed imposition of anti-dumping and countervailing duties on imports of [Spanish ripe olives](#) (challenged by the EU in the [WTO](#)).
- ⁵ In 2018, the US had the most disputes in the [WTO](#) with the EU (52), followed by its disputes with China (32).
- ⁶ The others were Austria, Brazil, Czechia, India, Indonesia, Italy, Spain, Turkey, and the United Kingdom.
- ⁷ As underlined by observers, there has been a [difference](#) in tone between European Commission and White House announcements. The former (and the [Understanding](#) itself) mentions addressing shared challenges from non-market economies together. The latter explicitly mentions that these challenges come from China.
- ⁸ The EU was originally set to increase the extra duties on 1 June 2021, in the context of rebalancing measures, which would then add €3.6 billion on top of the €2.8 billion of goods covered since 2018. As a gesture of goodwill, and following the joint statement from May, it did not take that step, and instead [suspended](#) the increase.
- ⁹ Three EU Member States, [Estonia, Hungary and Ireland](#), decided not to support the agreement as yet.
- ¹⁰ Clear indications of a different approach are manifested by the appointment of Big Tech critics [Lisa Khan](#) as Chair of the Federal Trade Commission and [Jonathan Kanter](#), as Head of the Department of Justice Antitrust Division.
- ¹¹ Strategic dependencies, according to the [Commission](#), are those 'considered of critical importance to the EU and its Member States' strategic interests such as security, safety, health and the green and digital transformation.' Sensitive ecosystems also include defence, space, energy and critical raw materials.
- ¹² At present, TSMC (Taiwan) and Samsung (South Korea) manufacture chips at 5 nanometres (nm). Intel (US) delayed its 7 nm technology to 2022, while there are no foundries in the EU that can produce components with sizes below 22 nm.

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