

Strengthening US–EU cooperation on trade and technology

Summary

- The Trade and Technology Council (TTC) launched in 2021 has become the primary platform for US–EU cooperation at the intersection of economics, technology and security. The council is intended to deepen cooperation via bi-annual ministerial meetings and 10 working groups.
- Contentious issues have been excluded from the TTC’s scope. However, new transatlantic disagreements (such as that over the US’s Inflation Reduction Act) are emerging and risk overshadowing its work.
- Although the TTC’s focus is on deepening bilateral cooperation on future-oriented issues, its work also responds to the wider geopolitical context, particularly with regard to China and Russia.
- The greater flexibility of the TTC gives it a better chance of success compared to previous initiatives, such as the Transatlantic Trade and Investment Partnership (TTIP). However, such flexibility also comes with risks.
- The TTC is at an inflection point and needs to turn ambitions into tangible outcomes. The extensive US–EU network of officials and stakeholders formed through the TTC may already be its most significant achievement – especially at a time of uncertainty in the transatlantic relationship in light of the 2024 electoral cycle.
- To successfully tackle the most pressing global problems in trade and tech, the US and EU will have to work with like-minded partners, either directly or via adjacent forums such as the G7.

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Introduction

The economies of the US and the EU are highly integrated. The US and EU remain each other's most important trade and investment partners. Together, they accounted for 42 per cent of the world's gross domestic product (GDP) and approximately 40 per cent of global trade in goods and services in 2021.¹ The US–EU economic relationship is significant for the rest of the world given their role in the global economy and international economic architecture. Moreover, transatlantic convergence or divergence has global implications for the setting of international rules and standards – especially regarding emerging technologies and the digital economy.

The US and the EU have previously engaged each other on trade and technology matters in various bilateral, minilateral/plurilateral and multilateral initiatives and forums.² The most recent, and now main, platform for bilateral cooperation on transatlantic issues and coordination on global challenges is the US–EU Trade and Technology Council (TTC), launched in 2021.

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However, the world has changed dramatically since then. US–EU cooperation has taken on renewed significance amid the war in Ukraine and the links between economics and national security have become clearer. These developments have crystallized competition between the West and China, exposed over-reliance on certain markets for specific products (e.g. Chinese critical raw materials or Russian oil and gas), and highlighted supply-chain resilience issues.

This paper assesses the TTC's work and outlines how it differs from other efforts in the past. It offers insights into how the TTC is likely to develop both in the short and long term, as well as the issues and tasks at the top of its agenda. After exploring where the TTC fits alongside other trade- and tech-focused governance structures, the paper offers recommendations for how the US and EU can better link their bilateral cooperation efforts to other forums and strengthen collaboration with like-minded partners, such as Canada and the UK.

¹ Based on data from the World Bank. GDP and exports plus imports of goods and services are measured in current US dollars. See World Bank (2022), 'GDP (current US\$)', <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?end=2021&start=2019>; 'Exports of goods and services (current US\$)', <https://data.worldbank.org/indicator/NE.EXP.GNFS.CD>; 'Imports of goods and services (current US\$)', <https://data.worldbank.org/indicator/NE.IMP.GNFS.CD> (accessed 7 Oct. 2022).

² In trade policy jargon, the term 'multilateral' refers to all members of the World Trade Organization, while the term 'plurilateral' indicates that only some members are involved. The concept of 'minilateral' groupings is similar to the latter but is used outside trade policy circles to identify partnerships among a small number of like-minded countries.

The TTC: an overview

What is the TTC?

The TTC is a relatively new platform for high-level engagement between the US and the EU. It focuses on bilateral and global trade and technology issues, in line with shared transatlantic values and a commitment to both market-oriented principles and the rules-based international order. The creation of the TTC was first proposed by the EU in December 2020 and announced at the US–EU Summit in Brussels in June 2021.³ The stated objectives are comprehensive – reflecting both broader aims (such as growing the bilateral trade and investment relationship and avoiding unnecessary new barriers to trade) and specific goals (technology standards cooperation, for example).⁴

On the US side, the TTC is led by the US trade representative, the secretary of commerce and the secretary of state.⁵ On the EU side, the commissioners responsible for trade and competition of the European Commission take the lead. There is also a strong stakeholder engagement component.⁶

The work of the TTC is done via 10 working groups, spanning issues at the intersection of trade, technology and security. The 10 working groups are: 1. Technology Standards; 2. Climate and Clean Tech; 3. Secure Supply Chains; 4. Information and Communication Technology and Services (ICTS) Security and Competitiveness; 5. Data Governance and Technology Platforms; 6. Misuse of Technology Threatening Security and Human Rights; 7. Cooperation on Export Controls of Dual Use Items; 8. Investment Screening Cooperation; 9. Promoting SME Access To and Use of Digital Technologies; 10. Global Trade Challenges.

The relevant departments and agencies from the US and EU co-lead each group to coordinate the technical work needed to put political decisions into action. The range of topics and the cross-departmental nature makes this a complex undertaking for transatlantic and internal coordination.

To date, three ministerial-level meetings have taken place: the first in Pittsburgh, US in September 2021; the second in Paris, France in May 2022; and the most recent in the Washington, DC area on 5 December. The next TTC ministerial meeting is planned for mid-2023 in Europe. While the Pittsburgh meeting was about setting the agenda and the Paris meeting about policy scoping, the Washington meeting focused on initial outcomes. Delivering tangible results will remain a priority – both with regard to advancing newly launched projects and to developing new ones.

³ When the TTC was first proposed by the EU in December 2020, hopes for a renewal of transatlantic affairs in general and trade in particular were high following the defeat of Donald Trump in the November 2020 US presidential election.

⁴ The White House (2021), 'U.S.-EU Summit Statement', press release, 15 June 2021, <https://www.whitehouse.gov/briefing-room/statements-releases/2021/06/15/u-s-eu-summit-statement>.

⁵ Bown, C. P. and Malmström, C. (2021), 'What is the US-EU Trade and Technology Council? Five things you need to know', Peterson Institute for International Economics, 24 September 2021, <https://www.piie.com/blogs/trade-and-investment-policy-watch/what-us-eu-trade-and-technology-council-five-things-you-need>.

⁶ For example, the European Commission has set up a platform for stakeholder involvement called 'Futurium' and organizes regular events. The EU is also funding a 'Trade and Technology Dialogue' to engage with stakeholders on both sides of the Atlantic through events and research outputs. See European Commission (undated), *Futurium*, <https://futurium.ec.europa.eu/en>.

What isn't in the TTC's scope?

Despite the breadth and depth of issues covered by the 10 working groups, certain trade and tech-related issues are being addressed outside of the council. For example, the EU and the US set up a Joint Technology Competition Policy Dialogue in June 2021 in parallel to the TTC. This dialogue focuses on cooperation across competition policy and enforcement in the technology sector.

Meanwhile, work to agree and implement the new EU–US Data Privacy Framework⁷ for commercial cross-border data flows has taken place – and will continue – outside the TTC, even though the council's Working Group 5 is devoted to data governance. The new framework could have positive spillover effects for the TTC, and can help the US and EU to build synergies around shared commitments to data protection, privacy and the rule of law.

Similarly, cooperation on minimum corporate tax rules is not part of the TTC discussion. However, the work that takes place primarily in the Organisation for Economic Co-operation and Development (OECD) and the G20 relates to the TTC.

In part, contentious issues like these were kept out of the TTC's scope to prevent long-standing differences and disagreements over anti-trust, privacy and digital taxation from derailing the council's work. Recent tensions – such as those over the US's Inflation Reduction Act – are also being dealt with by a dedicated US–EU taskforce. Whether such separate tracks will allow the TTC to move on with its intended focus on emerging issues and its forward-looking agenda remains to be seen.

TTC in the geopolitical context

While much of the work spans bilateral issues, the TTC must be seen in the context of competition with China and Russia's invasion of Ukraine. Eight of the 10 working groups have a China angle, in particular those dealing with standards for technologies, cooperation on export controls and foreign investment screening. Nonetheless, the European side has repeatedly stressed that the TTC should not become a 'China-bashing' forum.⁸

The war in Ukraine has shown that democratic principles and the rules-based international order cannot be taken for granted, and has demonstrated the need for greater transatlantic cooperation. Cutting off the Russian economy has also reinvigorated the desire (and need) to deepen US–EU trade and investment ties, particularly in energy. The EU urgently needs to find alternatives to Russian gas, and the US can help with the shipment of liquefied natural gas (LNG). But, while the US now contributes 40 per cent of Europe's total LNG imports, US LNG is expensive and only covers a fraction of the deficit in pipeline gas previously

⁷ In March 2022, the US and EU announced a political agreement on a new 'Transatlantic Data Privacy Framework' for commercial cross-border data flows. In October 2022, US president Joe Biden signed an Executive Order to implement the framework. The European Commission is in the process of preparing a draft adequacy decision and launching its adoption procedure.

⁸ European Parliament (2021), 'The outcome of the EU-US Trade and Technology Council (TTC)', Debate, 11 November 2021, https://www.europarl.europa.eu/doceo/document/CRE-9-2021-11-11-ITM-003_EN.html.

supplied to Europe from Russia.⁹ Calls to renew US–EU negotiations for a bilateral trade agreement have resurfaced in light of the Ukraine conflict – although the prospects for a deal are low.¹⁰

The TTC compared to previous transatlantic trade initiatives

While the TTC has emerged as the central pillar of US–EU trade and technology cooperation, it is not the first attempt to formalize transatlantic collaboration.

Earlier attempts to strengthen cooperation and deepen ties between the EU and the US include the 1995 New Transatlantic Agenda, the 1998 Transatlantic Economic Partnership and the 2007 Transatlantic Economic Council.¹¹ The latter launched the High-Level Working Group on Jobs and Growth in 2011, which led to the decision to pursue the Transatlantic Trade and Investment Partnership (TTIP) in 2013.¹² These attempts had mixed results. The failure to conclude TTIP after more than three years of negotiations is perhaps the most notable setback. Nonetheless, the negotiations did achieve progress in some areas (like simplifying technical regulations without lowering standards);¹³ they also helped to establish strong ties between trade officials.

While a coordination mechanism like the TTC has many advantages over a dedicated negotiation like TTIP, there are some drawbacks.

TTIP and the TTC are different and the latter avoids many of the former’s pitfalls. While TTIP focused on the outcome of an agreed text, the TTC prioritizes the process of cooperation. The TTIP talks required negotiations, including on market access in key sectors, rules and regulatory cooperation. In contrast, the TTC focuses on common objectives and on how to achieve them via coordination and sharing of best practice. Unlike TTIP, the TTC does not require a negotiating mandate and ratification, which reduces parliamentary and congressional scrutiny – although regular updates and monitoring still take place.

But while a coordination mechanism has many advantages over a dedicated negotiation, there are some drawbacks. Unlike formal trade negotiations, a cooperation framework does not easily lend itself to making trade-offs across different issue areas. It also lacks enforceability.¹⁴

⁹ Shiryaevskaya, A. and Chapa, S. (2022), ‘Europe Can’t Rely on US Gas to Plug Growing Gap Next Year’, Bloomberg News, 28 October 2022, <https://www.bloomberg.com/news/articles/2022-10-28/europe-can-t-rely-on-us-gas-to-plug-growing-shortfall-next-year>.

¹⁰ Reuters (2022), ‘Germany calls for new talks on transatlantic trade deal’, 20 March 2022, <https://www.reuters.com/world/europe/germany-calls-new-talks-transatlantic-trade-deal-handelsblatt-2022-03-20>.

¹¹ Szczepanski, M. (2021), *EU-US Trade and Technology Council: New forum for transatlantic cooperation*, Briefing, European Parliamentary Research Service, [https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/698037/EPRS_BRI\(2021\)698037_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/698037/EPRS_BRI(2021)698037_EN.pdf).

¹² U.S. Department of State (2016), ‘Transatlantic Economic Council: Cooperation on Innovation for Growth’, Media Note, 2 December 2016, <https://2009-2017.state.gov/r/pa/prs/ps/2016/12/264771.htm>.

¹³ European Commission and Executive Office of the President of the United States (2017), *U.S.-EU Joint Report on TTIP Progress to Date*, 17 January 2017, https://trade.ec.europa.eu/doclib/docs/2017/january/tradoc_155242.pdf.

¹⁴ Beattie, A. (2022), ‘Brussels and Washington aim to be flexible friends’, *Financial Times*, 16 May 2022, <https://www.ft.com/content/4f0efe18-b6b6-4d93-af99-ad96d1254111>.

It remains uncertain whether loose and flexible mechanisms like the TTC can deliver. The US has recently moved away from negotiating new trade agreements, preferring multifaceted and versatile approaches – for example, creating the Indo-Pacific Economic Framework (IPEF) instead of rejoining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). However, traditional trade agreements have not run their course. The EU is still pursuing such agreements in parallel to more flexible cooperation mechanisms like the US–EU TTC. For example, it has launched a Trade and Technology Council with India alongside negotiations on a free trade deal.

In the transatlantic context, the focus on cooperation under the TTC is helped by the fact that the US and EU share common concerns regarding China and Russia. Moreover, long-standing differences between the US and EU are either already being resolved (for instance, a 17-year-long dispute over aircraft subsidies) or put aside to be dealt with elsewhere (like privacy and digital competition).

Greater alignment of US and EU objectives gives the TTC a better chance of success compared to TTIP. Success is not guaranteed, though: the US and EU have different regulatory philosophies; they do not always agree on broader geopolitical developments; and domestic political events such as the return of Donald Trump (or a Trump-like figure) to the US presidency could unravel the progress made so far. Moreover, success is much harder to define for the TTC, given that there is no signed agreement to measure progress against.

The TTC's record so far

Close cooperation between the US and the EU – in coordination with other G7 members – on export controls and sanctions against Russia over its invasion of Ukraine has been a remarkable success. As discussed below, the TTC has facilitated some of that cooperation.

The need for urgent cooperation on such concerns has pushed more future-oriented issues to the sidelines. Nonetheless, the US and EU have been able to make progress across several of the 10 working groups. Numerous sub-groups, dedicated taskforces or special dialogues have been created within those working groups.¹⁵ Other key developments are the establishment of a Trade and Labour Dialogue at the May 2022 TTC meeting and the launch of a Transatlantic Initiative for Sustainable Trade at the December 2022 meeting.

Building on their intention, expressed in May 2022, to develop a joint roadmap on evaluation and measurement tools for trustworthy AI and risk management, the US and EU issued an AI roadmap at the third TTC ministerial meeting in December.¹⁶ Another outcome of the December meeting is an initiative to support

¹⁵ These include: the formation of a sub-group on AI; the creation of a Strategic Standardization Information mechanism to enable information-sharing on international standards development; the establishment of a policy dialogue on core issues of content moderation; and the launch of a dedicated taskforce on public financing for secure and resilient connectivity, and ICTS supply chains in third countries.

¹⁶ The White House (2022), 'U.S.-EU Joint Statement of the Trade and Technology Council', 5 December 2022, <https://www.whitehouse.gov/briefing-room/statements-releases/2022/12/05/u-s-eu-joint-statement-of-the-trade-and-technology-council>.

digital infrastructure and connectivity in Jamaica and Kenya. The US and EU have also taken steps to implement an early warning mechanism in their efforts to build resilient semiconductor supply chains.

These achievements deliver on key goals announced at the May 2022 TTC meeting, but further steps are needed to put them into practice.

A careful balancing act

In strengthening transatlantic cooperation on trade and technology, the US and EU need to balance various challenges, which are examined in detail below.

Bilateral vs global focus

The TTC is, first of all, designed to achieve bilateral objectives. But it also covers multilateral issues and feeds into coordination between the US and EU at other international forums. This raises questions about how the US and EU manage the trade-offs between the bilateral and global levels, and whether bilateral cooperation helps to further their multilateral aims.

The primary focus of the council is on growing the transatlantic trade and investment relationship, while also strengthening cooperation on digital issues and technology. But these bilateral discussions do not take place in a vacuum. Greater convergence on tech standards, for example, between the US and EU has global implications. Moreover, US–EU cooperation through the TTC can assist efforts on the multilateral stage, for instance, at the G7/G20. While TTC Working Group 10 on global trade challenges deals with issues facing the WTO (such as non-market economy policies and practices), broader WTO reform is outside the scope of the TTC.

With just two parties, the TTC has the potential to go much deeper and faster than other minilateral or multilateral initiatives. There is less of a risk that the principles agreed will be diluted by others. However, while it is useful for the US and EU to have bilateral discussions on issues supply-chain security, global trade challenges and technology standards, these still require cooperation with like-minded partners.

Current vs future-oriented issues

The TTC was first conceived as a reaction to past turbulences: it is both a forum for renewed US–EU engagement and a preventative process to avoid future friction on trade and technology issues. At the time of the launch of the TTC in 2021, the US and EU hoped to ‘deal with the challenges and opportunities of the future’¹⁷ in global trade and technology. Putting existing disagreements aside, both sides wanted to ‘avoid [...] unnecessary barriers to trade in new and emerging technologies’.¹⁸

¹⁷ Statement by Valdis Dombrovskis, Executive Vice-President of the European Commission, at a debate in the European Parliament. European Parliament (2021), ‘The outcome of the EU-US Trade and Technology Council (TTC)’.
¹⁸ The White House (2021), ‘U.S.-EU Trade and Technology Council Inaugural Joint Statement’, 29 September 2021, <https://www.whitehouse.gov/briefing-room/statements-releases/2021/09/29/u-s-eu-trade-and-technology-council-inaugural-joint-statement>.

While both sides have continued to work towards these aims, since February 2022 the TTC has prioritized the need to respond to Russia’s war on Ukraine. The TTC’s existing working groups and established rapport between the officials involved have allowed for fast action to focus on Russia and paved the way for effective cooperation.¹⁹ One example of how the TTC has been leveraged is the ‘unprecedented collaboration on export controls’.²⁰

With the war in Ukraine potentially far from its conclusion, the geopolitical context could change the focus and/or scope of the TTC’s working groups. And while many of the initial working groups – such as those on secure supply chains, investment screening and export controls – were perceived with regard to the challenges presented by China, Russia’s invasion of Ukraine has changed the priorities.²¹ For example, Working Group 3 on secure supply chains has shifted from an original focus on semiconductor supply chains to discuss global trade issues linked to energy and food security. Meanwhile, Working Group 6 on the misuse of technology now encompasses Russian disinformation. Cooperation on sanctions was not on the initial agenda for the TTC. But, since sanctions are closely linked to export controls, supply-chain security and other aspects, the TTC is now a forum (though not the primary one) for US–EU cooperation on that subject.

Cooperating vs managing competition and tension

Since 2021 the US and EU have achieved much progress in resolving trade disagreements outside the TTC. Key examples include the Boeing–Airbus dispute, US tariffs on aluminium and steel (as well as EU countermeasures), and friction over digital services taxes. Nonetheless, in many of these cases, the arrangements reached are temporary solutions and require more work.

In addition, new sources of tension are emerging. For example, the Biden administration’s tax credits for electric vehicles (EVs) under the 2022 Inflation Reduction Act, which incentivize US consumers to buy North American-made EVs, have become a recent source of friction.²² US support for other ‘green economy’ products – such as batteries, hydrogen and renewable energy equipment – are also seen by the EU as discriminatory. In October 2022, the US and EU launched a taskforce on the Inflation Reduction Act to address concerns raised by the EU in relation to the act.²³

¹⁹ The White House (2022), ‘Background Press Call by Senior Administration Officials on the U.S.-EU Trade and Technology Council Meeting in Paris’, 15 May 2022, <https://www.whitehouse.gov/briefing-room/press-briefings/2022/05/15/background-press-call-by-senior-administration-officials-on-the-u-s-eu-trade-and-technology-council-meeting-in-paris>; and Scott, M. (2022), ‘Trade and Tech Council 2.0 — Google vs. Yandex — Crypto warning’, Digital Bridge newsletter, Politico, 21 April 2022, <https://www.politico.eu/newsletter/digital-bridge/trade-and-tech-council-2-0-google-vs-yandex-crypto-warning>.

²⁰ Akhtar, S. I., Fefer, R. F., Johnson, R. and Schwarzenberg, A. B. (2022), *U.S.-EU Trade Relations*, Report R47095, Congressional Research Service, updated 3 June 2022, <https://crsreports.congress.gov/product/pdf/R/R47095>.

²¹ Burwell, F. (2022), ‘Rethinking the U.S.-EU Trade and Technology Council After Ukraine’, *The National Interest*, 13 March 2022, <https://nationalinterest.org/feature/rethinking-us-eu-trade-and-technology-council-after-ukraine-201118>.

²² The White House (2022), ‘FACT SHEET: The Inflation Reduction Act Supports Workers and Families’, 19 August 2022, <https://www.whitehouse.gov/briefing-room/statements-releases/2022/08/19/fact-sheet-the-inflation-reduction-act-supports-workers-and-families>. The potential impact on transatlantic relations is covered in Moens, B. (2022), ‘Electric cars rekindle transatlantic trade war’, Politico, 31 August 2022, <https://www.politico.eu/article/electric-car-rekindle-transatlantic-trade-war>.

²³ European Commission (2022), ‘Launch of the US-EU Task Force on the Inflation Reduction Act’, Press Statement, 26 October 2022, https://ec.europa.eu/commission/presscorner/detail/en/STATEMENT_22_6402.

Although the US and EU have agreed to cooperate on creating secure semiconductor supply chains, American and European firms ultimately compete over access to critical inputs and leadership in the development of the technologies. Regarding the latter, there is a risk of a subsidy race between the US and the EU – for example, via the proposed EU Chips Act²⁴ and the US CHIPS and Science Act of 2022.²⁵ The former seeks to mobilize €43 billion in investment for the EU’s semiconductor sector by 2030, while the latter provides \$52.7 billion for American semiconductor research, development and manufacturing. Both sides have vowed to ‘avoid [...] subsidy races’²⁶ and discussions in the TTC can help. But such an outcome is far from assured.

Although the US and EU have agreed to cooperate on creating secure semiconductor supply chains, American and European firms ultimately compete over access to critical inputs and leadership in the development of the technologies.

In October 2022, the US imposed controls on semiconductor technology exports to China, and it is willing to compel foreign partners to fall in line through extraterritorial measures. This step could have implications for the competitiveness of the EU semiconductor industry.²⁷

The EU’s legislative package on digital issues and plans for a carbon border adjustment mechanism (CBAM) could also have implications for transatlantic trade and economic openness. Other examples concern the EU’s planned anti-coercion instrument, which would allow Brussels to impose trade and investment restrictions against economic rivals like Beijing and even Washington as a tool of last resort, or the EU’s new Foreign Subsidies Regulation, which will give the European Commission extensive powers to investigate and redress alleged distortions caused by subsidies granted by non-EU countries. The TTC could be required to defuse such tensions.

²⁴ European Parliament (2022), ‘European Chips Act (semi-conductors) in “A Europe Fit for the Digital Age”’, [https://www.europarl.europa.eu/legislative-train/theme-a-europe-fit-for-the-digital-age/file-european-chips-act-\(semiconductors\)](https://www.europarl.europa.eu/legislative-train/theme-a-europe-fit-for-the-digital-age/file-european-chips-act-(semiconductors)).

²⁵ The White House (2022), ‘FACT SHEET: CHIPS and Science Act Will Lower Costs, Create Jobs, Strengthen Supply Chains, and Counter China’, 9 August 2022, <https://www.whitehouse.gov/briefing-room/statements-releases/2022/08/09/fact-sheet-chips-and-science-act-will-lower-costs-create-jobs-strengthen-supply-chains-and-counter-china>.

²⁶ European Commission and Executive Office of the President of the United States (2022), *EU-U.S. Joint Statement of the Trade and Technology Council*, 16 May 2022, <https://www.consilium.europa.eu/media/56726/eu-u-s-joint-statement-of-the-trade-and-technology-council.pdf>.

²⁷ Nellis, S., Freifeld, K. and Alper, A. (2022), ‘U.S. aims to hobble China’s chip industry with sweeping new export rules’, Reuters, 10 October 2022, <https://www.reuters.com/technology/us-aims-hobble-chinas-chip-industry-with-sweeping-new-export-rules-2022-10-07>.

Promotion of democratic values vs the rules-based international order

The previous point leads to the wider framing of the TTC. The US has previously pushed for a clear division between democracies and autocracies. In contrast, the EU has traditionally differentiated between those countries that respect the rules-based international system and those that do not – thus allowing for partnerships with certain countries that are significant economic players but have non-democratic regimes, such as Vietnam. But since Russia’s invasion of Ukraine, the EU is increasingly willing to back the US in its eagerness to oppose authoritarian regimes.

More recently, the US has taken a more nuanced approach: the National Security Strategy published in October 2022 distinguishes between autocracies with revisionist foreign policies (and that are willing to use force to reshape the existing international order) and those working within the existing order.²⁸ This approach acknowledges that many non-democracies agree with democratic countries on preserving the autonomy and rights of less powerful states.

The TTC seeks to combine both approaches. Recent statements emphasize that the transatlantic partnership is based on a shared commitment to freedom, democracy and respect for human rights, while calling out ‘authoritarian policies’.²⁹ The US and EU also state that they ‘oppose actors who threaten the multilateral rules-based order and fundamental principles of international law’.³⁰

Rules vs tools

US trade representative Katherine Tai has indicated a shift in US policy from seeking to shape trade rules to developing trade tools for use if other countries do not play by the rules or if those rules take too long to enforce.³¹ This represents a shift away from decades of US trade policy. In part, the shift reflects the ongoing US move from pursuing traditional free trade agreements in favour of new models of cooperation via flexible platforms such as the TTC and IPEF. It also reflects the ongoing uncertainty about the WTO’s ability to uphold the rules-based order.³² With that organization still in crisis, trade ministers committed in June 2022 to ‘conduct discussions with the view to having a fully and well-functioning dispute settlement system accessible to all Members by 2024’.³³ But it remains to be seen if the US will give up its current hold on the appointments and reappointments

²⁸ The White House (2022), *National Security Strategy*, October 2022, <https://www.whitehouse.gov/wp-content/uploads/2022/10/Biden-Harris-Administrations-National-Security-Strategy-10.2022.pdf>.

²⁹ European Commission and Executive Office of the President of the United States (2022), *EU-U.S. Joint Statement of the Trade and Technology Council*.

³⁰ Ibid.

³¹ See Rashish, P. S. (2022), ‘Rules or Tools?’, American Institute for Contemporary German Studies at Johns Hopkins University, 16 February 2022, <https://www.aicgs.org/2022/02/rules-or-tools/>; and Office of the U.S. Trade Representative (2021), ‘Remarks As Prepared for Delivery of Ambassador Katherine Tai Outlining the Biden-Harris Administration’s “New Approach to the U.S.-China Trade Relationship”’, 4 October 2021, <https://ustr.gov/about-us/policy-offices/press-office/speeches-and-remarks/2021/october/remarks-prepared-delivery-ambassador-katherine-tai-outlining-biden-harris-administrations-new>.

³² For a full discussion of the challenges facing the WTO and long-standing US concerns, see Schneider-Petsinger, M. (2020), *Reforming the World Trade Organization: Prospects for transatlantic cooperation and the global trade system*, Research Paper, London: Royal Institute of International Affairs, <https://www.chathamhouse.org/2020/09/reforming-world-trade-organization>.

³³ World Trade Organization (2022), ‘MC12 Outcome Document’, Ministerial Conference 12th Session, adopted on 17 June 2022, <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/MIN22/24.pdf&Open=True>.

for the WTO appellate body. Meanwhile, on the EU side, the anti-coercion instrument presents a new tool. In short, with the rules-based order under attack and in light of ongoing domestic concerns about trade agreements, the shift in emphasis from rules to tools will likely continue.

The TTC's nature as a forum for cooperation (implying a focus on tools) rather than negotiation (implying a focus on rules) fits well with this shift. To address the most pressing current trade challenges, such as supply-chain resilience, the TTC – with its emphasis on information exchange to anticipate shortages and efforts to increase production while avoiding subsidy races – might be better suited than negotiations for a traditional free trade agreement.³⁴ However, a transatlantic trade agreement could help with diversifying sources of supply in the long term.

Technical vs political

The work of the TTC tries to balance deep technical collaboration between officials and high-level political engagement. The bi-annual ministerial-level meetings of the TTC have succeeded in gaining public attention and signalling political will. But it is at the working group level where officials carry out the technical work needed to turn political decisions into action. Examples include collaboration over export controls and alignment in technical areas like EV-charging technologies.

At the same time, the TTC is becoming more openly political. The TTC statement from May 2022 mentioned Russia 56 times, and indicates that the TTC members realize the need to stand up for their shared values and defend the rules-based international order.³⁵ The December 2022 meeting of the TTC was more equally focused on Russia and China. While the former was mentioned 10 times in the joint statement, the latter was explicitly referenced twice and indirectly implied several times in sections dealing with non-market economic policies and practices, economic coercion and investment screening.³⁶

The TTC has also been politicized by events outside of its scope. For example, after the announcement of AUKUS (a security agreement between Australia, the UK and the US that supplanted a submarine deal between France and Australia), France's strong objections raised doubts about whether the first TTC meeting would go ahead.³⁷ In the end, the meeting proceeded as planned.

³⁴ For a more detailed discussion of transatlantic efforts to strengthen supply-chain resilience, see Schneider-Petsinger, M. (2021), *US and European strategies for resilient supply chains: Balancing globalization and sovereignty*, Research Paper, London: Royal Institute of International Affairs, <https://www.chathamhouse.org/2021/09/us-and-european-strategies-resilient-supply-chains>.

³⁵ European Commission and Executive Office of the President of the United States (2022), *EU-U.S. Joint Statement of the Trade and Technology Council*.

³⁶ The White House (2022), 'U.S.-EU Joint Statement of the Trade and Technology Council'.

³⁷ Aarup, S. A. (2021), 'EU confirms transatlantic Trade and Tech Council to proceed', Politico, 23 September 2021, <https://www.politico.eu/article/no-delay-to-trade-and-tech-council-launch-commission-confirms>.

Relationship to other forums

The TTC complements other US–EU forums, such as the regular US–EU Summits, high-level meetings of the US–EU Dialogue on China,³⁸ and the newly established US–EU High-Level Dialogue on Russia.³⁹

This section explores how the TTC fits into the growing landscape of minilateral forums and international organizations. It also assesses the opportunities to create synergies with those existing structures while avoiding the risks of duplication.

WTO

TTC Working Group 10 deals with global trade challenges, but the TTC's scope does not specifically include WTO reform. Nonetheless, in previous TTC statements, the US and EU have reiterated their commitment to progressing reform, including of the WTO's negotiating, monitoring and dispute settlement function. As part of the TTC, the US and EU seek to strengthen bilateral information exchange to pre-empt trade barriers, but 'without duplicating discussions under existing channels, such as in the WTO'.⁴⁰

On trade and climate/environmental matters, the TTC aims to support work in international forums, including on the implementation of the WTO statement on the Trade and Environmental Sustainability Structured Discussions. Efforts under TTC Working Group 2 on climate and green tech could also inform discussions at the WTO on the Government Procurement Agreement.

At the intersection of trade and labour – for example, the eradication of forced labour in global supply chains – the TTC has indicated readiness to identify opportunities for coordination with key forums and organizations including the WTO, but also the International Labour Organization, OECD, G7 and G20.

A key pillar for Working Group 10 is strengthening cooperation to address trade-distortive non-market policies and practices of third countries. In this regard, working with like-minded partners is critical: the US–EU–Japan trilateral initiative on non-market practices was launched in 2017; ministers from the three economies renewed their partnership in 2021.⁴¹ This trilateral mechanism feeds into efforts, for example, to strengthen existing WTO rules on industrial subsidies.

³⁸ U.S. Department of State (2022), 'U.S.-EU: Consultations Between EEAS Secretary General Stefano Sannino and United States Deputy Secretary Wendy Sherman', 22 April 2022, <https://www.state.gov/u-s-eu-consultations-between-eeas-secretary-general-stefano-sannino-and-united-states-deputy-secretary-wendy-sherman>.

³⁹ European Union External Action Service (2022), 'EU/US: Joint Press Release by the EEAS and U.S. Department of State on the First High-Level Dialogue on Russia', 30 March 2022, https://www.eeas.europa.eu/eeas/euus-joint-press-release-eeas-and-us-department-state-first-high-level-dialogue-russia_en.

⁴⁰ European Commission and Executive Office of the President of the United States (2022), *EU-U.S. Joint Statement of the Trade and Technology Council*.

⁴¹ Office of the United States Trade Representative (2021), 'Joint Statement of the Trade Ministers of the United States, Japan, and the European Union After a Trilateral Meeting', 30 November 2021, <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2021/november/joint-statement-trade-ministers-united-states-japan-and-european-union-after-trilateral-meeting>.

G7

The TTC, and the relationships established between US and EU officials as a result, have provided a foundation for common approaches among G7 members in response to Russia’s invasion of Ukraine (around export controls, for example).

The launch of a TTC taskforce on public financing to promote secure and resilient connectivity and ICTS supply chains in third countries can support collective efforts of the G7’s global development initiative. Collaborations with Jamaica and Kenya announced at the December 2022 TTC meeting⁴² specifically refer to commitments made under the transatlantic partners’ flagship global development initiatives – the EU’s Global Gateway and the US-led G7 Partnership for Global Infrastructure and Investment (PGII).⁴³

Another area where TTC efforts are closely linked to those of the G7 is cooperation to address Russian disinformation in third countries regarding food security. The US and EU have emphasized that dialogue under the TTC ‘should be complementary to existing frameworks and initiatives, including the G7 Rapid Response Mechanism’.⁴⁴

OECD

The AI Roadmap announced at the December 2022 TTC meeting will not only inform approaches to AI risk management and trustworthy AI on both sides of the Atlantic, but also support collaborative approaches at the international level.⁴⁵ In particular, this work will be informed by and leverage ongoing efforts within the OECD.

US–EU cooperation under the TTC concerning the eradication of forced labour in global supply chains can also go hand in hand with efforts at the OECD to advance responsible business conduct.

UN

TTC Working Group 6, dealing with threats to security and human rights arising from the misuse of technology, stresses that the US and EU will ‘engage multilaterally, including with and within the United Nations, in particular the Office of the United Nations High Commissioner for Human Rights’.

Minilateral groups

If carefully managed, the TTC can be a strong component of the ‘latticework of alliances and partnerships globally that are fit for purpose for the 21st century’ mentioned in the October 2022 US National Security Strategy.⁴⁶

The TTC partners are committed to advance the Declaration for the Future of the Internet, which both the US and EU signed in April 2022 alongside approximately 60 other partners, including Canada and the UK.⁴⁷ The declaration

⁴² The White House (2022), ‘U.S.-EU Joint Statement of the Trade and Technology Council’.

⁴³ The White House (2022), ‘FACT SHEET: President Biden and G7 Leaders Formally Launch the Partnership for Global Infrastructure and Investment’, 26 June 2022, <https://www.whitehouse.gov/briefing-room/statements-releases/2022/06/26/fact-sheet-president-biden-and-g7-leaders-formally-launch-the-partnership-for-global-infrastructure-and-investment>.

⁴⁴ Ibid.

⁴⁵ The White House (2022), ‘U.S.-EU Joint Statement of the Trade and Technology Council’.

⁴⁶ The White House (2022), *National Security Strategy*.

⁴⁷ European Commission (2022), *Declaration for the Future of Internet*, 28 April 2022, <https://digital-strategy.ec.europa.eu/en/library/declaration-future-internet>.

focuses on principles concerning universal access, human rights, openness and fair competition – these principles now need to be put into practice. If the TTC succeeds in strengthening US–EU cooperation, the partners can support broader alignment on data governance and platforms at the global level.

The TTC’s work on secure supply chains is connected to other minilateral initiatives with like-minded partners. For instance, the May 2022 TTC statement references the Conference on Critical Materials and Minerals between the EU, US, Japan, Australia and Canada, launched in 2011. In June 2022, the same partners formed a new alliance with additional allies to bolster critical mineral supply chains – the Minerals Security Partnership (MSP). It is currently unclear how TTC efforts, the Conference or the MSP relate to each other. But these potentially overlapping initiatives can be leveraged to enhance collaboration and coordination on supply-chain policy.

During the Indonesian presidency in 2022, the G20 has survived questions over Russia’s membership and friction caused by members’ varied positions on the Russian invasion of Ukraine. But maintaining a fully functional G20 will be an ongoing challenge. On specific global policy issues such as trade and technology, the G20 is likely to become less conducive to deeper cooperation with India taking on the presidency in 2023. India’s restrictions on the internet and its occasionally unconstructive role in the WTO, for example, are potential obstacles in those areas. The US and EU have therefore focused their efforts on the G7 and will continue to do so.

In contrast to the US–EU TTC, where trade and technology issues are closely balanced, tech is expected to be a larger component of the EU–India TTC than trade.

Despite bearing the same name as the US–EU version, the EU–India TTC, launched in April 2022,⁴⁸ is likely to take a different form. Both sides are currently defining ‘the objectives, scope and format for the EU-India Trade and Technology Council’.⁴⁹ In contrast to the US–EU TTC, where trade and technology issues are closely balanced, tech is expected to be a larger component of the EU–India TTC than trade.⁵⁰ It should be noted, though, that the EU and India formally relaunched negotiations on a free trade agreement in June 2022, in parallel to their TTC.⁵¹ No similar negotiations are currently taking place in the US–EU context.

⁴⁸ European Commission (2022), ‘EU-India: Joint press release on launching the Trade and Technology Council’, 25 April 2022, https://ec.europa.eu/commission/presscorner/detail/en/IP_22_2643.

⁴⁹ European Commission (2022), ‘EU and India kick-start ambitious trade agenda’, 17 June 2022, https://policy.trade.ec.europa.eu/news/eu-and-india-kick-start-ambitious-trade-agenda-2022-06-17_en.

⁵⁰ Remarks made at a roundtable discussion held under the Chatham House Rule, June 2022.

⁵¹ European Commission (2022), ‘EU and India kick-start ambitious trade agenda’.

The path ahead: priorities for action

The TTC ministerial meeting in December 2022 offered the US and EU a chance to show progress and deliver tangible results across a limited number of areas, such as the AI Roadmap and financing digital infrastructure in third countries. But while the outcome was positive, more work needs to be done – both with regard to advancing these new initiatives and to developing new ones.

Ahead of the next TTC ministerial meeting in mid-2023, certain issues stand out where progress is most likely and where action is most needed for the TTC to show success.

First, advances on the AI Roadmap could be easily achieved. In particular, creating a common terminology and shared taxonomies could not only help to showcase that the TTC is able to deliver on its ambitions, but it would also help broader efforts to build trust. Cooperation on technical standards and tools for trustworthy AI and risk management could also be a model for cooperation on standards in other areas.

Second, the US and EU need to successfully deliver on the digital infrastructure and connectivity projects with Jamaica and Kenya announced in December 2022. The US and EU might also consider launching further pilot projects associated with the transatlantic taskforce on public financing for digital infrastructure in other low- and middle-income countries. To better enable collaboration on financing for connectivity in third countries – and to contribute to broader G7 efforts – the transatlantic partners stand a better chance of success by enhancing coordination between the US Development Finance Corporation and the European Investment Bank.

Third, and perhaps most important, specific initiatives on clean energy would be impactful and would demonstrate the usefulness of the TTC and its Transatlantic Initiative on Sustainable Trade. Cooperation between the US and EU is needed to reduce carbon emissions and accelerate the deployment of low carbon products and technologies. Given the potential for transatlantic friction over CBAMs, both sides of the Atlantic should focus on their stated objective to align methodologies to calculate the carbon intensity of certain products as part of TTC Working Group 2.

But progress on clean tech and energy need not be limited to the TTC. In fact, leaders from the US and EU pledged to create a ‘Transatlantic Green Technology Alliance’ in June 2021, but this mechanism is not up and running yet.⁵² Efforts under the TTC could help to establish that alliance and reinvigorate existing mechanisms, such as the US–EU Energy Council (created in 2009; it has met nine times since, most recently in February 2022 after a four-year hiatus).⁵³ It is critical for the US and EU to use multiple vehicles to strengthen strategic cooperation on energy, climate and clean technology. Such efforts are likely to focus on strengthening the energy security of partner countries amid the challenges caused by the war in Ukraine, as well as accelerating the transition to clean energy.

⁵² Hamilton, D. S. (2022), ‘It’s time to forge a transatlantic clean technology alliance’, The Hill, 27 June 2022, <https://thehill.com/opinion/technology/3538332-its-time-to-forge-a-transatlantic-clean-technology-alliance>.

⁵³ European Commission (2022), ‘EU-US cooperation on energy issues’, https://energy.ec.europa.eu/topics/international-cooperation/key-partner-countries-and-regions/united-states-america_en#eu-us-energy-council.

In addition to these three main areas of cooperation, there will likely be progress around specific issues. For example, the US and EU plan to launch a pilot project on privacy-enhancing technologies in 2023. They will also continue work towards a common standard for charging heavy-duty EVs (such as buses, coaches and trucks), to be adopted by 2024.

In the context of Russia’s invasion of Ukraine, the US and EU will likely seek to expand their cooperation on export controls to like-minded partners. Transatlantic efforts to build resilient semiconductor supply chains will build on the early warning mechanism and focus on transparency measures. Such transparency measures would not only help the TTC deliver tangible outcomes, but also play a key role in avoiding a US–EU subsidies race and potential trade war.

How to measure success? And how long will the TTC last?

While it is difficult to identify metrics by which to judge the success of the TTC, general indicators exist. Among them are higher levels of cooperation and renewed trust between the US and EU. The level of stakeholder outreach and engagement play an important role in this regard. A key challenge is how to assess such indicators without being simplistic – a high number of meetings, for example, does not necessarily indicate progress.

A further aspect is the complexity around what success for the TTC looks like at different levels – whether that is bilateral, minilateral/plurilateral or multilateral. If the EU and the US were to agree on a set of common tech standards that increases bilateral trade and investment, then arguably the TTC has been successful. But if doing so has negative spillover effects for third countries, this would raise questions about the TTC’s overall success.

Putting specific metrics aside, indicators as to the TTC’s effectiveness could include overcoming barriers that the US and EU face in third countries, especially in emerging technologies. As the European Commission develops its own unilateral trade defence measures and the US considers what tools it might use, avoiding collateral damage would itself be an achievement.

If the TTC cannot deliver by early 2024 – in the run-up to both the US presidential election and the end of the five-year terms of the European Commission and Parliament – it will quickly lose credibility. Unless measurable outcomes are produced, it will be difficult to sustain political interest at the ministerial level. Failure to make tangible progress on TTC initiatives would be seen as a loss for the Biden administration and its efforts to revive transatlantic relations after the Trump presidency.

The potential re-election of Trump as US president, or the election of a politician with a similar worldview, is already casting a shadow over Europe’s approach to relations with the US. To future-proof (i.e. Trump-proof) the TTC, a ‘parliamentary component’ could be added to strengthen the existing ties between US and EU legislators and reduce the impact of a hostile presidency. For example, members of the European Parliament and US Congress could hold meetings in conjunction with those of the TTC. Such efforts would not only cement the TTC’s organizational structure, but also reinforce other mechanisms such as the Transatlantic Legislators’ Dialogue.

At a time when trade and technology issues are under increased scrutiny, broader engagement with key stakeholders could alleviate concerns regarding lack of congressional oversight.⁵⁴ The idea of a ‘congressional advisory council’ to the TTC has already been floated.⁵⁵

Despite the above-mentioned emphasis on delivery, the main benefit of the TTC might therefore lie in the creation and maintenance of an extensive network of officials (especially through regular meetings of mid-tier officials), plus regular stakeholder engagement, on both sides of the Atlantic that could uphold cooperation even in the event of Trump’s return.

TTC and variable geometry

As the TTC evolves, it could emerge as a central platform among the growing number of groupings of variable geometry – which includes recent minilateral initiatives as well as more established forums. Issues will ultimately determine which forum emerges as the best vehicle to drive forward discussions and build consensus. On topics where bilateral discussions are sufficiently developed, the US and EU can have greater impact if they reach out to like-minded partners. Initially, there could be ad hoc invitations to join TTC taskforce or working group discussions. Further steps could involve TTC spin-offs with key partners on issues of shared concern. Important partners could include Australia, Canada, Japan and the UK. The inclusion of Canada and the UK would make the TTC a truly transatlantic initiative.

The UK in particular could add value to TTC discussions on AI and digital trade issues. Strengthening US–EU–UK cooperation would allow the TTC to align more closely with discussions under the UK–US Dialogue on the Future of Atlantic Trade, launched in 2021.⁵⁶ There are also possible synergies around efforts to build resilient supply chains in critical sectors; support the rules-based global trade system; promote better alignment between trade and climate ambitions; and create economic growth for workers and businesses on both sides of the Atlantic.

Conclusion

The TTC is at an inflection point amid structural and cyclical challenges. The first of these challenges is to continue the shift from agenda-setting to delivering results. Second, the upcoming 2024 election cycle – with reference to the US presidential election, but also to the expiry of the current European Commission and Parliament’s terms – has the potential to usher in a period where the US and EU are both more inward-looking. Third, bilateral disputes could resurface or new ones could emerge. In this regard, finding a resolution to the EU’s concerns over the US’s Inflation Reduction Act will be a critical test. Finally, for the TTC to deliver on its promise, the US and EU need to find opportunities to work more closely with like-minded partners – especially Canada and the UK – and adjacent forums.

⁵⁴ Akhtar et al. (2022), *U.S.-EU Trade Relations*.

⁵⁵ Ibid.

⁵⁶ Department for International Trade (2022), ‘Joint statement on UK-U.S. dialogue on future of Atlantic trade in Aberdeen’, 26 April 2022 (updated 14 June 2022), <https://www.gov.uk/government/news/joint-statement-on-uk-us-dialogue-on-future-of-atlantic-trade-in-aberdeen#full-publication-update-history>.

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