European Parliament

EU-US Trade and Technology Council
Modest progress in a challenging context

SUMMARY

The European Union-United States Trade and Technology Council (TTC) was launched during a June 2021 summit. The aim was to revitalise transatlantic cooperation, boost bilateral trade and investment, and strengthen the parties' technological and industrial leadership, while preserving shared values. The TTC has held three high-level political meetings so far. These ministerial meetings steer cooperation within the TTC and guide its 10 working groups on technology standards, secure supply chains, tech regulation, global trade challenges, climate and green technologies, investment screening and export controls. The first two meetings focused on launching the TTC and setting its agenda, while the third – in December 2022 – was described as a 'shift to deliverables'.

The war in Ukraine has strengthened the transatlantic alliance and created numerous new challenges, to which the TTC has responded, in particular with a swift and coordinated roll-out of export controls. The latest TTC meeting agenda was also influenced by the US Inflation Reduction Act (IRA). Adopted in August 2022, this act earmarked nearly US$370 billion to boost the US fight against climate change and its domestic industry. While some in the EU have approved this increased commitment on the part of the US to climate-related spending, others have voiced concerns about the risks of the IRA triggering a relocation of EU businesses to the US in pursuit of the generous subsidies, grants and tax credits the newly adopted act has promised.

So far, the TTC's work has focused mostly on information sharing, joint mapping, defining best practice, identifying risks and exploring options for closer cooperation. The third meeting made progress on artificial intelligence standards, global connectivity, transparency of semiconductor supply chains, meaningful dialogue on forced labour and due diligence, sustainable trade, post-quantum encryption and China's non-market practices. Observers are divided on whether the TTC should tackle major bilateral trade irritants or work mainly on the forward-looking policies. All agree, however, that the next meeting, set to take place in May or June 2023 in Sweden, must deliver substantial and tangible results if the TTC is to remain relevant and not lose momentum.

IN THIS BRIEFING

- Context
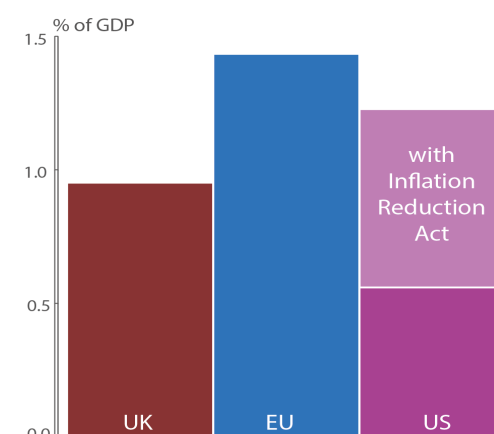- The run-up to the Maryland meeting
- Main deliverables
- Expert views

EN

Context

The European Commission first floated the idea of an EU-US Trade and Technology Council (TTC) in December 2020, following Joe Biden's election as the US president. After difficult times during the Trump administration – marked by frictions in trade and digital and taxation policies – this change of president reinvigorated transatlantic relations, with both sides seeking a 'fresh start'. Consequently, the TTC was launched formally on 15 June 2021 by Commission President Ursula von der Leyen and US President Joe Biden. Its main goals are to facilitate trade, increase investment, develop compatible standards, stimulate innovation and boost the two partners' technological and industrial leadership in the world. In addition to addressing key digital and trade issues of mutual importance, the TTC has opened up new areas of cooperation such as strategic supply chains and climate and clean tech. Even before the Russian war against Ukraine, its remit included important geopolitical and security tools, such as export controls and investment screening.

The TTC holds high-level annual meetings to steer cooperation and provide guidance to its 10 operational working groups, which focus on transforming the political decisions into tangible results.[1] The first meeting, focused on agenda setting, took place on 29 September 2021 in Pittsburgh, Pennsylvania. It concluded with a statement presenting the first outcomes of the work and the specific tasks to be achieved by the next meeting by all working groups.[2] It also outlined the more detailed steps to be taken in five priority areas: foreign direct investment screening, export controls, artificial intelligence (AI), semiconductor supply chains and global trade challenges.

The second meeting took place on 16 May 2022 in Paris-Saclay. In the light of Russia's recent invasion of Ukraine, the meeting's agenda focused strongly on cooperation on sanctions and export controls. The resulting joint statement mentioned 'Russia' 56 times and largely dwelled on the war and its effects. It also presented the progress made since the inaugural meeting and specified the next tasks for each of the working groups. Notable deliverables included: i) establishing a strategic standardisation information (SSI) mechanism; ii) identifying common vulnerabilities and risks in solar panels and rare-earth magnets-supply chains; iii) launching cooperation on information integrity in a crisis; iv) creating a taskforce to promote the use of trusted/non-high-risk

Figure 1 – EU, US and UK climate-related spending by 2025 (% of GDP)

Data source: Atlantic Council.

information and communication technology and services (ICTS) suppliers in third countries; v) launching an early-stage trade coordination dialogue to exchange information on potential trade barriers by third countries; and vi) establishing a trade and labour dialogue.

The run-up to the Maryland meeting

The time between the second and the third meeting was marked by intensifying geostrategic and economic challenges such as the continuing war in Ukraine and high levels of inflation and energy prices. These difficulties highlighted the need for and relevance of a strong and close transatlantic relationship, and the TTC's pivotal role in shaping it.

The run-up to the meeting was particularly affected by the US Inflation Reduction Act adopted in August 2022. The IRA earmarked federal funds worth around US$370 billion – the largest in US history – for climate and energy, thereby bringing US spending in this area closer to that of the EU and above that of the United Kingdom (UK) (see Figure 1).[3]

Together with the Bipartisan Infrastructure Law and the Chips and Science Act, the IRA will provide additional federal funding worth US$2 trillion over the next 10 years to improve the competitiveness and innovativeness of the US economy with a special focus on jobs in the manufacturing sector. The above-mentioned US$370 billion will be channelled towards clean energy technologies and green investment to lower the greenhouse gas (GHG) emissions – to be distributed as a mix of tax cuts, grants, subsidies and loan guarantees. Support to the fight against climate change will be accomplished with tools such as tax credits in the form of direct consumer incentives for a wide range of promoted purchases of goods such as electric vehicles, energy-efficient appliances, heat pumps and rooftop solar systems.
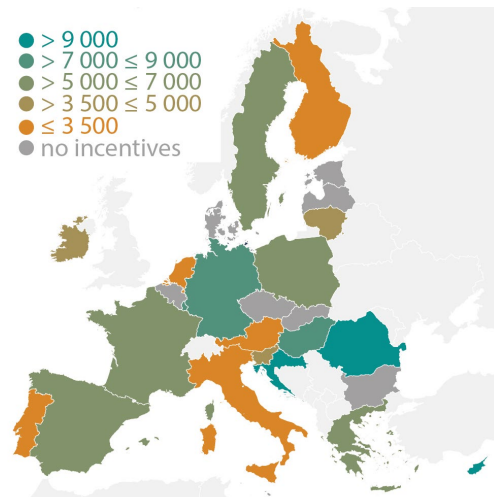
The IRA is not only a green industrial policy but also one that aims to bring manufacturing and employment to the US. Specifically, its subsidies come with conditions for expanding domestic employment and boosting wages. To revitalise domestic manufacturing, it will provide tax incentives for US-sourced products such as batteries, solar, and offshore wind components. Furthermore, clean-energy tax credits would be higher if the amount of US steel used in wind energy projects meets the domestic content threshold.

The IRA is a landmark in decarbonising the US economy. Moreover, it makes the US a more reliable EU partner in promoting the global climate change policies. However, it has also stirred some controversies in Europe and elsewhere, not least as regards its compatibility with World Trade Organization rules. According to von der Leyen, 'there is a risk that the Inflation Reduction Act can lead to unfair competition. Three aspects are particularly worrying: First of all, the "Buy American" logic, that underpins large parts of the IRA. Second, the tax breaks, that could lead to discrimination. And third, the production subsidies, that could disadvantage European companies'. Consequently, von der Leyen cautions that 'the elements of the IRA risk un-levelling the playing field'. Others fear that the IRA may trigger an EU-US subsidy race.

The IRA's scheme of tax credits for electric vehicles (EVs) has stirred up the greatest controversies. The act provides for a consumer tax credit of up to US$7 500 per purchased EV. For this to happen, two conditions must be met: first, at least 40 % of the critical raw materials used in the electric battery must have been extracted in the US or in a country with which the US has a trade agreement. This threshold will increase to 80 % by 2026. Second, at least 50 % of the battery components need to have been made or assembled in the US, Canada or Mexico (parties to the USMCA free trade agreement). This threshold will increase to 100 % by 2029. Importantly, the final assembly of the vehicle must

Figure 2 – Incentives for private buyers of electric vehicles (in € thousands).

S

- > 9 000
- > 7 000 ≤ 9 000
- > 5 000 ≤ 7 000
- > 3 500 ≤ 5 000
- ≤ 3 500
- no incentives

Data source: The European Automobile Manufacturers' Association.

be carried out in the USMCA area. US customers would not receive this tax credit if they buy European EVs. In the EU, 21 Member States offer varying incentives to private customers buying EVs (see Figure 2). These incentives range from €2 000 (Finland) to €19 000 (Cyprus) per car, but only eight countries offer the levels similar to or exceeding that of the future US subsidy (above €7 000). However, the EU does not discriminate against EVs made outside the bloc: for instance, customers buying US-made Teslas would still receive the national incentive. In this respect, the IRA creates obvious risks for the European automotive industry: presently, Europe accounts for more than a quarter of global EV production while the US for just 10 %. With the IRA, some European

manufacturers wishing to benefit from the subsidies may relocate their production to the US or at least develop US-integrated supply chains.[4]

The IRA also challenges other areas of EU industry: for example, it introduces tax credits to promote carbon capture and clean hydrogen, areas in which the EU is either already a global leader or intends to deepen its industrial expertise. According to the Institut Montaigne, the IRA, coupled with soaring energy prices in Europe that are much higher than in the US, creates 'an immediate risk that the EU's "green tech industry" relocates to the US to flee the bloc's high energy costs and low subsidies'. The possible wide-ranging impacts of the IRA on EU industry have spurred the EU to action: within the TTC framework, a dedicated US-EU Task Force on the Inflation Reduction Act was launched in October 2022 to address the EU's concerns in relation to the new act.

In November 2022, the EU submitted its preliminary stance on the IRA to the US Internal Revenue Service. It expressed concerns over nine of the IRA's tax credit provisions, underlining that: 'While each of these tax provisions is problematic by itself, the potential for cumulative market distortion and possible adverse effects is even greater. Given their size and design, the financial incentives deployed to meet the United States' climate objectives unfairly tilt the playing field to the advantage of production and investment in the United States at the expense of the European Union and other trading partners of the United States, potentially resulting in a significant diversion of future investment and production, threatening jobs and economic growth in Europe and elsewhere'.[5] The EU further argues that the US economy would receive a market-distorting boost that would be detrimental to competition on the global markets and transatlantic trade, investment and integrated production and supply chains. It also maintains that the IRA's requirements for domestic content and domestic assembly violate WTO rules.

Both the run-up to the third TTC meeting and the meeting itself were influenced by the discussions on the IRA. Following the meeting in Maryland and the work done by the task force, some of the EU concerns did get addressed. On 29 December 2022, the US issued guidance reaffirming that EU companies can benefit from the commercial clean vehicle credit scheme under the IRA, without the need for any changes to EU producers' established or foreseen business models. It is clear however, that this is a first step and more remains to be done to alleviate EU concerns.

> **A new EU Green Deal industrial plan**
>
> On 1 February 2023, the Commission announced a proposal for a new EU Green Deal industrial plan, meant to mitigate the possible undesirable consequences of the IRA and to make Europe the home of clean tech and industrial innovation on the road to net zero. The plan is based on four pillars: i) a net-zero industry act, to identify strategic goals for European clean tech and provide a regulatory framework conducive to its quick deployment. It will work in parallel with the anticipated critical raw materials act and the reform of the electricity market; ii) a temporary crisis and transition framework for state aid to speed up and simplify EU investment and financing. The Commission will also facilitate the use of existing EU funds and the important projects of common European interest for financing clean tech. To prevent fragmentation of the single market, a European sovereignty fund would be proposed as part of the 2023 mid-term review of the EU's multiannual budgetary framework (MFF); iii) developing skills for the green transition across EU policies, including through the establishment of net-zero industry academies and as priority for the 2023 European Year of Skills; and iv) facilitating open and fair trade with an ambitious trade agenda, through the development of a network of free trade agreements, the creation of a critical raw materials club bringing together raw materials 'consumers' and resource-rich countries to ensure global security of supply, and the creation of clean tech/net-zero industrial partnerships.

Main deliverables

The EU and US representations gathered in College Park, Maryland, on 5 December 2022 for their third ministerial-level TTC meeting. The meeting concluded with a joint statement, which outlined the parties' common views on geostrategic challenges – such as the war in Ukraine and trade and

technology – and presented the progress made since the second meeting. The inaugural Pittsburgh statement, which was 17 pages long, set the framework for cooperation. It was followed by a much more detailed, 47 pages-long Paris-Saclay statement, which presented the agenda for the working groups and dealt with the fallout from the war in Ukraine. The Maryland meeting was supposed to mark a shift to concrete deliverables. The statement produced after this meeting – contained in just six pages – no longer adhered to the previous format of discussing the work of each working group separately. While the Pittsburgh meeting was about launching the TTC and the Paris meeting about policy scoping and agenda setting, the Maryland meeting focused on initial outcomes. A detailed description of the progress and main outcomes achieved follows below.

On **Russia**, the allies underlined their commitment to stand firmly with Ukraine for as long as it takes to ensure its sovereignty, independence and territorial integrity. The EU and the US will continue to 'impose severe and immediate costs on Russia and hold it accountable for its brutal war against Ukraine, including through unprecedented cooperation on sanctions-related export restrictions, and countering Russian disinformation'. Belarus will also be held to account for its complicity in the war. The TTC working group on data governance and technology platforms and the one on misuse of technology threatening security and human rights are making efforts to address the spread of Russian information manipulation and interference and its impact on third countries, notably in Africa and Latin America. Furthermore, the partners expressed interest in identifying and addressing supply chain vulnerabilities, all the more acute because of Russia's invasion of Ukraine. As the war has demonstrated, the concentration of resources in key supply chains can expose both economies to challenging disruptions.

The TTC also took stock of the work of the dedicated EU-US Task Force on the **Inflation Reduction Act** and noted the preliminary progress made. The US acknowledged the EU's concerns and underlined its commitment to addressing them constructively. The statement underlined the TTC's role in achieving this and in 'supporting a successful and mutually supportive green transition with strong, secure, and diverse supply chains that benefit businesses, workers, and consumers on both sides of the Atlantic'.

Digital infrastructure and connectivity

The TTC launched joint initiatives with **Jamaica and Kenya** with the aim of supporting **secure and resilient digital connectivity** and ICTS supply chains provided by trusted suppliers. This work is aligned with the commitments under both the Global Gateway and the Partnership for Global Infrastructure and Investment initiatives.

In **Jamaica**, over 1 000 public schools and children's homes will be connected to robust, inclusive and secure internet services. The partners, together with the government and interested stakeholders, will also boost the digital competences of teachers and support the use of digital technologies by micro-, small-, and medium-sized enterprises. The EU and the US will also assist Jamaica's electric utility, Jamaica Public Service, to expand reliable and trustworthy public Wi-Fi infrastructure in the neighbourhood of the capital, New Kingston, with the potential to expand the service across the whole island. There will also be projects supporting secure and resilient rural broadband connectivity provided by trusted suppliers in the country.

The EU and the US, in cooperation with the government of **Kenya**, will support the implementation of the country's 2022-2032 national digital masterplan by expanding school connectivity and bridging gaps in the last-mile connectivity. First efforts will include the development of a fibre-optic network to connect to schools in remote areas, a policy roadmap for affordable, secure, trustworthy and meaningful connectivity, and training options to assist and create the next generation of digital professionals. The partners will also provide technical assistance to help Kenya update its telecommunications legislation and its 5G strategy in line with the principles established for high-quality global infrastructure projects at the second TTC meeting in Paris-Saclay.

The EU and the US also pledged to deepen their coordination on **financing digital infrastructure projects in third countries**, including through a memorandum of understanding between the European Investment Bank (EIB) and the US Development Finance Corporation (DFC), focused on increasing collaboration on financing secure connectivity in third countries and reflecting the EU's commitments under the Global Gateway strategy.

In the future, the working group on ICTS security and competitiveness will discuss transatlantic **subsea cables' connectivity and security**, including alternative routes such as the transatlantic route to connect Europe, North America and Asia.

Cooperation on new and emerging technologies

Following their shared commitment to develop and implement trustworthy artificial intelligence (AI), the partners adopted a first joint roadmap on evaluation and measurement tools for trustworthy AI and risk management. This roadmap will inform the approaches to AI risk management and trustworthy AI for both partners, and contribute to deeper collaborative approaches within international standards bodies relevant to AI. Moreover, a joint study on the **impact of AI on the workforce**, outlining EU and US case studies on hiring and logistics, was finalised. In the future, the EU and the US will build a shared **repository of metrics** for measuring AI trustworthiness and risk management methods. They will also work on a pilot project to assess the use of **privacy-enhancing technologies and synthetic data** in health and medicine, in line with the data protection rules. Following an initial agreement reached during the meeting, the partners entered in January 2023 into an administrative arrangement bringing together experts to explore **collaboration on AI research projects** addressing challenges in key focus areas such as extreme weather and climate forecasting; health and medicine; electric grid optimisation; agriculture optimisation; and emergency response management.

The EU and the US announced their intention to establish an expert task force to boost research and development collaboration on **quantum information science and technology**. The taskforce will develop common frameworks for assessing technology readiness, discuss intellectual property and export control-related issues, and advance joint work on international standards.

The EU and the US also launched work streams to intensify **standards cooperation** on additive manufacturing (3D printing), recycling of plastics, and digital identity, with further plans to start work on postquantum encryption and the internet of things (IoT). The prioritised technical and performance standards for cybersecurity are discussed in the EU-US cyber dialogue. Importantly, the allies rolled out the **strategic standards information (SSI) mechanism**, which will lead to voluntary information sharing on international standardisation activities and enable swift reaction to common strategic issues. This will also help to develop a common vision on research and development beyond 5G and 6G. To advance **EV uptake**, the allies worked on developing joint recommendations for future public demonstrations of vehicle-to-grid integration pilots as well as for publicly funded implementation of **electro-mobility charging infrastructure**. The important common international **Megawatt Charging Systems (MCS) standard** for heavy-duty vehicles is to be developed by 2024 at the latest.

Resilient semiconductor supply chains

The biggest breakthrough was the launch of an administrative arrangement to implement an **early warning mechanism** to address and mitigate semiconductor supply chain disruptions through cooperation. The parties also committed to unprecedented levels of reciprocal **transparency on semiconductor subsidies**, to avoid a subsidy race. They concluded an administrative arrangement for reciprocal sharing of information about public support measures. They will exchange information and methodologies, share best practices, and develop a common understanding of market dynamics. It will involve working with industry and improving a common understanding of forecasted global semiconductor demand to avoid overcapacity and bottlenecks. They will also explore cooperative initiatives in research in semiconductors. These joint efforts are designed to achieve a more resilient, sustainable and innovative semiconductors value chain.

The US semiconductor ban

In October 2022, the US Department of Commerce issued new export controls to China on the chips and advanced computing and semiconductor manufacturing items. The rules ban the export to China of advanced semiconductors, chip design software, manufacturing equipment, and US-built components of manufacturing equipment. These prohibitions cover not only exports from US firms but also apply worldwide to any firm that uses US semiconductor technology. The new controls also forbid US citizens, residents and green-card holders from working in the Chinese semiconductor industry.

Designed in the context of the tech cold war between the US and China, the aim of these controls is to hamper China's progress in AI and semiconductor technologies. While the full consequences of the ban are yet to materialise, the US has already concluded a deal with the Netherlands and Japan to join the ban. The former is home to ASML, producer of the world's most advanced semiconductor lithography systems, used for manufacturing cutting-edge semiconductors.

Promoting common values online

The two sides pledged to advance the principles of the Declaration for the Future of the Internet, such as **protection of universal human rights** and fundamental freedoms, a global internet, and inclusive and affordable access to the internet. They also agreed to intensify cooperation and mutual learning between EU- and US-funded emergency mechanisms to better support **human rights defenders** worldwide. They oppose the increasingly used practice of government-imposed **internet shutdowns**; a multi-stakeholder group of EU and US technical experts will document such shutdowns and their effects on society. The group released its first report in November 2022.

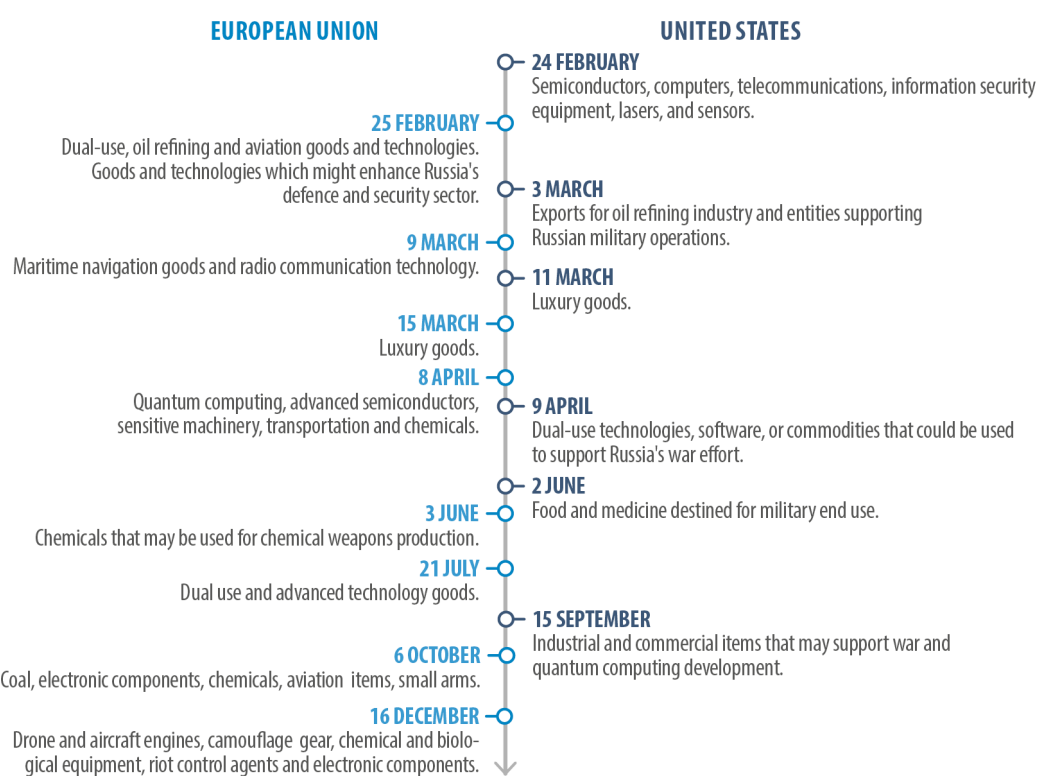## Trade, security and economic prosperity

Since the invasion of Ukraine, cooperation in the TTC has been pivotal for the prompt and coordinated deployment of **export controls** on advanced technologies against Russia (Figure 3).

To improve this cooperation, the two sides agreed to launch a **pilot exchange of information** on specific EU exports to the US and vice versa. The aim is to simplify transatlantic trade with regard to exports and re-exports of dual-use items and technologies while ensuring appropriate safeguards against misuse. To facilitate trade, the partners publish multilateral control list revisions. The TTC agreed on further cooperation on the export controls of **sensitive and emerging technologies.**

The two sides had technical exchanges on **investment screening** and announced their intention to continue the discussion on security risks related to specific sensitive technologies, including those concerning critical infrastructures. They will also holistically assess the policy tools available to address them.[6]

To address concerns about a range of **non-market policies and practices**, the two sides started exchanging information on the market situation of their medical devices companies in China. They plan to cooperate on exploring options for policy tools that could address these non-market policies and practices. They also stated they would continue their efforts to build a shared understanding of China's economic and industrial directives and other non-market policies and practices, and develop a coordinated line of action to foster supply chain diversification, build resilience to economic coercion, and reduce dependencies. The two parties pledged to identify and address **economic coercion**, which is becoming an increasing concern, and to 'explore potential coordinated or joint efforts, bilaterally and with other likeminded partners, to improve our assessment, preparedness, resilience, deterrence, and responses'.

Figure 3 – Main EU and US export controls on trade with Russia since its invasion of Ukraine

EUROPEAN UNION

UNITED STATES

24 FEBRUARY
Semiconductors, computers, telecommunications, information security equipment, lasers, and sensors.

25 FEBRUARY
Dual-use, oil refining and aviation goods and technologies. Goods and technologies which might enhance Russia's defence and security sector.

3 MARCH
Exports for oil refining industry and entities supporting Russian military operations.

9 MARCH
Maritime navigation goods and radio communication technology.

11 MARCH
Luxury goods.

15 MARCH
Luxury goods.

8 APRIL
Quantum computing, advanced semiconductors, sensitive machinery, transportation and chemicals.

9 APRIL
Dual-use technologies, software, or commodities that could be used to support Russia's war effort.

2 JUNE
Food and medicine destined for military end use.

3 JUNE
Chemicals that may be used for chemical weapons production.

21 JULY
Dual use and advanced technology goods.

15 SEPTEMBER
Industrial and commercial items that may support war and quantum computing development.

6 OCTOBER
Coal, electronic components, chemicals, aviation items, small arms.

16 DECEMBER
Drone and aircraft engines, camouflage gear, chemical and biological equipment, riot control agents and electronic components.

Source: European Commission, US Treasury, The Peterson Institute for International Economics.

Enhancing transatlantic trade

Transatlantic EU-US trade is the biggest bilateral trade relationship in the world, with significant benefits for both economies. The annual trade in goods alone is worth over €1 trillion. To further facilitate this trade, the TTC agreed to extend the Mutual Recognition Agreement **(MRA)** on **marine equipment** (to include certain radio equipment) and to expand the MRA on **pharmaceuticals** (to include vaccines and plasma-derived pharmaceuticals for human use). Furthermore, ministers supported the efforts on **conformity assessment**, starting with discussions on the machinery sector. They also supported the idea of digitalising existing MRAs, to make them more attractive. The allies will continue to improve cooperation in conformity assessment, including in machinery and other sectors. Finally, the two sides will commence a pilot project on **digital tools** initiatives that help to decrease trade-related red tape. Building on this, joint best practices for the use of digital tools will be developed.

Trade-related environment, labour, and health initiatives

In order to boost the role of trade in reduction of carbon emissions and accelerating the deployment and uptake of environmental technologies, the TTC launched a **transatlantic initiative on sustainable trade**. It will identify actions in key areas of trade and environmental sustainability that support the shared twin goals of a green and sustainable future, while increasing transatlantic trade and investment. The initiative will also identify opportunities to decarbonise the energy-intensive industries and facilitate the deployment of goods and services indispensable for the transition to more circular and net-zero economies.

In September 2022, the EU and the US held a first trade and labour dialogue during which the stakeholders, representing labour, business and government, discussed impacts of digital trade on transatlantic workforces as well as measures taken to alleviate the persisting high inflationary pressure, and how to ensure that such measures contribute to robust transatlantic trade. Another topic was the critical importance of eradicating **forced labour** in global trade and supply chains.[7]

The EU and the US also announced plans to work together in the appropriate fora to facilitate the **exchange of health information** to support research, innovation, and progress in public health, while complying with data protection requirements.

Developing talent for the digital transition and economic growth

At the Maryland meeting, the sides also announced the launch of a **Talent for Growth Task Force** that will bring together stakeholders from the government, business leaders, labour, and training organisations with the goal of exchanging best practices and of serving as a catalyst for innovative skills policies. The Talent for Growth Task Force will advise the TTC on the actions needed to develop training systems for working-age populations and on new ways of talent recognition. It will promote common taxonomies and tools, inspire innovation on training programs, and engage the public on careers in technology sectors. It will also contribute to building a skilled workforce that fosters growth and uninterrupted supply chains, while providing SMEs with access to skilled professionals and helping to generate middle-income jobs.

The statement ends with the **conclusion** that 'these outcomes represent tangible progress across all work streams established under the TTC. We are committed to advancing these projects and developing new ones as we deepen and grow the transatlantic economic relationship, based on our shared values and principles.'

The next meeting is scheduled to take place in May or June 2023 in the Swedish town of Luleå. Following his meeting on 17 January 2023 with US Trade Representative Katherine Kai, Commission Executive Vice-President Valdis Dombrovskis announced that, in the run-up to the fourth ministerial, the TTC will intensify the development of the Transatlantic Initiative on Sustainable Trade and the

cooperation on supply chains and the green economy, while also working on removing barriers to trade and jointly addressing non-market policies and practices by third countries.

Expert views

Professor Kenneth Propp from the Atlantic Council suggests that the fact that the IRA has not been formally on the agenda of the Maryland meeting illustrates the limits of the TTC. He argues that the results achieved so far pale in comparison to some of the bigger challenges that the TTC could be addressing. Items missing from discussions are tackling China's mercantilism, major trade irritants related to climate technologies, and meaningful collaboration on regulating the digital economy and technology. As such, he sees that the TTC, perhaps inevitably, is not living up to high expectations, and that rebuilding a relationship of trust in transatlantic relations is still a work in progress. Another Atlantic Council paper by Professor Propp and Frances G. Burwell suggests ways to improve the TTC. Firstly, even though the TTC does not formally address transatlantic research cooperation per se, it is a very useful forum to facilitate joint research on key issues. Secondly, to increase its global impact, the TTC should lay the groundwork for stepping up joint engagement in the international standards organisations. Lastly, the formal TTC agenda 'has shied away from including active disputes or discussions of current legislative proposals', with these discussions occurring informally in the TTC framework. In time, such discussions could build confidence for jointly addressing contentious issues.

Taking a critical stand, Clete R. Willems from the Atlantic Council argues that apart from export controls on Russia, the TTC has 'yielded little else of significant value' and has not prevented new disputes or risks of subsidy wars, or enacted new discriminatory laws. He reckons that for the TTC to succeed it needs to help to resolve major irritants in real time at ministerial level, and to be fully supported politically by the US Congress, the Parliament and the EU Member States.

Conversely, Tyson Barker from the German Council on Foreign Affairs sees the design of the TTC, in which the irritants are in the orbit of the Council rather than in its core, to be fundamental to making progress without getting bogged down in fruitless discussions. He considers the Maryland meeting to be a 'quiet victory' and argues that, while converging industrial policy is challenging, the allies' efforts regarding chips based on transparency and complementarity in state aid could be a model to follow for emerging tech industrial policy. He concludes that the TTC has successfully created a transatlantic interagency process that institutionalises convergence on trade and technology. While both sides operate differently, they have the same outcomes in mind. Future areas to discuss could include internet-of-things cyber standards, metaverse governance; Domain Name Server (DNS) resolver service infrastructure (DNS4EU), standardisation strategy under the European Telecommunications Standards Institute, 6G and satellite/space policy governance.

The European Policy Centre (EPC) maintains that the TTC has so far failed to prevent and solve transatlantic disputes and to significantly deepen trade and tech collaboration. The centre assesses that no significant progress has been achieved since the Paris-Saclay meeting, and that 'the TTC's ambitions for supply chains, standards, and technology are yet to spill over into more longstanding trade policy planning.' For the TTC to be successful, the EPC suggests taking five steps: i) joint mapping and information sharing in key value chains and emerging sensitive technologies; ii) shifting from subsidy competition to operational synergies, including through common research, standards harmonisation, and joint investments; iii) overcoming irritants and settling disputes, through anticipating and defusing conflicts; iv) deepening trade by 'creating new trade packages, spanning current irritants, future challenges, and classic trade files, such as mutual recognition agreements and public procurement'; and v) enlarging the circle to like-minded countries.

Taking a positive view, the American Chamber of Commerce to the European Union applauded both sides for the third meeting's ambitious list of deliverables and called for a robust dialogue with stakeholders between the ministerial meetings to improve the effectiveness of the TTC.

The European Council on Foreign Relations (ECFR) considers the TTC to be a useful forum for advancing common principles and reducing barriers to trade and research cooperation. While the TTC will not meet unrealistic expectations such as enabling swift alignment on technology regulation or 'Americanising' EU's policy on China, it makes 'valuable contributions to nudging the geopolitical needle; it can facilitate coordination, foster mutual understanding, enshrine common policy principles, and aid in the development of compelling narratives – thereby setting the tone and baseline for further actions'. The ECFR welcomes progress made in the third meeting, noting that such 'small steps working towards broader, long-term goals' do not make the press headlines.

Marianne Schneider-Petsinger from Chatham House says that, while the TTC avoided the main pitfalls of previous transatlantic trade initiatives, it has some weaknesses stemming from its predominantly coordinating role, such as lack of enforceability and the fact that it is not a formal tool for making trade-offs across different and challenging issue areas. She assessed that the third meeting delivered on key goals announced at the May 2022 ministerial in Paris-Saclay. However, further steps are needed for implementing the deliverables. The main benefit of the TTC so far is likely to be the creation and maintenance of an extensive network of officials and stakeholder engagement. The paper argues that the TTC is at a turning point, amid structural and cyclical challenges. The first challenge is to continue moving from agenda-setting to delivering results. Secondly, in 2024 there will be the US presidential election and the current Commission's and Parliament's terms will end, which can potentially bring an inward-looking period. Furthermore, there is always a risk of some bilateral dispute being a cog in the TTC wheel – a critical test will be how the IRA dispute is resolved. Finally, the EU and the need to work more closely with like-minded partners – especially Canada and the UK – and adjacent forums. The author opines that if the TTC cannot deliver measurable outcomes by early 2024 it will quickly lose credibility.

Speakers at the Center for Strategic & International Studies (CSIS) December 2022 event considered the Maryland summit to be an exercise in kicking the can down the road, as there were no big breakthroughs and both sides agreed to agree on a lot of items in the future. According to them, the TTC is now at 'the halftime', still moving towards tangible results. Administrative arrangements agreed under the TTC, while not necessarily solving issues yet, set up a useful framework for the future. The CSIS recent report states that the TTC has the potential to produce tangible climate change outcomes. Focusing on the three primary objectives from the May ministerial – green procurement alignment, EV charging stations, and GHG methodologies – the parties should, according to the speakers, pursue five objectives in the working group on climate and clean technology: i) align its standards and objectives with other working groups; ii) build interoperable standards with a view of reinforcing the multilateral standards; iii) jointly pursue policies that liberalise trade in the long term, while reducing immediate trade frictions; iv) avoid including the policy on Russia into the climate change work stream unless it directly benefits the green transition; and v) build an affirmative agenda that establishes new green standards while strengthening the transatlantic cooperation.

The German Marshall Fund (GMF) concludes that the TTC's capacity to shift towards joint agreements on key technology issues will test the body's usefulness when it meets again in Sweden. The GMF notes that despite transatlantic collaboration on a wide range of issues, tensions remain, most notably on the extent to which the TTC should be countering China, including the approach to export controls.

Carnegie Europe argues that the TTC operates in an environment of contradictory traps where the allies work together on security while 'fending off for themselves on the economy'. Perceptions of economic nationalism and differences on how to deal with China have reintroduced frictions to the transatlantic relations and have led to a situation in which neither side can fully meet the expectations of the other.

Experts of the Center for European Policy Analysis agreed that the Maryland meeting produced 'uncontroversial' deliverables, while avoiding to address high-profile bilateral trade irritants. While

the meeting delivered incremental successes in areas such as export controls, investment screening, and supply chain vulnerabilities, the TTC's future will be judged by the joint ability to address the big disagreements. To improve its impact, following the successful election of US candidate Doreen Bodgan-Martin as secretary general of the International Telecommunication Union (ITU), the TTC should 'provide a roadmap for US-EU collaboration on an agenda for technology standards both at the ITU and more traditional technical organizations'.

The European Centre for International Political Economy (ECIPE) notes that transatlantic relations have for years been characterised by both commercial conflicts and an intense (yet mostly successful) partnership. The ECIPE argues that the TTC simply cannot meet unrealistic expectations of creating grand bargains. This is because it is an open-ended policy dialogue, by definition not conducive to decisive action. It also says that the US has used 'the China threat as a pretext to neutralise European technology while promoting its own (and often inferior) alternatives ... And if the E.U. and the U.S. fail to engage seriously on 6G development, we are sure to continue the transatlantic tech war into the next decade, well into the 2030s'. ECIPE sees the output of the TTC as merely technical-level decisions dressed up as strategic initiatives and blames the lack of meaningful outcomes on the Biden administration's reluctance to discuss trade.

The Brookings Institution views the TTC as a stepping stone in 'forming an alliance around a human rights-oriented approach to the development of AI in democratic countries, which contrasts with authoritarian countries such as Russia and China'. While the TTC furthers the EU and US democratic AI alliance, the gap with China widens, which may lead to the emergence of two global systems: one of the authoritarian regimes' use of AI and its digital ecosystem, and an EU-US liberal one, each with 'its own rules and governing idiosyncrasies'.

European Parliament

Parliament debated the EU response to the IRA in December 2022. This was followed by a discussion on the shape of the new Green Deal industrial plan, as presented by Ursula von der Leyen in Davos in January 2023.

The Transatlantic Legislators' Dialogue (TLD), which took place just before the Maryland meeting on 3 December 2022, called for transatlantic agreements on data governance, technology standards investment screening, competitiveness and joint approach on subsides and state-owned enterprises. The TLD also called for more actionable steps and for jointly addressing challenges of emerging and disruptive technologies and their malicious use. The TTC should focus more on climate change and enable joint funding and investments in research and development, as well as support for start-ups and SMEs.

MAIN REFERENCES

EU-US Joint Statement of the Trade and Technology Council, May 2022.

EU-US Trade and Technology Council inaugural joint statement, September 2021.

Schneider-Petsinger M., Strengthening US-EU cooperation on trade and technology, briefing paper, Chatham House, December 2022.

Riekeles G. and Lichfield Ch., How the EU and the US should overcome their trade and supply chain disputes, European Policy Centre, December 2022.

ENDNOTES

[1]   The TTC is co-chaired by European Commission Executive Vice-President and EU Competition Commissioner, Margrethe Vestager; European Commission Executive Vice-President and EU Trade Commissioner, Valdis Dombrovskis; US Secretary of State, Antony Blinken; US Secretary of Commerce, Gina Raimondo; and US Trade Representative, Katherine Tai. The working groups, which coordinate the technical work, are led or co-led by relevant departments, services or agencies at US federal government and EU level.

[2]   The partners agreed to cover the following 10 fields through dedicated working groups: 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); and global trade challenges.

[3]   Apart from provisions on climate change, the IRA also has provisions on health and tax, which are estimated to together lead to an investment of US$437 billion and the raising of US$737 billion in revenues.

[4]   The Financial Times reported on 24 January 2023 that the US economy and commerce officials and governors from several US states have intensified their efforts to woo European clean energy businesses to invest across the Atlantic using promises of funding and tax breaks provided by the IRA. Accordingly, a report by the American Clean Power Association shows that since the IRA's adoption at least 20 new or expanded clean energy manufacturing plants have been announced in the US, including by Italian Enel, Spanish PV Hardware, and Nordic Freyr. Furthermore, in October 2022, BMW announced its US$1.7 billion investment for building EVs and batteries in South Carolina.

[5]   The nine tax credit provisions are: Extension and Modification of credit for Electricity from Certain Renewable Resources Tax Credit, Extension and Modification of Energy Tax Credit, Sustainable Aviation Fuel Tax Credit, Tax Credit for Production of Clean Hydrogen, Clean Vehicle Tax Credit, Advanced Manufacturing Production Tax Credit, Clean Electricity Production Tax Credit, and Clean Electricity Investment Tax Credit.

[6]   For a useful overview of EU and US frameworks for foreign investment screening, see this recent paper by the Center for Strategic & International Studies.

[7]   To find out more about EU efforts to combat forced labour see this EPRS blog post.

DISCLAIMER AND COPYRIGHT

eprs@ep.europa.eu (contact)

www.eprs.ep.parl.union.eu (intranet)

www.europarl.europa.eu/thinktank (internet)

http://epthinktank.eu (blog)