Introduction/Overview

The European Union’s proposal for a transatlantic Trade and Technology Council (TTC) and the U.S. agreement to join it represent a significant step forward in EU-U.S. trade relations and are indicators of both sides’ determination to improve relations following four years of deterioration during the Trump administration.

At the same time, it has been clear from the beginning that the purpose of the TTC was not to address the outstanding trade issues between the two sides, many of which are decades old. Those are not all being ignored. Some of the larger ones, like the Boeing-Airbus case, the U.S. steel and aluminum tariffs, and the demise of Privacy Shield, are being addressed in separate venues. The intent of the TTC, however, was to avoid getting caught up in old arguments about protectionist policies both sides have engaged in – so-called “iron rice bowls.” Instead, its agenda has been designed to focus on emerging issues, where the dividing lines between the EU and the U.S. are not so clearly drawn and where agreement on common approaches might be more easily reached. As will be discussed in the conclusion, it will not be that simple, but the idea of avoiding well-established intractable differences and concentrating instead on “new” issues is an intriguing one, and there are clearly enough of those issues to make a full agenda. This paper will explain the outcome of the initial meeting and then offer some conclusions on the path forward.

What’s in the Joint Statement

Following the inaugural TTC summit, the European Union and United States released a Joint Statement that outlines the transatlantic agenda on policy areas for enhanced mutual collaboration. The statement begins with reaffirming the parties’ mutual commitment to coordinate more closely on key policies. This short section covers quite a bit of ground and constitutes a transatlantic pledge to work on everything from global technology and trade issues to shared democratic values, climate change, and inclusive economic growth. While agreeing to work more closely on various policy areas, the statement Nevertheless made it clear that TTC cooperation is “without prejudice to the regulatory autonomy” of both parties and that any coordination and outcomes “should respect the legal systems in both jurisdictions.” The ultimate goal of the TTC, according to the statement, is to promote “democratic and sustainable models of digital and economic governance.”

The TTC consists of ten working groups, and five of those groups produced detailed annexes in the Joint Statement: 1) Investment Screening, 2) Export Control Cooperation, 3) Artificial Intelligence, 4) Semiconductor Supply Chains, and 5) Global Trade Challenges. Each working group report contains varying degrees of detail, and each has varying chances of seeing real
progress made. In order of appearance in the Joint Statement, the working groups with annexes are as follows:

**Annex I: Investment Screening (Working Group 8)**
On investment screening, the European Union and United States agreed to collaborate more closely to monitor and share information relating to foreign investments. Specifically, the parties will exchange information in three key areas: 1) investments impacting security, 2) best practices in terms of risk analysis and mitigation, and 3) policies related to sensitive technologies. In 2020, the European Union implemented new guidelines ("FDI Screening Regulation") establishing an EU-wide framework that facilitates closer coordination on foreign investments among the European Commission and Member States. That framework generally aligns with CFIUS. This new effort to collaborate, outlined in the Joint Statement, represents a mutual commitment to share more data and information about investment trends to ascertain the extent of foreign economic influence in the European Union and United States.

**Annex II: Export Controls (Working Group 7)**
The Statement on Export Control Cooperation lays out eight principles for closer collaboration:

1. The importance of controlling dual use technologies.
2. A multilateral approach to export controls is the most effective.
3. The need to work closely on emerging technologies.
4. Shared concerns regarding “technology acquisition strategies, including economic coercive measures, and civil-military fusion policies of certain actors…”
5. The desire not to disrupt supply chains when it comes to export controls and, when possible, to provide consultations prior to the introduction of controls.
6. The need for controls on certain dual-use items that may have implications in human rights violations, including surveillance technology.
7. The role of the private sector in maximizing the efficacy of the export control regime.
8. Establishing the TTC as “a dedicated forum” in which to work more closely on export control regulation.

In addition to these eight principles, the parties also outlined concrete steps to work more closely on export controls, including conducting technological consultations on compliance and enforcement approaches, third country capacity building efforts, and technological consultations on cooperation. However, it remains to be seen what concrete progress the European Union and United States can make on export controls, particularly since export controls are national competencies and therefore not formally within the remit of the European Commission.

**Annex III: Misuse of Technology Threatening Security and Human Rights (Working Group 6)**
One of the areas that received a significant amount of attention in the Joint Statement is artificial intelligence. Annex III lays out a set of mutual transatlantic concerns about AI, including the risks it poses and the need for “responsible AI,” which has become a growing topic among pro-democracy advocates and algorithmic accountability activists. This annex explicitly states the need to develop “trustworthy AI” and to pursue AI regulations with a “human-centered approach” that respects democratic values and human rights, in line with the OECD
Recommendation on AI. In another thinly veiled reference to China, this annex also outlines mutual concerns “that authoritarian governments are piloting social scoring systems with an air to implement social control at scale.” Annex III also calls for a risk-based regulatory framework for AI. Overall, this annex stipulates that the European Union and United States will work more closely to develop responsible AI, including assessing risks and potential impacts on the future of work. However, actual outcomes when it comes to transatlantic AI governance are unlikely to occur soon due to fundamental differences in how each party regulates data and machine learning. Nonetheless, that AI received so much attention in the inaugural TTC meeting underscores growing transatlantic fears about China’s outsize influence in AI and data manipulation.

Annex IV: Secure Semiconductor Supply Chains (Working Group 3)
Annex IV reaffirms the transatlantic desire to rebalance semiconductor supply chains, including semiconductors with leading-edge capabilities, such as those used for supercomputers and in the race for quantum computing. This annex states that the parties will work to strengthen “domestic semiconductor ecosystems,” while avoiding a subsidy race that would crowd out private sector investments. In June, the U.S. Senate passed the United States Innovation and Competition Act of 2021 (USICA), which would allocate $52 billion to semiconductor manufacturing. In mid-September, before the inaugural TTC meeting, the European Commission announced it would introduce the European Chips Act, which would mirror U.S. efforts to accelerate semiconductor production. Joint efforts to grow semiconductor production further underscores China’s omnipresence at the TTC summit. However, scaling up production of semiconductors is a time-intensive endeavor, meaning outcomes and progress will occur in the medium-to-long-term future.

Annex V: Global Trade Challenges (Working Group 10)
Annex V, which is vague on collaboration and clear on mutual adversaries, covers nonmarket economies, avoiding unnecessary barriers to trade and emerging technologies, cooperation on trade and labor, and cooperation on trade-related environmental and climate policies and measures. Overall, this annex is essentially a catch-all for trade objectives that the European Union and United States are pursuing. The inclusion of labor and environmental provisions in this annex represents a significant departure from U.S. trade objectives in previous administrations, potentially indicating that the United States is moving, at least rhetorically, closer to the European Union, which has historically been more open to using trade as a tool to exact social and political change. However, the Joint Statement does not reference ongoing disputes, such as steel and aluminum tariffs, or transatlantic privacy arrangements that were deemed illegal in the Schrems II case, which invalidated the transatlantic Privacy Shield that facilitated data transfers.

Conclusion and What’s Next

Transatlantic structures for addressing trade issues have a long and disappointing history. Many have been started; few have accomplished much; and most have simply faded away with changes in government in the U.S. or in Europe. As a result, there has been a healthy degree of skepticism about the likelihood of success for the TTC.
Nevertheless, the post-meeting consensus was that the TTC was off to a promising start, but observers also noted that the bar for success in the first meeting was low and that ultimately the TTC will be judged not by what it starts but by what it finishes. Much was started in September, but it remains to be seen how far the various initiatives will get and whether there will be a sustained level of minister-level involvement that is necessary to get them across the finish line.

Some areas, such as cooperation on inbound foreign investment and on export controls, are seen to be relatively low-hanging fruit, given the related security concerns that both sides share, but even there ambiguities remain. For example, does “cooperation” on export controls mean only that the parties will meet several times a year to discuss trends and recent developments, or does it mean they will create a structure for reviewing and commenting on each other’s export license applications as in the Cold War’s COCOM? Both fit within the concept of cooperation, but there is a huge difference between them. Similar uncertainties exist in the other annexes as well.

More important, there is the problem of uneven national development of policy in some of these areas. The EU has discovered that there is a first-mover advantage when it comes to regulating. Following GDPR, they have proposed a Digital Markets Act, a Digital Services Act and regulations on artificial intelligence, among other things. The United States, in contrast, has thus far failed to adopt national policies in any of those areas. As a result, the U.S. will be at a serious disadvantage if and when these topics are discussed. In other words, there may not be any iron rice bowls in these new areas now, but the EU is busy building them, and the U.S. will once again be reminded of the old axiom of politics that you can’t fight something with nothing.

At this point, modest optimism abounds because all those questions and problems lie ahead and have not yet been encountered. They are, however, lurking out there and will ultimately have to be addressed if the TTC is to avoid the fate of its many predecessors.