

# ASG Analysis: Trans-Atlantic Trade and Tech Cooperation Will Get a Big Boost in May

April 28, 2022

## Key takeaways

- The second ministerial meeting of the U.S.-EU Trade and Technology Council (TTC), which will take place outside of Paris on May 15 and 16, will be heavily influenced by the war in Ukraine. While trans-Atlantic relations were already back on a stronger footing prior to Russia's invasion, the close U.S.-EU cooperation seen during the conflict has further aligned Washington and Brussels on the need to firmly push back against Russia using a variety of trade, economic, and technology tools.
- Expect a strong focus on export controls, investment screening, and supply chain resilience. While Russia will be a focus of discussions, China's trade and technology policies, the alignment of policy with democratic values, supply chain risks, and potential misuse of technologies by authoritarian countries will remain important issues for both partners.
- U.S. and EU leaders recognize that the TTC needs to deliver tangible progress and not just serve as a trans-Atlantic talking shop. So far, the jury is still out. The two sides are preparing a lengthy joint statement that will highlight areas of shared understanding. It will describe progress made to date, including a number of concrete deliverables for some of the working groups, and highlight next steps for further collaboration. However, the two sides still do face many differences which will not be resolved overnight.

## Key takeaways

The U.S.-EU Trade and Technology Council will hold its second leaders' meeting on May 15 and 16 in France. Launched at the June 2021 EU-U.S. summit in Brussels as part of a broader reboot of trans-Atlantic relations, the TTC held its first senior-level meetings in September 2021 in Pittsburgh. The goals of the TTC include expanding bilateral trade and investment, avoiding new trade barriers, and cooperating on technology and supply chain policies, but there are also geopolitical motivations at play.

The Biden administration has tended to view the TTC as a framework for fostering U.S.-EU tech cooperation with an eye towards China. The forum represents the most advanced of several efforts by the U.S. and like-minded partners to deepen cooperation and coordination on technology policy, along with the Quad Critical and Emerging Technologies Working Group, tech policy discussions within the G-7, and broader discussions on issues like artificial intelligence (AI) and data governance at the OECD.

For the EU, which originally proposed the TTC to the incoming Biden administration back in late 2020, the format was initially seen as an opportunity to turn the page on an acrimonious period for trans-Atlantic trade relations and defuse potential conflicts with Washington as Brussels advances an ambitious digital and green transition agenda that includes a major regulatory push targeting large technology platforms. The EU wants to project globally its regulatory approach in the technology sector, reduce barriers to trade and investment in digital technologies, and protect European values around issues like privacy and human rights.

The new situation created by Russia's war in Ukraine will have a major impact on next month's U.S.-EU gathering in Saclay, the home of a top research university near Paris. The crisis in Ukraine has reinforced trans-Atlantic alignment and caused U.S. and EU officials to rethink some of the priorities for the summit, putting a greater emphasis on the supply of critical minerals, export control cooperation, and outward investment screening. China's response to the Ukraine situation will likewise be on the agenda, with Beijing's reaction so far deemed inadequate by Washington and Brussels.

Co-chaired by U.S. Trade Representative Katherine Tai, Secretary of Commerce Gina Raimondo, and Secretary of State Antony Blinken on the U.S. side and European Commission Executive Vice Presidents Valdis Dombrovskis and Margrethe Vestager for the EU, the TTC occasionally meets at the ministerial level, while much of the day-to-day work takes place within 10 working groups. EU Internal Market Commissioner Thierry Breton is also expected to attend the upcoming meetings in France.

While the inaugural TTC summit in Pittsburgh helped identify key priorities and establish a way forward, the key question for the meeting in May is whether U.S. and EU leaders can manage to raise the level of ambition and deliver more tangible outcomes.

## Tech diplomacy gets a shot in the arm from global events

The world has changed considerably since the first TTC principals meeting last September. The biggest land war in Europe since World War II has pushed the EU and its member states closer together – and closer to the U.S. – especially on issues like sanctions and export controls. Within days of the Russian invasion, the EU joined the U.S. and other like-minded countries like the U.K. and Japan in imposing sanctions and unprecedented curbs on the transfer of Western technologies to Russia.

Officials on both sides have stressed that this rapid, coordinated action would not have been possible without the relationships established and the discussions held within the TTC framework over the past year, which are part of a broader U.S.-EU effort to mend fences after the Trump years. In this way, the TTC has proved useful for the EU-U.S. response to Russia, even as the war in Ukraine has further reinforced the rationale to cooperate on tech policy issues under the TTC framework. The unified Western response has also left Russia more reliant on China for access to hard currency and advanced technologies, further raising the stakes of trans-Atlantic tech policy cooperation focused on China. And it has reminded the trans-Atlantic partners about the importance of sticking together as democratic allies while reducing strategic dependencies on countries in the midst of major geopolitical conflicts, including Russia in the short term and China over the longer term in some sectors.

Other political developments since last September will likewise influence the scope and outcomes of the May TTC meetings and prospects for future cooperation. Germany's new coalition government under Chancellor Olaf Scholz has signaled a willingness to take a firmer line on Russia and China. Beijing's lack of willingness to condemn Moscow's invasion and a major joint statement on cooperation by China and Russia issued on February 5 have fueled the concern among U.S. and EU officials that China will continue to back Putin's regime economically and potentially by providing it with advanced technology. Beijing has so far pledged to refrain from providing Moscow with military assistance.

Beijing's evolving stance on Russia, in particular the support for Russia reflected in Chinese state-backed media, has further soured Europe's view of China in a manner that will likely lead Brussels and some member states to take a tougher line on relations with Beijing. These differences were clearly on display during the contentious EU-China summit on April 1 (see our [analysis](#)). Meanwhile, France's newly reelected president, Emmanuel Macron, one of the leading proponents of assertive European tech-industrial policy in areas like semiconductors, data, and cloud computing, will be hoping to score political wins as France hosts the TTC gathering during the waning weeks of the French EU Council presidency.

Digital sovereignty is also on the agenda as Brussels' legislative machinery has been churning. The EU recently reached a consensus on the Digital Markets Act (DMA) governing the conduct of large, mainly U.S. internet platforms, and a Digital Services Act (DSA) addressing online content (see our [analysis](#)). The EU is also continuing work on other new legislation that will address issues ranging from semiconductor industry subsidies to regulation of artificial intelligence and on new policies to encourage data-sharing within the bloc.

Washington and Brussels have recently made progress on cross-border data flows. A deal announced on a new Privacy Shield agreement in March has removed – at least for now – a major irritant in the trans-Atlantic relationship and potential barrier to progress on other technology policy files. Separately, the two sides recently set up a Joint Technology Competition Policy Dialogue that will run in parallel to the TTC with its next meeting expected at the end of the year, offering a new channel for aligning approaches on anti-trust and competition issues. On the broader trade front, the two sides reached an interim agreement last October to suspend Section 232 tariffs on steel imposed by President Trump, a top priority for the EU.

## What to expect in May

Expect a warm atmosphere and a long joint communique stressing shared democratic values and trans-Atlantic alignment, but don't expect any major fireworks. Despite the momentum from recent events, the U.S. and EU must still bridge some significant differences on a broad set of trade and digital tech policy issues. Lingering gaps include varying priorities and differences in the two sides' overall philosophy and ability to act on technology governance, notably governance of internet platforms. Congress is unlikely to pass major new tech-related antitrust or data privacy legislation for the foreseeable future, for example, while the EU is intent on forging ahead with its values-focused regulatory agenda that includes reining in big U.S. internet companies. EU officials, for their part, remain at times frustrated with the Biden administration's uncertain trade agenda.

So far, the TTC has already produced more concrete progress than comparable tech cooperation frameworks among the Quad or under the G-7. However, moving from low-hanging fruit like

discussions about frameworks and agreements on principles and information-sharing towards more concrete alignment on industrial policies and government subsidies for advanced semiconductor manufacturing, supply chain resilience, digital governance, investment reviews, and other areas covered by the TTC working groups will take time. The September TTC meetings were mainly about laying the groundwork for future discussions. The May meetings will attempt to build on this with more tangible steps towards policy cooperation, such as workshops or pilot programs, or commitments to further discussions in specific policy areas.

Working Group 3 on supply chains and Working Group 7 on export control cooperation are among the main areas to look for concrete progress at the meetings in France.

The war in Ukraine has lent fresh urgency to the need to secure supply chains for critical technologies. China's dominant role in some important global technology supply chains, such as 5G networking equipment, rare earths, and pharmaceuticals, remains a concern for both Washington and Brussels. Russia and Ukraine are likewise important existing or potential suppliers of minerals such as nickel and lithium that are critical for electric vehicles (EVs) and other green technologies. Ukraine is also one of the world's leading suppliers of neon gas, which is used in semiconductor manufacturing. Rare earth magnets, which are used in EV batteries and other green technologies and digital applications, are also likely to be on the agenda for the TTC, as the U.S. and EU look for ways to diversify sources of supply and reduce reliance on Russia and China for critical materials and products derived from them.

On semiconductor supply chains, the U.S. and EU will likely attempt to build on work since last September to understand supply and demand dynamics amid ongoing shortages by committing to more formal efforts to understand these issues. The U.S. has already shared some non-confidential data collected from the Commerce Department's Request for Information (RFI) from global semiconductor suppliers and customers late last year, for example. Further information-sharing to gain visibility into future supply chain problems as they arise is likely to be discussed. Coordination and information-sharing to avoid a subsidy race will also be on the agenda as both sides push forward with their own versions of a Chips Act, designed to provide incentives to companies including TSMC, Samsung, and Intel to build new manufacturing facilities in the U.S. and Europe. One important outstanding issue is how to balance a desire to use incentives and subsidies to attract new cutting-edge fabs with the need to support new investments in trailing edge capacity to address shortages of older chips that have affected sectors including autos and medical devices.

Deliverables for Working Group 7 on export controls will likely focus on continued cooperation regarding sanctions targeting Russia and Belarus, licensing issues, and coordination of information-sharing and criteria for export controls on emerging technologies. Similarly, in Working Group 8 on investment screening – an area of active U.S.-EU consultations in recent years – additional information-sharing and discussions on the more nascent area of outbound screening of investments are possible.

For Working Group 1 on technology standards, TTC deliverables will likely focus on information-sharing related to international standards development. The U.S. and EU will seek to build on ongoing cooperation on issues related to AI standards following the publication of a new EU strategy for technology standards in February and recent suggested revisions to the text of the draft AI Act in European Parliament. The Biden administration had previously expressed interest

in the EU's AI strategy. Developing common principles about the responsible use of AI is within reach, although this area of cooperation has moved down the list of priorities because of the Ukraine crisis.

The war in Ukraine has also intensified Western concerns about digital disinformation and the potential misuse of emerging technologies, two other topics that are the subject of TTC Working Groups 5 and 6. Possible deliverables could include principles on best practices for internet platforms and disinformation. This is already the subject of ongoing work in the EU, with most of the major U.S. social media and search platforms signed up to the EU's Code of Practice on Disinformation, a voluntary self-regulatory initiative first established in 2018. The EU is also adopting new rules governing online content, which are set to be implemented as part of the recently agreed DSA.

The new U.S.-EU data privacy framework agreement-in-principle announced last month may unlock some additional progress on Working Group 5 on data governance. The Biden administration wants to push the discussion on data privacy into other areas, such as the EU's upcoming Data Act, a broader discussion around a new framework for government access to data among like-minded partners, and how to handle Chinese platform companies' access to the data of EU and U.S. citizens. The TTC joint statement may include a nod to broader efforts to establish common approaches to internet and data governance, including the Declaration for the Future of the Internet, which the U.S. rolled out with support of the EU, Japan, Canada, South Korea, the U.K., and other like-minded countries this week..

Meanwhile, in Working Group 10, focused on global trade challenges such as China's non-market economic practices, the EU hopes to push the Biden administration on non-tariffs barriers, mutual recognition of conformity assessments of regulated products, and reform of the World Trade Organization. No major breakthroughs should be expected, but some new announcements of cooperation on trade and labor issues, such as forced labor and child labor, should be within reach.

## Beyond May

Washington and Brussels are already looking ahead to the next TTC leaders' meeting in the U.S. in December. By that time, the U.S. will have rolled out elements of its China Strategy in the trade and economic arena. It will also have launched modules under the Indo-Pacific Economic Framework (IPEF) designed to engage Asian countries except China with a positive agenda. U.S. midterm election results will be in, and a new Congress will be waiting to take office in January 2023, which could include Republican majorities in both houses. That could further constrain President Biden's regulatory and legislative agenda and lead to more hawkish policies regarding China, as political jockeying around the 2024 presidential election starts to heat up.

While the scope for improved trans-Atlantic tech and trade cooperation has widened following Russia's actions in Ukraine, key EU and member state policymakers remain concerned about the return of an economic populist in the Trump mold after the 2024 elections. Brussels is likely to continue to focus on ways to establish momentum on TTC cooperation and deliverables between now and November 2024, both to advance the EU's domestic political agenda – centered on the digital and green transitions – and to create diplomatic momentum and a structure around U.S.-EU tech policy issues that makes it harder for any new U.S. administration to backtrack. U.S.

policymakers, meanwhile, are likely to remain more focused on China than their counterparts in the EU, while both sides will continue to closely follow the evolution of the situation in Ukraine.

One structural issue with the TTC is that it still lacks a well-developed docking mechanism for other countries to plug into discussions. This includes like-minded countries in Asia, such as Japan and South Korea, both of which will be important for making progress on semiconductor-related industrial policy coordination, for example. The new EU-India TTC, announced on April 25 during a summit between Commission President Ursula von der Leyen and Indian Prime Minister Narendra Modi, could become another example of how key democratic-minded countries can engage on technology and digital policy discussions.

The U.S. and EU business communities also want more robust two-way communication between the TTC and the private sector. Despite some opportunities to provide input to TTC discussions, companies have complained that there has been little transparency about what has been discussed or agreed between the U.S. and EU.

Despite the differing priorities and concerns of Washington, Brussels, and other key stakeholders, changes in the global political environment have dramatically improved the chances of meaningful U.S.-EU cooperation on tech policy and trade issues within the TTC since the effort was first launched in mid-2021.

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## About ASG

Albright Stonebridge Group (ASG), part of Dentons Global Advisors, is the premier global strategy and commercial diplomacy firm. We help clients understand and successfully navigate the intersection of public, private, and social sectors in international markets. ASG's worldwide team has served clients in more than 120 countries.

ASG's [Europe practice](#) has extensive experience helping clients navigate markets across the European Union. For questions or to arrange a follow-up conversation please contact [Kevin Allison](#).

## Appendix: The TTC at a glance

Working Group	Lead U.S. agencies	Lead EU agencies	September 2021 outcomes	What to watch for in May
1. Tech Standards	Commerce	DG CONNECT, DG GROW	Agreed on broad principles and to exchange information on investment trends, best practices, and policy tools. Confirmed focus on cooperating on standards for AI and other emerging technologies.	Establishment of a new joint mechanism for information-sharing on international standards development. While the U.S. and the EU continue to have disagreements on aspects of AI regulation and data privacy, there is a shared recognition of the need to overcome comparatively small differences and set global standards through TTC. Some progress on developing a shared definition of what constitutes “trustworthy” AI is within reach.
2. Climate and Clean Tech	State, U.S. Trade Representative, Department of Energy	DG CONNECT, DG CLIMA, DG RTD	Tasked with identifying opportunities, measures, and incentives to support technology development, and to explore tools for calculating greenhouse gas emissions in global trade.	Perhaps the most difficult track. Contains leftovers from the abandoned TTIP negotiations during the Obama administration and tricky new issues such as methods for measuring carbon intensity. Progress possible on aligning sustainable procurement policies.

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<b>3. Secure Supply Chains</b>	<b>Commerce, State</b>	DG TRADE, DG GROW, DG CONNECT ( )	Agreed to focus on short-term shortages and supply chain transparency, while affirming the need to avoid a subsidy race. Longer-term supply chain issues pushed to May meeting.	A major focus on rare earths and critical minerals, as well as semiconductors. Besides increasing transparency of supply and demand and jointly mapping existing bottlenecks and capabilities, a new early warning system for strategic supply disruptions and coordination of subsidies is possible. Another topic, the global supply of food, has become a top priority in the wake of the war in Ukraine.
<b>4. ICTS Security and Competitiveness</b>	<b>State, Commerce</b>	DG CONNECT	Agreed to focus on cooperation for development finance for digital resilience in third countries, cooperation on 5G/6G R&D, and data security.	Greater focus on cybersecurity standards in the wake of the war in Ukraine. This will likely include a joint statement on secure ICTS supply chains, building on similar statements from the G-7 and initiatives like the EU 5G policy toolbox. It may also include language on development financing for ICTS investments.
<b>5. Data Governance and Tech Platform Regulation</b>	<b>White House/National Security Council</b>	DG CONNECT, DG JUST	Agreed to focus on information exchange around approaches to data governance, illegal/harmful content, and algorithmic bias and issues related to internet platforms and cloud services.	Statements about working together on platform responsibilities related to disinformation. Potential nod to the new Declaration for the Future of the Internet initiative.



Working Group	Lead U.S. agencies	Lead EU agencies	September 2021 outcomes	What to watch for in May
<b>6. Misuse of Technology Threatening Security and Human Rights</b>	<b>State</b>	DG CONNECT, EEAS	Agreed to focus on combatting unlawful surveillance, responses to internet shutdowns, and addressing disinformation and social scoring systems.	Driven by Russia's disinformation campaigns during the war in Ukraine, new efforts to combat harmful behavior online and aligning EU and U.S. approaches to online platforms are likely, such as potentially a joint voluntary Code of Practice and a new policy dialogue on information manipulation and interference.
<b>7. Export Controls Cooperation</b>	<b>Commerce, State</b>	DG TRADE	Statements of broad principles, including importance of effective controls on dual-use items, multilateral approaches, and the need to address legal, ethical, and political risks of emerging technologies without unduly disrupting global supply chains. Agreements on technical consultations, information exchange, and capacity-building.	Greater policy coherence in export control policy and more information exchanges including on critical technologies. A new real-time exchange mechanism for export controls is also in the cards. One pertinent question is how the TTC can cooperate with other relevant partners on export controls, such as Japan, South Korea, and Canada.

<b>Working Group</b>	<b>Lead U.S. agencies</b>	<b>Lead EU agencies</b>	<b>September 2021 outcomes</b>	<b>What to watch for in May</b>
<b>8. Investment Screening Cooperation</b>	<b>Treasury, State</b>	DG TRADE	Statements on broad principles, including that investment screening should be based on legislative mechanisms, non-discriminatory, transparent, and properly enforced. Agreement to exchange information on investment trends and best practices.	Both sides are seeking to develop better understanding of each other's systems and share best practices. Possible announcement about establishment of more formal mechanisms to increase information sharing and new cooperation on outbound investment screening.
<b>9. Promoting SME Access to and Use of Digital Technologies</b>	<b>Commerce</b>	DG GROW, DG CONNECT	Agreed to do outreach to SMEs and underserved communities and develop recommendations for accelerating access to and uptake of digital technologies.	The two sides will likely agree to further study issues around uptake of digital technologies SMEs.

Working Group	Lead U.S. agencies	Lead EU agencies	September 2021 outcomes	What to watch for in May
<b>10. Global Trade Challenges</b>	USTR	DG TRADE	Agreed to share information on non-market distortive policies in third countries, compile lists of domestic trade measures, and explore ways of working together on trade-related technology, labor, and environmental issues.	A difficult track, but we expect the EU to push the U.S. administration on non-tariff barriers and mutual recognition of conformity assessments of regulated products. Meanwhile, the U.S. may push the Commission to consider additional actions targeting China's industrial subsidies. Worth watching will be if there is any movement on WTO reform, public procurement, and new efforts to address international labor rights. Both sides are also keen to work on anticipating new trade barriers by getting ahead of potential differences in new high-tech areas.