

Towards TTC4

The EU-US Trade and Technology Council
Moving Forward



Politea



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Research Foresight Strategy

About Politea

Politea is an analysis company focusing on international political risk, geoeconomics, and technology, based in Stockholm, Sweden. With research, foresight, and strategy development, Politea helps companies and authorities to navigate in an increasingly turbulent environment and position themselves for the future.

About the report

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Executive Summary

The mastery of emerging technology is now a determining factor in great power rivalry. This affects the ability of all states to innovate and secure access to technologies and has spurred cooperation among geopolitically aligned groups of states with these aims. The EU-US Trade and Technology Council (TTC) is one such framework, shaped to a large extent by Russia's war in Ukraine. Export controls, supply chains and standards cooperation have been highlighted in a geopolitical situation that grows ever more tense. To what extent differing views on how to manage China, questions concerning long-term political support and each actor's protectionist tendencies will disrupt cooperation is still unclear.

In December 2022, the third summit of the US-EU Trade and Technology Council (TTC3) took place in College Park, Maryland. Publicly, the results of the meeting were considered modest at best, not least since the summit's duration had been shortened to 2.5 hours given the muted set of deliverables it was likely to provide. This judgment might be unfair, however, given the challenging circumstances ahead of TTC3 and the limited mandate of the TTC more generally.

Among the outcomes, the transatlantic partners announced ICT partnerships with Kenya and Jamaica, both sides expressed an intention to stress test the Artificial Intelligence road map in the coming months, made progress in the field of technical standards, and launched a specific dialogue on managing the use of forced labour and due diligence mechanisms with a view on China and its low labour standards.

Looking forward, three scenarios for future development of the TTC are suggested:

- **A technology and trade alliance** where the TTC continues to develop in both scope and depth and forms an effective G2 of international tech cooperation. This would imply an upgrade of the TTC with expanded ambitions to deliver binding results and would require a mandate from EU member states to the Commission and their inclusion in the negotiations, rather than the current practice of member state endorsement. It would also require a willingness from the European side to address issues relating more explicitly to China and an American willingness to address existing stumbling blocks in transatlantic relations.
- **A geo-economic front against Russia.** The TTC is here mainly used as a mechanism for coordination on the geoeconomic measures against Russia and its threat to European order. Support for Ukraine, including measures to manage political risks for transatlantic investors and the establishment of future FDI-screening tied to the reconstruction might also be suitable tasks. Lacking a broader agenda that connects with other US interest, regulatory and market cooperation would take a more transactional turn in the scenario. The export control and sanctions regimes that

form the core of deepened cooperation in this scenario would also be developed in line with US preferences.

- **A trade and technology talking shop** where cooperative scope is not matched by cooperative depth and the resulting dialogues have little impact on either policy or technology. The TTC is downgraded to an informal information exchange without, or with fewer, summits as delegates struggle to deliver sufficient results. With little to show for, the TTC could even end without much fanfare when the new European Commission and a new US administration take office.

Before the fourth meeting of the TTC in Europe in the summer of 2023, the Swedish Presidency of the European Council should carefully consider what it is striving for and propose an agenda that aligns with Sweden's vision in connection with the scenarios outlined above. If the Swedish government opts for an ambitious TTC, it would be well advised to start an immediate process of active engagement with all the EU member states to identify the advantages for each.

Thematically, TTC 4 will need tangible results. A range of suitable areas for TTC4 can be envisaged but would need careful preparation:

- ***Supply chains for a green economy and rare earth mineral cooperation:*** The Critical Raw Materials Club idea, which was floated in the European Commission's Green Deal Industrial Plan, would be a suitable project for linking up with US schemes in the same area.
- ***A common technology vision for 6G:*** The aim should be for a multistakeholder format to push for transatlantic alignment on 6G.
- ***Semiconductors:*** Explore the potential for and limitations of export controls in the light of the threat to Taiwan. The rationale should be to strike a balance between keeping China reliant on advanced chips from Taiwan, so that any attack is costly for the PRC, while also containing Chinese tech ambitions. This would need to be carefully consulted on within Europe, not least with the Dutch.
- ***Vehicle-to-X communication:*** Explore the potential for common regulation and standards with reference to China, which is moving forward quite fast. This could be important given the centrality of automotive and self-driving vehicles, which include plenty of critical (incl. personal) data.
- ***Establish a more structured research cooperation framework on critical technologies, building on the progress made on AI and quantum:*** From the EU side, this could be linked to its Observatory of Critical Technologies
- ***Digital infrastructure investment coordination:*** as part of infrastructure investment initiatives such as the Global Gateway on Europe's side.
- ***Economic security for Ukraine:*** Building on the successful management of export controls vis-à-vis Russia, the TTC could become a forum where future economic security tools for Ukraine's reconstruction could be discussed. Suitable areas for cooperation might be multilateral political risk insurance to incentivize private investors and a functioning investments screening mechanism for Ukraine.

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Introduction

The inauguration of the Biden administration led to an outspoken ambition in both the US and Europe to kick-start cooperation following the conflict-ridden years of the Trump presidency. The EU institutions signaled a willingness to cooperate on a range of issues in the spring of 2021. The full content of the deadlocked TTIP negotiations was still seen as too much of a challenge but various regulatory and trade issues could still be progressed. At the same time, since the end of the TTIP negotiations, emerging technologies and innovation have become a key area of Sino-US rivalry that merits increased transatlantic coordination. The EU and the US therefore launched the Trade and Technology Council (TTC) at their Brussels summit on 15 June 2021. The stated objective of this cooperation is “to ensure that trade and technology serve our societies and economies, while upholding our common values, strengthen our technological and industrial leadership and expand bilateral trade and investment”.¹ The inaugural meeting was held in Pittsburgh in September 2021 and there was a follow-up meeting in France during the French EU presidency in May 2022. A third meeting is planned for before the end of the year.

Scope of cooperation

The Pittsburgh meeting agreed on the scope of cooperation within the TTC. Five overarching areas of cooperation were identified: export controls; foreign direct investment (FDI) screening; secure supply chains, especially with regard to semiconductors; technology standards, including cooperation on Artificial Intelligence (AI); and Global trade challenges. Ten sub-groups were set up to continue the work (see Box 2 below).

Box 2: Overview of TTC working groups

AREA OF COOPERATION	FUNCTION ²
TECHNOLOGY STANDARDS	Develop approaches for coordination and cooperation in critical and emerging technology standards including AI and other emerging technologies.
CLIMATE AND CLEAN TECH	Identify opportunities, measures and incentives to support technology development, transatlantic trade and investment in climate neutral technologies, products and services, including collaboration in third countries, research and innovation, and to jointly explore the methodologies, tools, and technologies for calculating embedded greenhouse gas emissions in global trade.

SECURE SUPPLY CHAINS	Alongside the dedicated track on semiconductors, the Secure Supply Chains working group is tasked to focus on advancing respective supply chain resilience and security of supply in key sectors for the green and digital transition and for securing the protection of our citizens.
ICTS SECURITY AND COMPETITIVENESS	Work towards ensuring security, diversity, interoperability and resilience across the ICT supply chain, including sensitive and critical areas such as 5G, undersea cables, data centres, and cloud infrastructure [and] explore concrete cooperation on development finance for secure and resilient digital connectivity in third countries.
DATA GOVERNANCE AND TECHNOLOGY PLATFORM	Exchange information on our respective approaches to data governance and technology platform governance, seeking consistency and interoperability where feasible.
MISUSE OF TECHNOLOGY THREATENING SECURITY & HUMAN RIGHTS	Combat arbitrary or unlawful surveillance, explore building an effective mechanism to respond to Internet shutdowns, human rights defenders online, address foreign information manipulation, including disinformation, and interference with democratic processes, address social scoring systems and collaborate on projects furthering the development of trustworthy AI.
EXPORTS CONTROLS COOPERATION	Engage in technical consultations on legislative and regulatory developments and exchange information on risk assessments and licensing good practices, as well as on compliance and enforcement approaches, promote convergent control approaches on sensitive dual-use technologies, and perform joint industry outreach on dual-use export controls.
INVESTMENT SCREENING COOPERATION	Exchanging information on investment trends impacting security, including strategic trends with respect to industries concerned, origin of investments, and types of transactions; on best practices, including with respect to risk analysis and the systems for risk mitigation measures with a focus on sensitive technologies and related sensitive data, which may include personal data.
PROMOTING SME ACCESS TO DIGITAL TECH	Launch outreach activities that will offer opportunities for SMEs and underserved communities, and their representatives, to share their needs, experience, strategies and best practices with

GLOBAL TRADE CHALLENGES	<p>policy-makers on both sides of the Atlantic with a view to ensuring a better understanding of the barriers to their digital empowerment.</p> <p>Focus on challenges from non-market economic policies and practices, avoiding new and unnecessary technical barriers in products and services of emerging technology, promoting and protecting labour rights and decent work, and following further consultations, trade and environment issues.</p>
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Depth of cooperation

The Pittsburgh statement had already clarified that the “cooperation and exchanges of the TTC are without prejudice to the regulatory autonomy of the European Union and the United States and should respect the different legal systems in both jurisdictions”.³ This positioned cooperation between coordination and collaboration while largely staying clear of integration. Within this range, the depth of cooperation in the TTC is likely to vary among the areas covered by the working groups. Several frameworks and plans for information sharing have been suggested within the TTC format. Declarations are cost free, however, and it is the level and sensitivity of shared information that determine the depth of cooperation.

Openness of cooperation

The TTC is in its construction an EU-US framework. The level of openness that has been indicated refers to a wider group of actors within Europe and the US:

*We welcome the interest and active involvement of stakeholders who have contributed significantly in the TTC process, and we underline our commitment to continue our in-depth engagement with labor unions, businesses, and civil society. We welcome the multiple engagements that working groups have held with broad groups of interested parties, and the recently initiated, EU-financed Trade and Technology Dialogue. We look forward to continuing this engagement and to identifying new opportunities to bring together diverse stakeholders from across the United States and the European Union. We embrace openness and transparency in our work and will endeavor to make essential information about our meetings and deliverables public.*⁴

There is however an ambition to use the TTC to achieve more international clout, as the export control regime vis-à-vis Russia indicates. A senior level TTC official on the EU side acknowledged this ambition: “a global role for the TTC is being actively sought; it’s not a bi-product”.⁵ Conversely, the official added that the EU’s other new trade and technology formats, for example, with India and Japan, add leverage to the EU position as it negotiates with the US. This is something that was echoed in discussions with French officials, who clearly saw a rationale for the EU having its own networks and relations in the Indo-Pacific.⁶

Progress report – from Pittsburgh to Paris

The spring meeting in France received progress reports on the early months of cooperation. Russia's war in Ukraine had clearly shaped the cooperative environment, especially on sanctions and export controls. The joint statement argues that: "The foundation that we cemented through the TTC was indispensable for fostering the unprecedented level of cooperation on export controls and sanctions in response to Russia's further invasion of Ukraine, both between the United States and the European Union and with other allies and partners". It continues: "We share a desire for cooperation through coordinated actions using our export control and investment screening tools in defense of our security. We are committed to deeply enhancing our cooperation and to supporting information exchange on dual-use technologies and export controls. The work of the TTC has already proven foundational in developing common approaches in response to Russia's aggression against Ukraine, including by facilitating an unprecedented level of cooperation on export controls".⁷

The EU and the US already had working groups on sanctions, but the TTC working group on export controls meant that trust and cooperation had already been established when the war started, and the area could quickly be added to the overall sanctions package that was delivered. A centrally placed EU official argued: "Thanks to the TTC, the export control part was done in days and made it into the first sanctions package; this would have taken weeks otherwise".⁸

The issue of supply chain security was also elevated by the war, and work here was highlighted in the May meeting where the parties agreed to develop "a common early warning and monitoring mechanism on semiconductor value chains, to increase awareness of and preparedness for supply disruptions, and information exchange to avoid a subsidy race".⁹

Standards were highlighted as an area of progress linked to a newly established Strategic Standardization Information (SSI) mechanism to boost information sharing on international standardization. According to one of the negotiators, TTC cooperation in this field has already allowed synchronized EU-US action in the International Telecommunication Union.

Generally speaking, with the exception of the export control regime vis-à-vis Russia, the work has thus far has largely resulted in information sharing and mapping exercises, with more executive issues to follow. It is clear however that the war in Ukraine has been a boon for EU-US cooperation in the TTC and beyond. One French official argued that on arms shipments, there has been "indispensable cooperation. NATO is taking a step back; the US and the EU are financing and doing shipment".¹⁰

TTC3 – from distrust to technical progress

In December 2022, the third summit of the US-EU Trade and Technology Council (TTC3) took place in College Park, Maryland. Publicly, the results of the meeting were considered modest at best, not least since the summit's duration had been shortened to 2.5 hours given the muted set of deliverables it was likely to provide. This judgment might be unfair, however, given the challenging circumstances ahead of TTC3 and the limited mandate of the TTC more generally.

Prior to and after TTC3, press reports focused mainly on the US Government's Inflation Reduction Act (IRA) and its "Buy America" premise, which involves subsidies that are likely to negatively affect the EU. The EU had accused the US of violating World Trade Organization (WTO) rules with its massive nearly \$400 billion subsidy package for clean technology and the green energy transformation.¹¹

Prior to TTC3, however, diplomacy had been partially successful in de-escalating these transatlantic tensions. Crucially, during the visit of President of France Emmanuel Macron to the United States, US President Joe Biden had signalled a willingness to include the EU in preferential treatment for countries with free trade agreements with the US – despite the fact that earlier negotiations on a transatlantic free trade agreement (TTIP) had failed.¹² The US government had also agreed to interpret ambiguities in the IRA text in the EU's favour on a number of technical issues, one such example being opening up the Commercial Clean Vehicle Credit scheme to EU companies which was officially confirmed a few weeks after TTC3 but negotiated largely before the meeting.¹³

The easing of tensions also followed initial intra-EU exploration of possible subsidies for EU-made green technologies in French-German negotiations on 3–4 December 2022, in European Commission President von der Leyen's speech at the College of Europe on 5 December, when she affirmed the need for a European Sovereignty Fund, and in EU Commissioner Thierry Breton's proposal to spend at least 2% of the EU's gross domestic product on matching IRA incentives. In addition, taking the IRA to the WTO is no longer mentioned by EU leaders.¹⁴ On this basis, TTC3 was held at a time of a slight recovery in transatlantic relations. The summit made largely technical progress and was defined by some new projects. The most relevant issues covered in the summit's readout are discussed below.¹⁵

The transatlantic partners announced ICT partnerships with Kenya and Jamaica. The ministers from both countries with responsibility for ICT attended by video link. EU and US participants agreed in private, however, that the partnerships are quite limited in comparison with previously expressed ambitions, not least to align their infrastructure initiatives on third countries. One EU official said, for example: "Let's be honest, in identifying Kenya and Jamaica we reviewed existing plans and projects and compared them to those of our counterparts. These projects are not a breakthrough."¹⁶ In this context, the cooperation between the US International Development Finance Cooperation (DFC) and the European Investment Bank (EIB), which was institutionalized at TTC3, might be more significant.

In another major outcome, both sides expressed an intention to stress test the Artificial Intelligence (AI) road map in the coming months, and the technology community will work out

the details.¹⁷ The road map focuses on criteria for assessing the trustworthiness of AI and could be a stepping-stone for greater transatlantic alignment on international technical standardization. However, this would require that: (a) regulatory alignment follow on from the roadmap; (b) US and EU industry adopt the agreed principles; and (c) both sides address the challenging issues around certification of dynamic, learning systems, and the fact that existing technical standard-setting and certification do not match that challenge. European Commissioner Margaret Vestager identified the need for progress when she suggested aiming for substantive progress before TTC4 in Sweden.

Other progress in the field of technical standardization included announcements on standard setting on megawatt heavy-duty vehicles and EV charging stations. Commitments were also made on conformity assessments and mutual recognition agreements on maritime radio equipment and vaccines, with an eye on future work on machinery and AI.

TTC3 also launched new projects, such as a specific dialogue on managing the use of forced labour and due diligence mechanisms. US and EU participants agreed in private conversations that this is aimed at the People's Republic of China (PRC) and its low labour standards. In the run-up of the TTC3, one US official acknowledged: "We understand the [EU's] wish to use country-neutral language. But we are also aligned on a number of issues such as due diligence and forced labor and we all know that this is about China."¹⁸

New transparency mechanisms were also discussed regarding information exchange on demand trends and targeting state aid in relation to semiconductors as a result of the US CHIPS & Science Act and EU CHIPS Act.

Given the unfavourable background to TTC3, the technical achievements of the negotiations were considerable. However, the broader limitations if not failures of the TTC format are also apparent.

Effects of the format

The press largely focused on the TTC's dealings on the IRA, on which it could hardly deliver. Most notably, controversy over the IRA's rules of origin requirements was briefly touched upon but not resolved. In addition, even where TTC3 reported progress, it did not necessarily match previous expectations. For example, the summit readout stresses future work on undersea cable connectivity but earlier commitments to a concrete project were watered down.

A general work strand previously identified at TTC2 in France was the incorporation of stakeholders into implementation of the Declaration of the Future of the Internet, on protecting human rights defenders online and monitoring patterns of global Internet shutdowns.¹⁹ However, the digital democracy and rights dimensions did not ultimately live up to the expectations set in France. There were also noticeable absences from the agenda, such as metaverse governance, and the EU's plans to narrow participation by non-European actors in ETSI standard setting or 6G standardization, among other things. The latter is largely the result of the US continuing to push Open RAN solutions despite the fact that the technology is immature.²⁰ The absence of ETSI governance is largely the result of a lack of agreement between both sides, since the European Commission's amendments of the European Standardization Regulation – primarily aimed at excluding Chinese technology companies from disproportionately influencing harmonized European norms supporting legally binding regulations – equally target US multinationals.

Characteristic of the TTC's limitations is what is also considered one of its greatest achievements: cooperation on technical standards. Here, the above-mentioned constraints apply and the most significant achievement, the Strategic Standards Information (SSI) mechanism, is a useful but limited tool. First, the SSI constitutes information sharing and is not part of technical standard-setting. Despite all the differences in the US and EU standardization systems, technical standards are predominantly developed by private sector rather than public sector actors on both sides of the Atlantic, as well as in international standard-developing organizations. Hence, a government-to-government mechanism is necessarily limited. In addition, the SSI is further constrained by the EU's transparency rules. If the SSI were a formal platform, EU rules would require it to make detailed information on its activities public. As a result, the SSI is a grand-sounding term that in practice describes the exchange of emails between European and US civil servants. While there is nothing wrong with such practices and information sharing is useful, it is being hailed as one of the most significant successes of the TTC.

Such limitations are, however, not only the result of disagreements between the EU and the US on some of the issues on the agenda. They reflect the fact that the TTC is mostly a coordination and information sharing mechanism. In sharp contrast to the Indo-Pacific Economic Framework (IPEF), the TTC does not aim for concrete and binding results. This is reflected in the TTC's mandate, adopted at its inaugural meeting in Pittsburgh, that states that both sides will “coordinate approaches to key global technology, economic and trade issues” and “respect” the different legal systems in both jurisdictions. This implies that the TTC will not interfere in the regulatory work of the EU and the US.²¹

This is not to say that the TTC cannot be helpful, but its activities must necessarily revolve around coordination and information exchange and be non-binding. One example is the often-cited success of transatlantic alignment on export controls in response to Russia's invasion of Ukraine. EU and US participants agree in private conversations that TTC2 facilitated coordination of export controls and sanctions against the Russian Federation, but the TTC was unable to take any decisions. An anonymous EU official recalled: "I cannot remember a time when it was so easy to make progress in transatlantic alignment over export controls. Ironically, Putin's war was an engine for the TTC."²²

Instead, it was the EU member states, none of which had been directly involved in TTC2, that had to agree on a set of European sanctions. Ultimately, it was geopolitical circumstances rather than TTC2 that united the EU and facilitated transatlantic coordination.

However, the current nature of the TTC also has its advantages. First, as indicated above, its non-binding character requires less coordination on the European side and makes the TTC functional. Second, its current structure allows the inclusion of subjects that require transatlantic discussion but are not within the TTC's formal mandate. For example, the Data Privacy Framework or International Telecommunication Union election coordination in Bucharest in September 2022 were both initiated in the context of the TTC's informal consultations. Hence, the value of the TTC is mostly in the provision of an "ecosystem" for exchange in situations where stumbling blocks remain outside the formal set-up that can be addressed informally to facilitate resolution.

Critical uncertainties

While the section above looked at the TTC from an institutional perspective, several policy issues clearly add challenges as well. Indeed, TTC cooperation is challenged by several obstacles and deadlocks linked to differing data privacy traditions and interests; old and new trade conflicts, such as Boeing/Airbus and Trump's still active steel and aluminum tariffs; as well as different ambitions and policies when it comes to climate change, to name just a few. However, the sacrifices and compromises required to manage or circumvent these issues are well known. Several critical factors tied to the partners involved add more fundamental uncertainty.

Domestic support

International cooperation does not come about just because it is needed, but because there are actors willing to cooperate. TTIP would have created substantial cooperative gains but failed to attract sufficient political support. The same can be said about the TTC, where a fundamental uncertainty is the level of domestic support in the years to come. The US is for obvious reasons the main risk here. The Trump administration brought about a dramatic shift in US international engagement and something similar could plausibly happen following the 2024 elections. Indeed, the 2023 state of the union address saw Joe Biden doubling down on his Buy American policy, suggesting that federal infrastructure projects would require construction materials made in the U.S. Support for the TTC in Europe could also be at risk. There will be elections to the European Parliament and a new European Commission in 2024, possibly leading to different priorities. Even if the EU institutions remain engaged, there could be push back from the EU member states, which have already noticed that the Commission is managing the TTC in a relatively closed manner. This would become more likely if the cooperation took on a more costly anti-China stance. Finally, if the TTC produces results that require ratification by member state parliaments, this would be a risk as even what were assumed to be non-controversial trade arrangements have had difficulties getting through national legislatures in recent years.

Strategic outlook

The two partners entered the TTC from rather different vantage points with slightly different ambitions. The US has for some time viewed trade and technology from a national security perspective and made little effort to hide the fact that cooperation with Europe is a way to strengthen its hand in its great power rivalry with China. The EU, and the European Commission in particular, has designs on a more geopolitical role but still tends to focus on trade and technology as drivers of commerce and development. Indeed, if cooperation ventured too far into national security issues it would also venture beyond of the Commission's mandate.²³ Across the EU, perspectives on and interest in China's global footprint in technology and economics vary. Views on China, and the extent to which the TTC

should develop into an Atlantic trade and technology front in relation to China, will be a key uncertainty moving forward. Russia's war, and the transatlantic unity it has created, has plastered over this strategic divide but it could still resurface. As a CSIS report concludes:

*It is unclear, for example, whether this degree of cooperation would extend to a scenario in which the United States seeks similar sanctions on China in the event of a Taiwan invasion, or if the United States were to seek tougher export controls on technology transfer to China. Despite current momentum within the transatlantic relationship, the two parties may maintain fundamentally different approaches to strategic adversaries other than Russia.*²⁴

While the US position on China appears stable and enjoys strong bipartisan support, the EU member states have a wide spectrum of positions. Eastern and Central Europe, which were previously keen to increase cooperation with China through the 17+1 format, have become increasingly cautious, especially since China is backing Russia politically in its war in Ukraine.²⁵ Nonetheless, several member states have significant dependencies on trade with and investments by China, and a more hawkish line might receive pushback. Thus far, from an Australian viewpoint, "the United States and the European Union are, to borrow a cliché, still dancing around the China-sized elephant in the room".²⁶

Europe's limited geopolitical ambition is a disappointment from the US perspective, and is responsible for the mismatch between the trade and the technology layers of the TTC. European trade negotiators are faced with very limited US openness to compromise, not least because the US perceives less willingness and fewer commonalities in their interests with Europe with regard to the containment of China's ambitions. European regulatory influence is more important to the US in the technology layer, however, which opens up more options for collaboration. If the Indo-Pacific Economic Framework process were to deliver concrete results on trade, this could further increase EU frustration.

Home market protectionism

One risk for the development of the TTC is each actor's ambition to support its own home market, including in relation to each other. While different industrial support structures have always been a thorn in relations – as demonstrated by the Boeing / Airbus conflict – the new geo-economic era has accentuated the use and protection of economic tools and resources for political gains. The May 2022 declaration contains an olive branch: "When using domestic tools to address non-market, trade-distortive policies and practices, the United States and the European Union will seek to consult or coordinate with each other, with a view to avoiding or mitigating unintended consequences for each other, where possible".²⁷ Nonetheless, both Europe and the US are supporting their home markets by various means, increasing the risk of conflict and limiting the gains of cooperation. The US provides a range of subsidies to incentivize the purchase of domestic goods and has industrial policies in place to curb the industrial development of rivals. The US Inflation Reduction Act of 2022 discussed in the progress report section above is a case in point. It requires eligible vehicles to contain batteries built in the US with minerals mined or recycled in North America, which essentially rules out European cars from the scheme.²⁸ In the EU, questions of strategic autonomy and sovereignty

have morphed from the security field into areas such as space, critical industry, health and the digital sphere, limiting competition from rivals on geopolitical and/or environmental grounds. While for some years this has mainly been driven by France, it is notable that Germany's Olav Scholz now fully supports efforts to enhance European sovereignty and has even touted the idea of a "Made in Europe 2030" strategy in a key EU speech.²⁹ These attempts to favour the home market and gain control of critical technology flows have the potential to critically distort TTC-cooperation. Indeed, the February 1st 2023 communication on a "Green Deal Industrial Plan for the Net-Zero Age" by the European Commission is explicitly tailored to counter recent increases of state support by the US and China.

Scenarios for future development

Depending on how the key uncertainties play out in the near future, the TTC could evolve along quite different trajectories. Three possible scenarios are suggested below.

Scenario 1: A transatlantic technology and trade alliance

If the TTC continues to develop in both scope and depth, as the first year and a half has illustrated, it could eventually become a full-scale transatlantic technology and trade alliance. This could imply a common regulatory framework for emerging technologies, a far-reaching digital market and a joined-up approach to how this should be leveraged globally. This would imply an upgrade of the TTC with expanded ambitions to deliver binding results and would require a mandate from EU member states to the Commission and their inclusion in the negotiations, rather than the current practice of member state endorsement. While different areas of the TTC are likely to reach different levels of cooperative depth, the overarching result would be the “geo-economic NATO” that Madelaine Albright once suggested the TTIP should become. In addition to increasing the cooperative depth, its scope will be broadened in new areas such as outbound investment controls and streamlining EU and US efforts to curb investments that might assist other countries to gain undesirable capabilities. Together with the EU-US security dialogue on security and defence, and an administrative agreement between the US and the European Defence Agency, the full spectrum of security issues of market and/or technological relevance would now be jointly managed through EU-US coordination. This would require strong domestic support in both constituencies, especially as some areas of cooperation would come close to integration. In Europe, it would be assumed that US engagement with and support for the security of the continent allowed for a more detailed cooperation agenda on issues that would have been difficult to agree on even among the EU member states. Thus, US willingness to cooperate might convince even the more intergovernmentally oriented member states to allow more common regulation if this was done in partnership with the US. It is difficult to see how this scenario could unfold, however, if it were not preceded by a harmonization of views vis-à-vis China. In reality, it is most likely that it would even surpass that and be based on a shared mission to create a front against autarchy in general.

Scenario 2: A geoeconomic mechanisms for managing Russia

With more limited political support and lingering divergence of views on China, the TTC could continue to develop its cooperative depth but with only limited scope. This would mean that the TTC would continue to perform as a sharp geo-economic policy vehicle for addressing Russian aggression in Europe. Support for Ukraine, including measures to manage political risks for transatlantic investors and the establishment of future FDI-screening tied to the reconstruction might also be suitable tasks. But the TTC would not be widened to check China’s economic and technological rise. If the previous scenario saw a united front against autarchy globally, this scenario sees a sustained partnership targeted at a specific autarchy due

to its threat to the European theatre. Since the geopolitical benefit to the US is more limited in this scenario, regulatory and market cooperation would take a more transactional turn where concessions are traded tit for tat. The result is a rather limited harmonization across the Atlantic. The export control and sanctions regimes that form the core of deepened cooperation in this scenario would also be developed in line with US preferences. Central and Eastern European countries – keen to focus the transatlantic relationship on Russia – would be content with this version of the TTC while countries such as France would argue that the concessions on trade and markets undercut European sovereignty.

Scenario 3: A trade and technology talking shop

In a third scenario the TTC fails to develop any cooperative depth. The already rather wide agenda is broadened but lack of political support and an unwillingness to give up on national subsidies in several emerging technology areas limits what cooperation can achieve. Working groups with little autonomy and institutional capacity lose momentum when top level attention turns elsewhere. This scenario would see continuing differences in the strategic outlook vis-à-vis China and a lack of political support for more thorough harmonization efforts across the Atlantic. A less Europe-focused US administration would make this scenario more likely. With less faith in the US administration, the European Union doubles down on its efforts to regulate “big tech”, which eventually creates strong pressure from US interest groups to curb cooperation. With US-EU relations delivering little of substance, Russia is increasingly managed within the NATO format – as are questions related to innovation and emerging technologies. The TTC loses impetus and becomes one of several platforms where transatlantic dialogues are staged but tangible outcomes are rare. Diverging paths on tech policy, export controls and screening mechanisms eventually lead to less compatible industrial bases. The effects on the wider world of the discussions within the TTC are negligible. With little to show for, the TTC could even end without much fanfare when the new European Commission and a new US administration take office.

Planning TTC4

Before the fourth meeting of the TTC in Europe in the summer of 2023, the Swedish Presidency of the European Council should carefully consider what it is striving for and propose an agenda that aligns with Sweden's vision in connection with the scenarios outlined above. If the Swedish government opts for an ambitious TTC, it would be well advised to start an immediate process of active engagement with all the EU member states to identify the advantages for each.

Thematically, TTC 4 will need tangible results. A European Parliament report concludes that "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".³⁰ A range of suitable areas for TTC4 can be envisaged but would need careful preparation:

- *Supply chains for a green economy and rare earth mineral cooperation:* The Critical Raw Materials Club idea, which was floated in the European Commission's Green Deal Industrial Plan, would be a suitable project for linking up with US schemes in the same area.
- *A common technology vision for 6G:* The aim should be for a multistakeholder format to push for transatlantic alignment on 6G.
- *Semiconductors:* Explore the potential for and limitations of export controls in the light of the threat to Taiwan. The rationale should be to strike a balance between keeping China reliant on advanced chips from Taiwan, so that any attack is costly for the PRC, while also containing Chinese tech ambitions. This would need to be carefully consulted on within Europe, not least with the Dutch.
- *Vehicle-to-X communication:* Explore the potential for common regulation and standards with reference to China, which is moving forward quite fast. This could be important given the centrality of automotive and self-driving vehicles, which include plenty of critical (incl. personal) data.
- *Establish a more structured research cooperation framework on critical technologies, building on the progress made on AI and quantum:* From the EU side, this could be linked to its Observatory of Critical Technologies
- *Digital infrastructure investment coordination:* as part of infrastructure investment initiatives such as the Global Gateway on Europe's side.
- *Economic security for Ukraine:* Building on the successful management of export controls vis-à-vis Russia, the TTC could become a forum where future economic security tools for Ukraine's reconstruction could be discussed. Suitable areas for cooperation might be multilateral political risk insurance to incentivize private investors and a functioning investments screening mechanism for Ukraine.

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About Politea

Politea is an analysis company focusing on international political risk, geoeconomics, and technology, based in Stockholm, Sweden. With research, foresight, and strategy development, Politea helps companies and authorities to navigate in an increasingly turbulent environment and position themselves for the future.

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