

Limited Progress: The Third Meeting of the EU-US Trade and Technology Council

Assessing the Outcomes of the Third Ministerial-Level TTC Meeting and the “EU-US Joint Statement of the Trade and Technology Council”

15 December 2022

Background and General Comments

On 5 December 2022, the EU-US Trade and Technology Council (TTC) met in the United States for its third ministerial-level meeting. Ahead of the meeting, the Transatlantic Business Initiative (TBI) had published a paper with 31 recommendations for this third TTC meeting.¹

Overall, the third TTC meeting delivered some progress but lacked concrete results in too many areas. Commitments to sustainable trade and common standards as well as progress on mutual recognition of conformity assessments are positive steps. Work on common standards in electromobility is likewise welcome, but should extend beyond charging infrastructure, to cover areas such as carbon-neutral fuels. The early-warning system for bottlenecks in the semiconductor supply chain must be established in close coordination with industry. The EU-US Joint Statement² mentions the “urgent need to identify and address supply chain vulnerabilities,” but (in contrast to previous statements) does not refer to securing access to critical minerals.

Talks on the Inflation Reduction Act (IRA) and the work of the EU-US IRA task force are yet to produce tangible results. US authorities must design the implementation guidelines as flexibly as possible to avoid discrimination against European companies. The task force must aim to resolve existing differences before the IRA enters into force on 1 January 2023. Instead of triggering a mutually harmful subsidy race, the US government and the EU Commission should make every effort to reduce protectionism and barriers to investment and trade between partners. Finally, the EU itself must enact measures to become a more competitive investment destination.

¹ TBI, *Deeper Transatlantic Cooperation through the EU-US Trade and Technology Council - 31 Recommendations for the Third Ministerial Meeting of the Trade and Technology Council*, 26 October 2022, <https://transatlanticbusiness.eu/wp-content/uploads/2022/11/TBI_TTC-Recommendations_3rd-Meeting.pdf>.

² European Commission, *EU-US Joint Statement of the Trade and Technology Council*, 5 December 2022, <https://ec.europa.eu/commission/presscorner/detail/en/STATEMENT_22_7516> (accessed 6 December 2022).

Assessment of Select Outcomes and Specific Comments

Digital Infrastructure and Connectivity

The TBI supports the TTC's efforts to strengthen security, diversity, resilience, and interoperability in **ICTS supply chains – in third countries as well as** in the EU and US. For the German community, the absence of any discrimination against market participants based on their origin/headquarters is crucial. Effectively strengthening the resilience of ICTS solutions requires a holistic approach encompassing all actors along the value chain. Europe and the United States will need to invest new and substantial resources to match China's Belt and Road Initiative (BRI) and make an impact in third countries.

Digital societies depend on resilient and reliable ICTS ecosystems (incl. infrastructure). Diversified ICTS supply chains are therefore necessary to safeguard access to critical technologies in times of geo-political tensions. The EU and the US should continue their work on transparent legal mechanisms – based on both technological and political criteria – to define the trustworthiness of market actors.

The TBI welcomes the TTC's discussions on alternative routes for **transatlantic subsea cables**. In light of the recent attacks against the Nord Stream pipelines, it is paramount that we invest in our critical infrastructure to protect critical services, such as data transfers between the EU and the US. The EU and the US should also discuss joint approaches to enhancing the resilience of present and future infrastructure. To this end, closer cooperation between the relevant security organizations and industry representatives would be much appreciated.

Cooperation on New and Emerging Technologies

The TBI welcomes the TTC's work on **Trustworthy AI and Risk Management**. Shared taxonomies and terminologies, combined with common research projects on AI and related areas will support innovation without resorting to new regulation. The roadmap makes an important contribution to ongoing discussions in international standardisation organisations and will further promote the common understanding of Trustworthy AI and Risk Management on an international level.

Increased cooperation on **electromobility** with regard to charging infrastructure and concomitant standards remains an important aspect of discussions taking place through the TTC. Rapid increases of battery electric trucks will require the speedy development of a standard for megawatt charging systems (MCS). The absence of any further deliverables in the area of mobility is disappointing.

In their Joint Statement from May 2022, both sides agreed on concrete steps regarding mutually recognized operating requirements and test procedures for electric vehicles and charging stations. This topic should be pursued further. We further recommend officials include the ramping-up of carbon-neutral fuels, including in air and maritime transport, and associated

comprehensive refuelling infrastructure. Increased cooperation in research and production would be desirable.

The results on **standards cooperation** are generally positive, including the strategic analysis of strategically relevant technology areas. Wherever possible, we also encourage the EU and the US to consider joint projects on standards with China.

Cybercrime imposes massive costs on an ever-increasing number of companies. The announcement of an “EU-US Cyber Dialogue” in 2023 is therefore welcome. The EU and the US should utilize this dialogue to identify opportunities for enhanced cooperation between their respective cybersecurity agencies and industries. German business appreciates the European Commission’s recent proposal for a Cyber Resilience Act. Enhancing the cyber-resilience of products with digital elements is paramount is crucial for the continuous digital transformation of our societies. Products designed, produced and placed on the EU/US markets must fulfill risk-based cybersecurity requirements, including a life-cycle approach to maintaining cybersecurity (including a vulnerability handling management) by producers. The development of joint cybersecurity standards for Internet of Things technologies as well as for post-quantum cryptography are important contributions to the Commission’s legislative proposal, while also striving for the international harmonisation of respective requirements.

The TBI fully supports the agreement to deepen transatlantic cooperation on **6G research and standardization**. To ensure that the technological characteristics of 6G are developed in Europe and the USA, a close alignment of standardization activities by European and American industries is essential. Moreover, the EU should utilize existing funding instruments, such as Horizon Europe, to invest in 6G research activities at an early stage. Apart from cooperation on standardization and research, the EU and US should also consult industry with the aim of developing a long-term agenda to marketize results from 6G research into products in both markets.

Building Resilient Semiconductor Supply Chain

Global demand for chips will double by the end of the decade. Simultaneously, increasing geopolitical tensions have rendered **semiconductor** manufacturing capabilities a strategic asset. Government responses in Asia and the United States have included significant subsidies, which are likely to further intensify technological competition. As the global semiconductor ecosystem depends on international supply chains, efforts to strengthen the semiconductor industry should be coordinated and complementary to each other to support the entire value chain.

Initiatives such as the TTC offer the unique opportunity to enhance core competencies in both regions while working closer together to reinforce the competitiveness of the semiconductor industry in Europe and North America as a whole. Both sides should develop common strategies to secure the semiconductor supply chain, including semiconductor equipment, materials, and raw materials as well as assembling, packaging, and testing. Therefore, the establishment of a **joint early warning system to address and mitigate semiconductor supply chain disruptions** in a cooperative way is a welcome first step. The development of a common early warning and monitoring mechanism of the value chain should only occur in close cooperation with industry.

The proposed exchange of information on supply chains must safeguard the trade and supply chain secrets of the semiconductor industry. Mutual trust between both economic regions is a necessary pre-condition to achieve this.

The semiconductor industry is exposed to many risks that are difficult to predict, including geopolitical and natural risks. A merely quantitative mapping mechanism based on current or historical figures would neither help avoid shortages nor predict the next crisis. Hence, involving industry experts at an early stage offers the possibility to prepare for the next crisis based on a qualitative assessment and a quantitative simulation of possible future shortages. We disagree with the establishment of an early warning mechanism that includes the declaration of the “crisis stage” as proposed in the EU Chips Act. If the EU Commission and the US Administration aspire to set up such a mechanism, it should be strictly limited to national security (in the narrow sense of the word, i.e. security and defense) as well as a limited number of highly critical sectors (e.g. health).

While increasing the transparency of the EU semiconductor value chain is desirable, it should not be an end to itself. Only data that is essential for crisis predication should be collected. The TBI welcomes the desire from both sides to avoid subsidy races and market distortions. The EU and US should further continue to support investments in companies of all sizes throughout the entire value chain. A transatlantic partnership between research and industry should be further strengthened and the needs of customer industry should be kept in mind right from the start.

Facilitating Transatlantic Trade

We welcome information exchange on strengthening the **use of digital tools** in SMEs. “Mittelstand” and family-owned companies in both the US and the EU are working on fully recognizing or tapping the potential of the new value creation options. At the same time, progress in networking and automating production processes is sometimes slow. Digital processes and new technologies will be more widely used once the added business value of technologies and applications becomes clearer and concerns about unauthorized access to data by third parties diminish. Hence, it is important to raise awareness of the possibilities of digitalization and cybersecurity among SMEs. Respective initiatives can learn from each other.

In principle, **mutual recognition agreements** can lay the foundation for future intensive trade between the EU and the US. However, a mutual recognition of conformity assessments can only exist on the basis of international standards. We support US and EU efforts to identify concrete projects to work on.

We regret the lack of progress on reducing **other bilateral trade barriers**. In addition to identifying and lowering bilateral trade barriers, the EU and the US should finally resolve their dispute around the US import restrictions on steel and aluminum and find a lasting solution for the punitive tariffs in the Airbus/Boeing conflict.

Trade, Security and Economic Prosperity

It is only somewhat encouraging that TTC parties aim to coordinate the implementation of multilateral **dual-use export controls**. Enforcement, best practices and a continuance of collaboration on **sanctions** policy are also worthwhile steps towards a partnership that eases the regulatory burden on economic operators. However, after several rounds during which partners came together and the successful collaboration in preparing a transatlantic Russia embargo, it is surprising that the TTC has yet to deliver concrete and tangible results on such low-hanging regulatory fruits. Parallel listings should become practice sooner rather than later, new US export controls on semiconductors were clearly unilateral in nature and while TBI recognizes the political environment in which control decisions were made, the surprise with which these controls were received in German business community undermines the very goals the TTC was originally established for in the first place.

Given the current geo-economic challenges, we see the need to focus more on security and public policy when dealing with foreign investors. At the same time, **investment screenings** remain a deep intrusion into property rights and freedom of contract, the cornerstones of our successful market economy. State control of takeovers of security-relevant companies or infrastructure is both permissible under EU law and necessary in terms of regulatory policy. However, in each case it must be the subject of a comprehensible security policy balancing of interests. The central task of the Investment Screening Working Group must therefore be a continuous dialogue between stakeholders from business, security, and foreign trade policy to be prepared for technological advancement as well as threat scenarios at an early stage. Interventions in private property and freedom of contract that go beyond the protection of public security and are solely motivated by industrial policy must be avoided.

German's business community has developed positions on the European process to create an **anti-coercion instrument** (ACI). Europeans need a mechanism that ties together the formerly non-associated policy dimensions of external economic relations as well as foreign and national security policy. With the progress that TTC negotiations have delivered in other areas, German business insists that cooperation and exchange in this policy area can only deliver positive input for European decision-makers. However, any form of transatlantic cooperation needs to be based on the following principles of an ACI that delivers 1) in a timely and measured manner, 2) proportionately and in the overall Union interest, 3) in cooperation with economic operators to ensure sound evidentiary footing, and 4) WTO-compliant and invariably in the pursuit of deterring coercive action.

Trade-Related Environment and Labor Initiatives

We welcome the TTC's plans to increase efforts regarding **sustainable trade**. It is of utmost importance that the EU and the United States cooperate in the area of climate protection. However, the Joint Statement does not go into detail in explaining which TTC actions are planned regarding the "transatlantic initiative on sustainable trade." A harmonization of the frameworks for sustainable finance would accelerate the achievement of sustainability goals on both sides of the Atlantic.

Earlier TTC papers mentioned cooperation in the field of public procurement and especially **green public procurement (GPP)**, which is missing in the Joint Declaration regarding the Third Ministerial Level TTC meeting. Given the importance of public procurement for transatlantic trade, cooperation in this field should remain on the agenda for future TTC activities. This may apply for specific issues of green public procurement as well as overall aspects of public procurement.

Developing Talent for the Digital Transition and Economic Growth

According to Bitkom, Germany alone, has currently a STEM workforce shortage amounting to 96,000 experts. Other studies, such as the (ISC)² estimate that Germany's IT security experts gap amounts to 104,000. Henceforth, we welcome the **Talent for Growth Task Force**. The acute shortage of skilled workers in SMEs must be counteracted. Comprehensive investment in digital education and training is necessary. It is important that good ideas are put into practice in companies and educational institutions.

About the TBI

The Transatlantic Business Initiative (TBI) is the point of contact for economic policy issues, particularly for the German government and the governments of the United States and Canada as well as for EU institutions. The initiative is supported by four business associations: the Federation of German Industries (BDI), the Association of German Chambers of Industry and Commerce (DIHK), the Federation of German Wholesale, Foreign Trade and Services (BGA) and the Association of German Banks (BdB) and advocates for strengthening the economic relations between Germany and the European Union on the one hand, and the United States and Canada on the other. Members of the TBI work in four steering committees, focusing in particular on trade and investment policy, energy and climate policy, data and the digital economy as well as business and finance, and seek to engage with policymakers, regulators and supervisors, business and trade representatives as well as other stakeholders to strengthen transatlantic ties and facilitate coordination on matters of shared interest.

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