

Assessing the Fourth Meeting of the EU-US Trade and Technology Council (TTC)

July 2023

Overall Assessment

On May 30 and 31, 2023, the EU-US Trade and Technology Council (TTC) met in Luleå, Sweden, for its fourth ministerial-level meeting. Ahead of the meeting, the Transatlantic Business Initiative (TBI) had published a paper with 14 recommendations for the TTC meeting as well as a position paper on an artificial intelligence policy framework.¹ The TTC's technology track has been the most productive so far. However, with respect to trade policy, there is growing concern that negotiators may be unable to achieve significant results before the US presidential elections and the process to elect a new President of the European Commission.

The TTC must improve its **stakeholder engagement**. Active and ongoing consultation with stakeholders directly affected by the TTC's decisions is crucial. Proactive consultation can help provide legal clarity for companies and aids in the smooth and effective implementation of new policies. Increased transparency on the inner workings of the TTC and its working groups would provide stakeholders with useful insights on how their input is taken into account. German business stands ready to support the TTC with concrete ideas, e.g. regarding trade facilitation.

Executive Summary

- The TBI welcomes the efforts to harmonize standardization processes in the field of **artificial intelligence (AI)**. Standardization and certification definitions must allow all companies regardless their size to meet the respective requirements without undue costs and bureaucracy.
- Efforts towards increased cooperation in **standardization** must be translated into concrete action, including on digitalization and decarbonization.
- The TTC should consider targeted funding models for standardization activities.
- The adoption of the harmonized **Megawatt Charging System (MCS) standard** for heavy-duty vehicles represents a significant success. Like e-vehicles, **carbon-neutral fuels** are

¹ TBI, *Spotlight on Economic Security and the Dual Transition - 14 Recommendations for the Fourth Ministerial Meeting of the EU-US Trade and Technology Council*, 11 May 2023, <https://transatlanticbusiness.eu/wp-content/uploads/2022/11/TBI_TTC-Recommendations_3rd-Meeting.pdf>; TBI, *Building Blocks for an Artificial Intelligence Policy Framework. Policy Recommendations on an Artificial Intelligence Policy Framework for the Fourth Ministerial Meeting of the EU-US Trade and Technology Council (TTC)*, 24 May 2023, <https://transatlanticbusiness.eu/wp-content/uploads/2023/05/TBI_KI_Kurzposition_May2023.pdf>.

critical to the decarbonization of the transport sector, and should be a TTC priority going forward.

- Any initiative to phase-out PFAS in **semiconductors** should be based on realistic timelines, and exceptions for areas in which they are indispensable.
- Regarding the promotion of **quantum technologies**, the TTC should expand its current focus on post-quantum cryptography and include quantum sensors, quantum computing, quantum communication, quantum simulation, Quantum AI, and their enabling technologies. New standards in these areas must not disadvantage companies of any size, and industry should be involved in the technical working groups.
- The TBI welcomes the TTC's initiative to **address non-market policies and practices**.
- The TBI welcomes the **circular economy initiative**, but urges the TTC to act swiftly. The TTC should create a harmonized framework for **sustainable finance** to facilitate investments in the green transformation.
- We appreciate the progress on **Green Public Procurement (GPP)**. A catalogue of best practices should consider views of businesses. GPP contracts should be awarded on the principle of the economically most advantageous tender.
- Despite ongoing work, the joint statement's lack of a concrete strategy to conclude a mutual recognition agreement by the end of 2023 is disappointing. An **agreement on the mutual recognition of conformity assessment bodies**, particularly for machinery and electrical equipment, should be concluded swiftly. In addition, private-sector stakeholders should continue **reducing barriers arising from diverging standards** in the EU and the United States.
- We support the TTC's efforts against **forced labor**. Transatlantic guidelines and regulations would help to avoid unnecessary burdens on companies.
- We welcome the TTC's role with regard to **sanctions enforcement**. Both sides must now strengthen their commitment to common publication and re-export practices, and replace or improve cooperative arrangements that have become dysfunctional.
- While we support the EU Commission's efforts to address issues of economic security in view of the geopolitical tensions, we reject **outbound investment controls**. Current export controls are sufficient to prevent outflows of critical technologies.
- The TBI supports the TTC's definition of **economic coercion**. Coordination and comparability of any measures would enhance effectiveness and predictability for business.
- The transatlantic **6G** stakeholder workshop should be followed by concrete action. The agreement to intensify R&D cooperation on 6G is a further step in the right direction.
- 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 the United States. The announcements made during the TTC ministerial meetings must be followed by swift and significant investments.
- German business welcomes all efforts to enhance **transatlantic subsea cable connectivity and security**. Given the lack of concrete advances, we urge the transatlantic partners to agree on concrete projects.
- The acute shortage of skilled workers in companies of all sizes must be addressed, rendering the **Talent for Growth Task Force** both necessary and welcome.

Assessment of Select Outcomes and Specific Comments

“Robust Transatlantic Cooperation on Emerging Technologies for Joint EU-US Leadership”

The TTC correctly noted that **Generative Artificial Intelligence** presents both opportunities and risks to the well-being of humanity. To consistently address said risks, democratic values must underpin the development of AI and concomitant business models. We welcome the joint voluntary declaration of intent to make AI applications compliant with fundamental rights even before the AI Act comes into force. German business likewise welcomes US-EU efforts to harmonize standardization processes and to join forces in pursuit of smart AI regulation. From a business point of view, this offers the opportunity to ensure legal certainty for international business actors, potentially creating a competitive advantage. However, stakeholders must ensure the voluntary code of conduct does not burden companies, including but not limited to SMEs and startups. Compared to major players in the AI ecosystem, SMEs and startups often lack the resources to comply with far-reaching compliance regulations. Inadvertently excluding these smaller companies would damage the innovative capacity of our economies. We therefore appeal for the process of standardization and certification definitions to be made sufficiently inclusive as to allow SMEs and startups to meet the requirements in a simple, unbureaucratic and cost-effective fashion.

Artificial intelligence holds opportunities for business, but can also help address global challenges. The implementation of digital twins in climate research is an important example of a future-oriented application of artificial intelligence. In industry, too, AI and automation can generate energy savings and efficiency gains that can help achieve climate goals and adapt to climate change.

The results of the fourth TTC meeting will lay the foundation for increased EU-US cooperation in **standardization** – provided they are swiftly and effectively translated into action. Additive manufacturing, digital identities and the electrification of the transport sector are strategically relevant future sectors and require international standards developed in close cooperation with industry. Policy-makers must lay out concrete plans by the end of the year, detailing how and when said standardization processes will proceed. Furthermore, projects should be expanded to include further areas of digitalization and decarbonization. The European Commission should consider involving the European High-Level-Forum on Standardisation as an advisory body. Long-term success will require early-stage exchanges with industry.

Although the United States is committed in its Standards Strategy for Critical and Emerging Technologies to international standardization, particularly at the International Organization for Standardization (ISO), the International Electrotechnical Commission (IEC), and the International Telecommunications Union (ITU) – an approach supported by the EU –, the joint statement unfortunately does not reflect this. In the upcoming negotiations, the European Commission must demand the United States adhere to its commitment. A departure from the established international system would lead to an increase in technical market access barriers and a further fragmentation of international markets.

In order to increase the participation of European companies in priority projects, targeted funding models should be considered. For example, the European Commission could introduce a tax-based standardization subsidy (i.e., making costs related to standardization tax-deductible), as a second step after tax-based research development funding to ensure that market-relevant entrepreneurial research and development are turned into new standards. After all, entrepreneurial research and development provides answers for the successful implementation of common EU-US goals.

The TBI welcomes the adoption of the **Megawatt Charging System (MCS)** by the IEC, SAE and ISO, a standard for charging electric heavy-duty vehicles representing major progress. The same applies to the publication of transatlantic technical recommendations for the government-funded implementation of electric vehicle charging infrastructure by the organisations mandated by the European Commission and the US Department of Energy. In light of these measures the TTC is providing important impetus for the ramp-up of e-mobility for passenger cars and heavy duty vehicles in the United States and EU. Political support for the development of a harmonised MCS standard underlines the importance of strategic coordination between politics and industry in standardization. The EU and the United States should consider extending the results of their cooperation on MCS to other electromobility markets, especially India or Mercosur. For further cooperation on electromobility, the TTC has set important priorities with regard to high power charging and the expansion of charging infrastructure, which must now be operationalized.

In addition to a quick roll-out of electromobility, the usage of **carbon-neutral fuels** in air, sea and non-electrified rail-transport, as well as in existing fleets of cars and trucks, are central for the decarbonization of transport. To achieve the rapid scale-up necessary for carbon neutrality in 2050, strong partnerships between the EU and the United States are indispensable, including in research and development, production, the establishment of international sustainability criteria, the standardization of balancing and certification systems, as well as the development of a transport and refuelling infrastructure for carbon-neutral fuels. Policy-makers must prevent carbon leakage by levelling the global playing-field. This will require internationally binding regulations, such as rules on the use of carbon-neutral fuels or mandatory compensation of emissions. Despite the urgent need for progress in carbon-neutral fuels, Working Group 2 is yet to prioritize this issue. We urge policy-makers to correct this.

Global demand for chips is projected to double by 2030. 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 complement each other so as to support the entire value chain.

Initiatives such as the TTC offer a unique opportunity to enhance core competencies in both regions while increasing the competitiveness of the semiconductor industry in Europe and North America as a whole. The TTC should continue supporting investments, particularly in SMEs, to drive digital transformation and advanced manufacturing throughout the entire value chain. In addition, 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 jointly mitigate semiconductor supply chain disruptions 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 business. The proposed exchange of information on supply chains must safeguard relevant actors' trade and supply chain secrets. Mutual trust between both economic regions is a necessary pre-condition to achieve this.

While increasing the transparency of the EU semiconductor value chain is desirable, it should not be an end to itself. The planned reporting mechanisms should be efficient and unbureaucratic. 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 the United States should further continue to support investments in companies of all sizes throughout the entire value chain. Transatlantic cooperation between research and business should be further strengthened and the needs of industrial end users considered right from the start.

German business acknowledges the need for a responsible handling of **per- and polyfluoroalkyl substances (PFAS)** related to the production of semiconductors. Currently, PFAS are widely utilised in the production of semiconductors. Henceforth, substituting PFAS will take time while at the same time Europe's economy and society require semiconductors for the green and digital transformation. Removing PFAS from certain production, supplier and user areas will require significant process and product innovation, and thus a timespan of several months at a minimum. Therefore, the semiconductor ecosystem urges European and US policy-makers to agree on reasonable deadlines for areas in which substitution of the PFAS is possible, and exceptions for areas in which it is not.

It is important to promote science and technology cooperation in the field of **quantum technologies** between the EU and the United States. At the early stages of technology development, the focus should be primarily on cooperation between companies and academia. The international collaborative research project with partners from science and industry (2+2) is a good and successful model of such cooperations. Intellectual property (including IP on critical components) must remain within the companies. Securing technological sovereignty is an important objective, but must not come at the expense of intellectual property rights. Instead, the focus should be on existing legal tools, including export and investment controls. Openness to technology must prevail when considering quantum technologies. In addition to the mentioned post-quantum cryptography, a focus must also be placed on quantum sensors, quantum computing, quantum communication, quantum simulation, Quantum AI, and their enabling technologies. This wide range of technologies poses great challenges, especially when it comes to setting standards. Companies of all sizes must be enabled to participate in international, European and national standardization committees. To achieve this, the TTC must seek input from the industry, including by integrating the latter into the Working Groups' discussions.

“Promoting Sustainability and New Opportunities for Trade and Investment”

We welcome the **Transatlantic Initiative on Sustainable Trade**. Clean, green and circular technologies, combined with energy efficiency gains and decentralized energy systems, can be vital contributors to the energy transition and to the reduction of greenhouse gas emissions.

Transatlantic cooperation – e.g. through energy partnerships – could facilitate the sharing of best practices and the implementation of innovative solutions to tackle climate change. In the context of more global climate protection and the conservation of primary resources, a better common understanding of sustainable trade, including the path to a circular economy both sides' interpretations of green public procurement, is becoming increasingly important. Therefore, we very much welcome the proposal to establish a **transatlantic circular economy initiative**, which can help to promote trade in repairable, remanufactured and recyclable products. Efforts to create a harmonized framework for sustainable finance would be of significant help in achieving our respective sustainability goals.

Furthermore, we appreciate the announcement of increased exchanges of information and the promotion of a common understanding of **Green Public Procurement (GPP)**. In this respect we welcome the intention to create a catalogue with examples of best practices, to be followed by a common initiative on GPP. The latter should not limit itself to contributions of public purchasers but also consider experiences and views of businesses. It is crucial for GPP that contracts are awarded not only on the basis of the lowest price but based on the principle of the economically most advantageous tender. In addition to prices, such an approach would require consideration of criteria such as user costs, availability, compatibility, and length of life cycle (respectively, the costs over a full life cycle). The criteria underpinning GPP should be linked directly to the subject matter of a given procurement contract, and must not be used arbitrarily or to discriminate against certain bidders.

The German business community is pleased that the EU and the United States continue to work together to reach an agreement that would simplify transatlantic conformity assessment procedures in several sectors. However, it is disappointing that the joint statement does not include a concrete strategy to conclude a mutual recognition agreement by the end of 2023. An agreement on the **mutual recognition conformity assessment bodies**, particularly for machinery and electrical equipment, but also for clean tech, should be concluded before the EU and U.S. election season kicks off in 2024. Such an agreement should remove any regulatory barriers that limit the ability of conformity assessment bodies in both markets to certify capital goods for each other's requirements. In addition, it should ensure that products certified by competent testing laboratories located in the exporting market are accepted throughout the entirety of the relevant importing market, regardless of which conformity assessment body is used.

Such an agreement would not lead to the **mutual recognition of conformity assessments based on international standards**, but would nevertheless streamline cross-border conformity assessment procedures. In order to achieve a harmonization of standards between the EU and the United States, stakeholders on both sides should work together through relevant channels to make standards in the EU and US more compatible with one another, based on existing international standardization principles. Such efforts should be complemented by framework conditions created by governments and policy-makers. In the long-term, the EU and the United States should strive towards a future of “one standard, one test, recognized everywhere.”

We share the goal of preventing goods involving **forced labor** entering and/or being re-exported from the Union market. What is more, such human exploitation distorts prices and creates competitive disadvantages. That said, there are practical concerns that must be met to ensure efficacy and efficiency: Databases should be developed and field-tested, guidelines and FAQs

completed, and informational requirements streamlined to prevent unnecessary compliance burdens. The transatlantic partners should do their utmost to implement a common set of standards, so as to facilitate compliance in one market equating to compliance within the other. Respective regulations should be aligned with proposals on corporate sustainability due diligence (CSDD) and corporate sustainability reporting. It is in the EU's and the United States' best economic interest to go beyond regulating business behavior, instead enabling companies to abide by the highest standards at the lowest costs possible.

“Trade, Security and Economic Prosperity”

Working Group 7 remains critical to supporting Ukraine's fight against Russia's war of aggression and to keeping important technology out of Moscow's reach. Regular exchanges between EU and US policy-makers remain vital with regard to sanctions enforcement. To effectively coordinate their Russia embargoes, the transatlantic partners should create comparable structures and procedures. With respect to coordinating **export controls**, we urge both sides to strengthen their commitment to common publication and re-export practices. Going beyond the Australia Group will be an important deliverable for the next TTC meetings. Moreover, measures that go beyond regime controls – that is, on items otherwise sensitive – should be dealt with through a common structure. Policy-makers must not abandon the objective trade facilitation. German business welcomes both sides' commitment to non-proliferation structures and policies. Secure trade creates an environment that is conducive to economic growth and exchange. It is, therefore, important that the transatlantic partners find ways to replace or improve cooperative arrangements that have become dysfunctional.

The TBI supports the continuation of transatlantic exchanges on the impact of investment on national security, especially with regard to specific sensitive technologies and critical infrastructure. At the same time, any potential expansion of **investment control** mechanisms must be solely based on national security concerns. Screening mechanisms for foreign investment represent a significant infringement on entrepreneurial decisions and international investment flows. Such interventions should be restricted therefore to exceptional circumstances, i.e. a last resort in the face of serious, evidence-based security concerns. The private sector should be consulted to ensure that any measures adopted are effective and have as little impact on competitiveness as possible.

The TBI strongly rejects plans to set up **outbound investment controls**. Both the EU and the United States should discard initiatives which create additional bureaucracy and legal uncertainty. The TBI supports the EU Commission's efforts to strategically address issues of economic security in view of geopolitical tensions. Existing export controls are sufficient in preventing outflows of critical technologies.

In times of increasing geo-economic competition, **addressing non-market policies and practices** is becoming ever more important. The TBI welcomes the TTC's resolve to do so both bilaterally and multilaterally. While access to China's markets remains of central importance to Germany, we support a geoeconomic approach to a technologically neutral risk management in Germany and the EU, including efforts to reduce dependencies. We welcome the commitment by the TTC to analyze distortions caused by government-owned and government-controlled investment funds. Non-discrimination of foreign business is a central element of a level playing-field.

Notwithstanding, the voice of industry must play a key role in assessing the impact of non-market economic policies, including with respect to semiconductors. A further digital and technological fragmentation of global markets and supply chains should be avoided.

The TBI welcomes the TTC's definition of **economic coercion**, which bears conceptual similarities to the concept underpinning the EU's anti-coercion-instrument. It is critical that we not only rely on measures to defend a nation's legitimate and sovereign policy choices, but that we also provide transparent structures within which such measures can be launched and leveraged. Clarity and certainty are as much a deterrent as the potential economic consequences of politico-economic brinkmanship. Wherever anti-coercion strategies are translated into legislative acts, business calls on the parties concerned to (a) ensure that measures are comparable and (b) whenever appropriate, coordinate defense measures to enhance effectiveness and predictability for business. Risk-assessment and containment strategies become more reliable the more accurately we are able to gauge any given measures' potential to deter and counteract coercive practices by non-EU countries.

“Connectivity and Digital Infrastructure”

The TBI welcomes the transatlantic **6G** stakeholder workshop, which resulted from the second ministerial meeting in May 2022. This is a positive first step which should be followed by deepening cooperation to implement the joint position that “6G technologies should be in line with common principles and values such as sustainability, privacy, accessibility, openness, and inclusiveness”. We support the aspiration that “6G wireless communication systems should be trustworthy, resilient, and affordable and contribute to closing digital divides in both developed and developing nation.” The agreement to intensify R&D cooperation on 6G is a further step in the right direction.

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 the United States. Since digital societies depend on resilient and reliable ICTS infrastructures, German businesses welcomes the announcement by Washington and Brussels that they will step up efforts to help key emerging and developing countries build resilient and reliable digital infrastructures. The announcements made during the second, third and fourth TTC ministerial meetings must be followed by swift and concrete investments in Jamaica, Kenya, Costa Rica and the Philippines. Otherwise, the United States and the EU risk their standing as reliable international partners.

The destruction of the Nord Stream offshore natural gas pipelines highlighted the importance of redundancies in vital critical infrastructures. Given the ever-increasing demand for digital infrastructure capacity, German business welcomes all efforts to cooperate in new projects aiming to enhance transatlantic **subsea cable connectivity and security**. However, the lack of concrete advances in the discussions on subsea cables is disappointing. We urge the transatlantic partners to step up their efforts and swiftly agree on concrete projects for new transatlantic subsea cables.

“Talent for Growth”

In April 2023, the German Economic Institute (IW) estimated that Germany lacked 308.400 skilled STEM workers.² The acute shortage of skilled workers in companies of all sizes must be addressed, rendering the **Talent for Growth Task Force** both necessary and welcome. Policy-makers will need to channel comprehensive investment into digital education and training to ensure that good ideas are put into practice in companies and educational institutions.

² Dr. Christina Anger Julia Betz Prof. Dr. Axel Plünnecke, *MINT-Frühjahrsreport 2023 MINT-Bildung stärken, Potenziale von Frauen, Älteren und Zuwandernden heben*, German Economic Institute (IW), 24 May 2022, <<https://www.iwkoeln.de/studien/christina-anger-julia-betz-axel-pluennecke-mint-bildung-staerken-potenziale-von-frauen-aelteren-und-zuwandernden-heben.html>> (accessed 21 June 2023).

About the TBI

The Transatlantic Business Initiative (TBI) was established in 2021 to support closer transatlantic economic relations. It serves as a link between German business and is the point of contact for economic policy issues, particularly for the German government, the governments of the United States and Canada, as well as for the EU's 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). Members of the TBI work in four steering committees, focusing on trade and investment policy, energy and climate policy, data and the digital economy as well as business and finance. The TBI engages policy-makers, regulators and supervisors, business and trade representatives, as well as other stakeholders to strengthen transatlantic ties and facilitate coordination on matters of shared interest.

Imprint

Transatlantic Business Initiative (TBI)
www.transatlanticbusiness.eu
c/o Federation of German Industries
Breite Straße 29, 10178 Berlin
www.bdi.eu
T: +49 30 2028-0

Editors

Julia Howald, Anna Kantrup, Matthias Krämer, Joshua Webb
Department for External Economic Policy
Federation of German Industries

With further contributions from Steven Heckler, Cedric von der Hellen, Dr. Sophia Helmrich, Dr. Nikolas Keßels, Polina Khubbeeva, Marco Kutscher, Anne Lauenroth, Petra Richter, Peter Schäfer, Simon Weimer.