EU – US trade and tech partnerships: on the brink of a breakthrough?
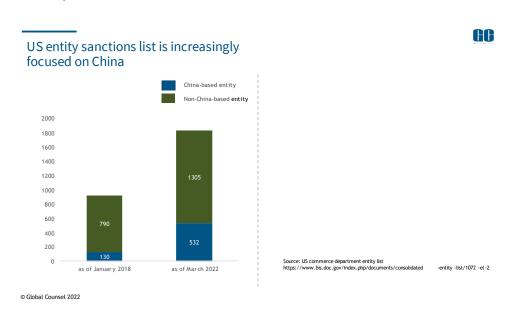
Blog post by Practice Director Jon Garvie, 20 September 2022

When the TTC was created following an EU – US summit in June 2021, both sides viewed it primarily as a means of reinvigorating a badly damaged relationship, following the failure of the TTIP negotiations, the tantrums of the Trump years and the fall-out over AUKUS.

The council aims to create joined-up thinking on trade and technology across ten working groups. But, from the outset, the underlying motivation was to improve coordination on the systemic challenges posed by China, particularly in the areas of supply chain resilience, industrial strategy, ICT standards and cyber-security.

Had Putin not invaded Ukraine, the TTC might have remained a relatively technocratic exercise. The war channelled the political desire for cooperation into detailed coordination on sanctions policy and export controls. The official and political relationships forged in those working groups have played an important role in guiding the broader response to the invasion. And the measures agreed against Russia also provide an important signal to Beijing. However, differing views on how explicit such China-focused language should be remain the key political dividing line.

If it is to endure, the TTC will need to deliver a substantive, landmark agreement at its next meeting, expected to be in December this year in either Austin or Miami. EU officials visited Washington over the summer to thrash out more detail and draft deliverables are expected to be finalised by late October.

US entity sanctions list is increasingly focused on China

Legend: China-based entity (blue), Non-China-based entity (green)

	as of January 2018	as of March 2022
Non-China-based entity	790	1305
China-based entity	130	532

Source: US commerce department entity list
https://www.bis.doc.gov/index.php/documents/consolidated -entity -list/1072 -el-2

Looking ahead to that next meeting, there are a number of bellwether policy areas which will define the upper limits of cooperation. Both the US and EU have passed legislation (the so-called "Chips" Acts) grow their domestic markets in the semiconductor industry. But Taiwan manufactures over 60% of the world's advanced microprocessors, so any significant move towards transatlantic self-sufficiency will require far more coordinated "friendshoring". On 5G and 6G, the TTC's commitment to "addressing security risks from high-risk vendors" (read Huawei) has not yet translated into a vision either for how EU and US future networks will be constructed using only non-Chinese suppliers, or how the transatlantic partnership intends to challenge Chinese vendors in developing markets (particularly Africa). On "trustworthy AI, it is unclear whether the risk-centred legislation under consideration in Brussels can be reconciled with a US emphasis on innovation.

In each of the cases above, the TTC negotiators will be working intensively to translate political warm words into commercial solutions over the coming months. Continued input and engagement from business and trade associations into each of the working groups – and at a political level – remains a crucial part of the mix.