

Aspen In-Depth

## Between Challenge and Opportunity: Transatlantic Economic Relations in Light of the U.S. Elections

A Closer Look at the TTC and its Achievements

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Aspen Institute  Germany

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The publication is part of the German-American Trade and Tech Dialogue (GATT-D) of the Aspen Institute Germany. The GATT-D brings together a diverse group of transatlantic representatives from politics, administration, business, academia, and civil society to assist the U.S.-EU Trade and Technology Council (TTC) and provide new impetus for German-American cooperation. The project includes virtual workshops and an annual conference. The GATT-D would not be possible without the support of a diverse group of funders.

This text represents the personal views of the authors.

## Key Takeaways

On November 5, 2024, the American people will vote for a new president. On January 20, 2025, a new Administration will take office. This will mark the end of President Joe Biden's four-year tenure. When Biden won the presidency, he had announced that he wanted to rejuvenate the partnerships of the United States with its allies, including the European Union (EU). Shortly after, in June 2021, the transatlantic partners officially launched the EU-U.S. Trade and Technology Council (TTC) at the EU-U.S. Summit held in Brussels. Over the following three years, six ministerial meetings and countless working group sessions have taken place. Those observers who had hoped for a second attempt at a free trade agreement (FTA) as envisioned in the negotiations for the Transatlantic Trade and Investment Partnership (TTIP) have been disappointed. The TTC is not a market-opening project. Nonetheless, the initiative has delivered important results, especially regarding economic security and technology cooperation. With the future of the TTC being uncertain in the face of the upcoming elections: What is the current state of the transatlantic economic partnership? Where are potentials for cooperation and where are areas of conflict? And what would a second Trump term or a Harris Administration mean for transatlantic economic relations?

- **Transatlantic trade has picked up since the COVID-19 pandemic and proven strong and resilient.** After the downturn due to the pandemic, bilateral trade has resumed pace, reaching an all-time high of 1.2 trillion EUR in 2021. Trade between the United States and the EU is one of the central arteries of the global economy, contributing to economic growth and prosperity on both sides of the Atlantic. The EU and the United States remain top trading partners for each other.
- **The EU-U.S. TTC is a vital forum for aligning trade and tech policies.** At a time when geopolitics and geoeconomics are becoming ever more intertwined, the TTC has proven to be a useful platform for transatlantic cooperation. Among others, the partners set up a Joint Roadmap for Trustworthy AI, agreed on common standards for megawatt charging systems of heavy-duty e-vehicles, and created a semiconductors supply chain early warning mechanism. Furthermore, the transatlantic partners used the forum to align on a response to Russia's invasion of Ukraine in record time.
- **Unresolved trade issues need to be addressed with the next U.S. administration.** Several trade issues, notably the Global Arrangement on Sustainable Steel and Aluminum (GASSA) and the Critical Minerals Agreement (CMA), remain on the to-do list for the incoming U.S. president. These agreements will be central to solving existing disputes and preventing new ones, particularly regarding sustainability and climate as well as industrial policies.
- **Under a possible Harris presidency, there would be room for transatlantic cooperation, particularly on trade and sustainability as well as trade and security matters.** Kamala Harris' commitment to sustainability and the green transition can be seen in her previous record, and the EU is likely to find a more willing negotiating partner on climate and green issues in a Harris Administration than a possible Trump 2.0 presidency. The same holds true for the regulation of new and emerging economies.
- **Under a possible Trump 2.0 presidency, the EU must prepare for a return to more conflictual transatlantic trade relations.** Based on his previous track record and current rhetoric, the EU should get ready for the reinstatement or increase of tariffs, including the U.S. steel and aluminum duties.

- **Independent of who will win the U.S. presidential election, the United States and the EU will not be easy trade policy partners for each other.** The times for big market access projects in the United States are over. There is also limited appetite in the EU for a free trade project with the United States. The most promising areas for cooperation will be trade and security matters as well as technology and regulatory cooperation.
- **There are several trade disputes which could easily (re-)escalate.** For years, the EU has been frustrated with strict Buy American rules and rules of origin in the United States. A particular contentious issue was the U.S. Inflation Reduction Act. The United States, on the other hand, has criticized the EU's Carbon Border Adjustment Mechanism (CBAM) and most recently the EU Deforestation Regulation. Industrial policy measures as well as regulations for the green and energy transition threaten to become new transatlantic conflict zones.
- **Among other topics, the EU and the United States need to align on a joint approach to economic security.** As both trading partners have prioritized economic security to address the changing geo-economic environment, the EU and the United States should further align their approaches to economic security. By doing so, the transatlantic partners can better avoid potential trade clashes and can instead focus on advancing the shared values they stand for.

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## Introduction

Transatlantic trade and investment are one of the central arteries of the global economy. The United States and the EU are not only significant trading partners but also important investors for each other. They share extensive economic ties that go far beyond the exchange of goods, encompassing services, investment, technological cooperation, and labor migration. These relationships not only promote economic growth and prosperity on both sides of the Atlantic but also contribute to the stability and well-being of the global economy. Continuous dialogue and cooperation in economic matters are therefore essential to meet the challenges of the globalized world and ensure sustainable growth.

### *The transatlantic relationship has re-gained its footing.*

Over the past four years, the transatlantic relationship has regained its footing. Under the motto “America is back”,<sup>1</sup> Biden wanted to breathe new life into the partnerships of the United States. During the presidency of his predecessor, Donald Trump, numerous trade disputes had put a strain on transatlantic relations: U.S. tariffs on steel and aluminum, the U.S. threat to impose tariffs on cars, and last but not least, the escalation of the Airbus-Boeing dispute. The negotiations for the Transatlantic Trade and Investment Partnership (TTIP) were put on ice. The tone had become sharper and the nature of transatlantic relations much more confrontational. Cooperation was difficult in other policy areas as well: cli-

mate and energy policy, health policy, and security policy. When Joe Biden was elected the 46<sup>th</sup> U.S. President on November 3, 2020, expectations from Europe were therefore high.

Almost four years later, many of these expectations have been fulfilled. Among other things, the United States and the EU launched the Trade and Technology Council (TTC) at the EU-U.S. summit in Brussels in June 2021. In six ministerial meetings and numerous working group meetings, the transatlantic partners agreed on important new projects such as the Transatlantic Initiative on Sustainable Trade (TIST). Progress has also been made regarding the alignment of tech standards and coordinating a response to Russia’s war against Ukraine.

However, anyone who had hoped for the TTIP negotiations to resume has been disappointed. Moreover, transatlantic relations were not free of conflict. In particular, the U.S. Inflation Reduction Act (IRA) with its strict rules of origin caused resentment in the EU.<sup>2</sup> The United States, on the other hand, criticized the EU’s Carbon Border Adjustment Mechanism (CBAM).<sup>3</sup> Breakthroughs in the negotiations on a Global Arrangement on Sustainable Steel and Aluminum (GASSA) and a Critical Minerals Agreement (CMA) do not appear to be in sight. GASSA is intended to help resolve the dispute over U.S. tariffs on steel and aluminum; the CMA is intended to offer a solution to the conflict over the IRA.<sup>4</sup>

With the U.S. presidential election only a few weeks away, it is a good time to examine how the transatlantic relationship has changed over the past

1 Julian Borger, “Biden Says ‘America is Back’ at the Head of the Table – But is That a Good Thing?” The Guardian, November 26, 2020, <https://www.theguardian.com/us-news/2020/nov/26/biden-america-is-back-foreign-policy-diplomacy> (accessed September 30, 2024).  
2 Christian Scheinert, EU’s Response to the US Inflation Reduction Act (IRA), Briefing Requested by the ECON Committee, Policy Department for Economic, Scientific and Quality of Life Policies, European Parliament, June 2023, [https://www.europarl.europa.eu/RegData/etudes/IDAN/2023/740087/IPOL\\_IDA\(2023\)740087\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/IDAN/2023/740087/IPOL_IDA(2023)740087_EN.pdf) (accessed September 30, 2024).  
3 Leslie Hook, John Kerry Warns EU Against Carbon Border Tax, Financial Times, March 12, 2021, <https://www.ft.com/content/3d00d3c8-202d-4765-b0ae-e2b212bbca98> (accessed September 30, 2024).  
4 Inu Manak, In Green Steel Discussions, the United States is Playing Dirty, Council on Foreign Relations, November 8, 2023, <https://www.cfr.org/blog/green-steel-discussions-united-states-playing-dirty> (accessed September 30, 2024); Council of the EU, Trade with the United States: Council Authorizes Negotiations on EU-U.S. Critical Minerals Agreement, July 20, 2023, <https://www.consilium.europa.eu/en/press/press-releases/2023/07/20/trade-with-the-united-states-council-authorises-negotiations-on-eu-us-critical-minerals-agreement/> (accessed September 30, 2024).

few years, what progress has been made within the TTC, and what the possible outcomes of the U.S. presidential election could mean for the future of the transatlantic economic relationship. After giving a brief overview of transatlantic trade and investment, the following report will thus analyze the successes (and failures) of the TTC. In addition, it will take a closer look at the two U.S. presidential

*The TTC has helped to align values, interests, and strategies.*

candidates and their economic programs. The report concludes with key recommendations on how to proceed with the TTC.

## Strong Trade and Investment Flows

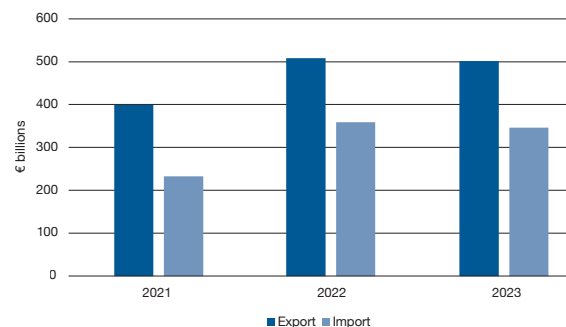
According to the statistical database of the European Commission, transatlantic economic relations are flourishing despite the challenges posed by the COVID-19 pandemic and the dramatically changing geopolitical environment, foremost Russia's war against Ukraine and increasing tensions in the Middle East. In 2021, U.S. goods and services trade between the United States and the EU reached 1.2 trillion EUR, which was more than ten percent higher than the pre-pandemic levels. While some of this was catch-up growth after the pandemic, it also underlined how resilient and dynamic transatlantic economic relations are.<sup>5</sup>

*U.S. goods and services trade with the EU reached 1.2 trillion EUR in 2021.*

EU exports of goods to the United States have risen from 399.5 billion EUR in 2021 to 502.3 billion EUR in 2023. EU imports of goods from the United States have increased from 232.6 billion EUR in 2021 to 346.5 billion EUR in 2023. The EU's trade surplus with the United States thus decreased slightly to 155.8 billion EUR in 2023.<sup>6</sup>

Regarding trade in services, the developments are similarly positive. EU services exports to the United States have risen from 244.1 billion EUR in 2021 to 292.4 billion EUR in 2023; EU services imports from the United States increased from 329.5 billion EUR in 2021 to 396.4 billion EUR in 2023. The EU's trade in services deficit with the United States has risen slightly to 104 billion EUR in 2023.<sup>7</sup> EU trade in goods with the United States is shown in Figure 1.

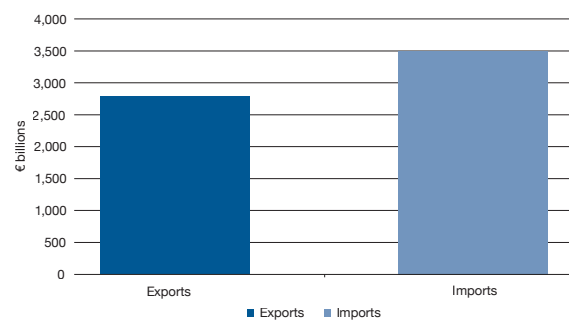
**Figure 1: EU Trade in Goods with the United States, 2021-2023 (€ billions)**



*Source: Prepared on the basis of online Eurostat data, International Trade Goods | Eurostat (eurpa.eu) (accessed September 9, 2024).*

*Note: For consistency, the original data, which was provided in millions of euros, has been converted to billions of euros by dividing the values by 1,000.*

**Figure 2: U.S. International Trade in Goods and Services, Global Total, 2023 (€ billions)**



*Source: Prepared on the basis of online U.S. Bureau of Economic Analysis data, U.S. International Trade in Goods and Services | BEA (bea.gov) (accessed September 9, 2024).*

*Note: The data was originally provided in millions of U.S. dollars and converted to euros using the exchange rate of 0,9 from <https://www.xe.com/currencyconverter/convert/?Amount=32352&From=USD&To=EUR>, accessed on September 30, 2024. Finally, the values were converted to billions of euros by dividing by 1,000 for consistency.*

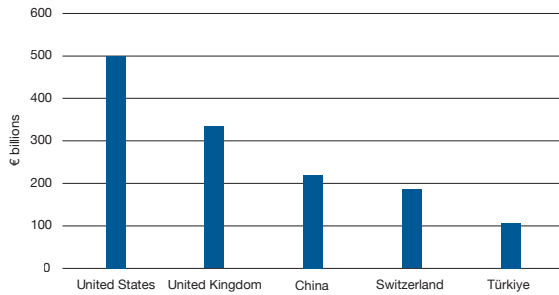
<sup>5</sup> European Commission, United States, EU Trade Relations with The United States. Facts, Figures and Latest Developments, [https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/united-states\\_en](https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/united-states_en) (accessed September 30, 2024).

<sup>6</sup> Ibid.

<sup>7</sup> Ibid.



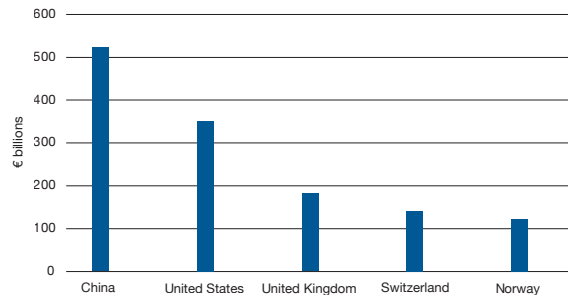
**Figure 3: Principal Trading Partners of the EU: EU Export of Goods, 2023 (€ billions)**



Source: Prepared on the basis of online Eurostat data, International Trade Goods | Eurostat (eurpa.eu) (accessed September 9, 2024).

Note: For consistency, the original data, which was provided in millions of euros, has been converted to billions of euros by dividing the values by 1,000. Data for China are excluding the Hong Kong territory.

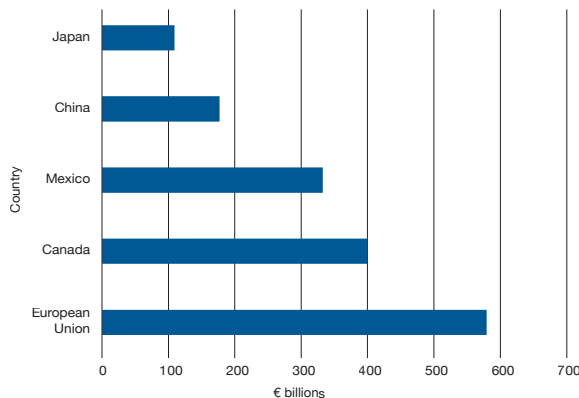
**Figure 4: Principal Trading Partners of the EU: EU Import of Goods, 2023 (€ billions)**



Source: Prepared on the basis of online Eurostat data, International Trade Goods | Eurostat (eurpa.eu) (accessed September 9, 2024).

Note: For consistency, the original data, which was provided in millions of euros, has been converted to billions of euros by dividing the values by 1,000. Data for China are excluding the Hong Kong territory.

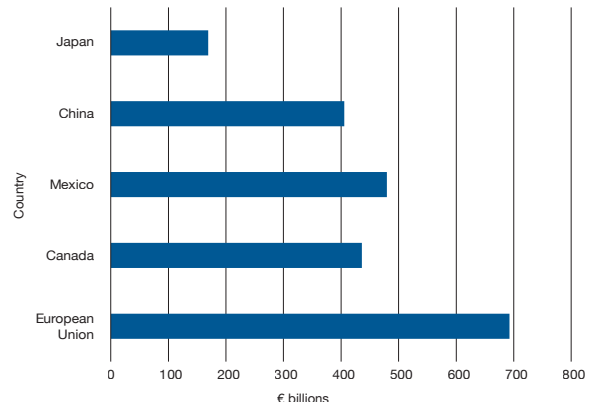
**Figure 5: Principal Trading Partners of the United States: U.S. Exports of Goods and Services, 2023 (€ billions)**



Source: Prepared on the basis of online U.S. Bureau of Economic Analysis data, U.S. International Trade in Goods and Services | BEA (bea.gov) (accessed September 9, 2024).

Note: The data was originally provided in millions of U.S. dollars and converted to euros using the exchange rate of 0,9 from <https://www.xe.com/currencyconverter/convert/?Amount=32352&From=USD&To=EUR>, accessed on September 9, 2024. Finally, the values were converted to billions of euros by dividing by 1,000 for consistency.

**Figure 6: Principal Trading Partners of the United States: U.S. Imports of Goods and Services, 2023 (€ billions)**



Source: Prepared on the basis of online U.S. Bureau of Economic Analysis data, U.S. International Trade in Goods and Services | BEA (bea.gov) (accessed September 9, 2024).

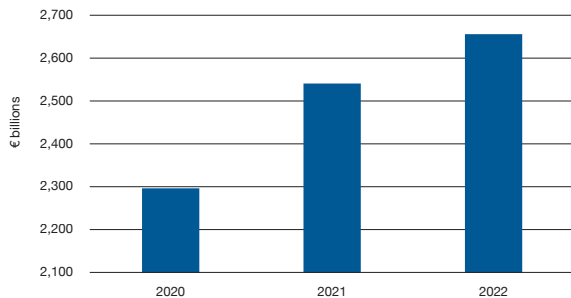
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A snapshot of total global trade of the United States (trade in goods and services) is available in Figure 2.<sup>8</sup>

While China was the most important trading partner of the EU in 2023 as a percentage of total EU trade in goods, the United States ranked first regarding the EU’s goods exports, according to Eurostat. In 2023,

<sup>8</sup> Office of the United States Trade Representative, European Union, <https://ustr.gov/countries-regions/europe-middle-east/europe/european-union> (accessed September 30, 2024).

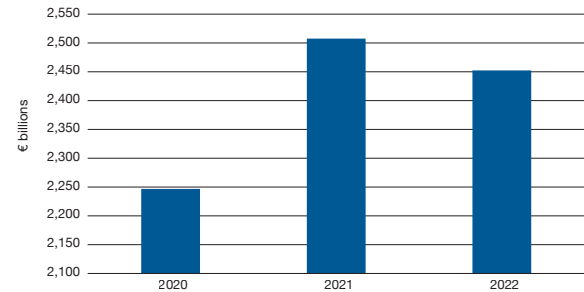
**Figure 7: European Union's Foreign Direct Investment Outward Stock in the United States, 2020-2022 (€ billions)**



**Source:** Prepared on the basis of online Eurostat data, *International Transactions: European Union Direct Investments Goods* | Eurostat ([eurpa.eu](http://eurpa.eu)) (accessed September 9, 2024).

**Note:** For consistency, the original data, which was provided in millions of euros, has been converted to billions of euros by dividing the values by 1,000.

**Figure 8: European Union's Foreign Direct Investment Inward Stock from the United States, 2020-2022 (€ billions)**



**Source:** Prepared on the basis of online Eurostat data, *International Transactions: European Union Direct Investments Goods* | Eurostat ([eurpa.eu](http://eurpa.eu)) (accessed September 9, 2024).

**Note:** For consistency, the original data, which was provided in millions of euros, has been converted to billions of euros by dividing the values by 1,000.

the most important destinations for EU goods exports were the United States (19.6%), the United Kingdom, China, and Switzerland. Regarding the import of goods, the United States ranked second in 2023 with 13.8 percent of total goods imports after China, which accounted for 20.5 percent of EU goods imports.<sup>9</sup> The principal trading partners of the EU for export and import of goods are shown in Figures 3 and 4 respectively.

*The U.S. was the top destination for EU goods exports in 2023.*

The European Union was the most important trading partner for the United States in 2023, both regarding exports and imports of goods. The other top trading partners, as seen in Figures 5 and 6, were Canada, China, Mexico, and Japan.<sup>10</sup>

However, the EU-U.S. economic partnership is much more than trade. Deep investment relations (foreign direct investment, FDI) tie the two economic powerhouses to each other. FDI is a key element in international economic integration because it creates stable and long-lasting links between economies. It is an important channel for the transfer of technology and knowledge between countries, promotes international trade through access to foreign markets, and can be an important vehicle for economic development.<sup>11</sup> At the end of 2022, the United States absorbed 28 percent of total FDI stocks held by the EU abroad (2.656 billion EUR) and thus ranked first. Figure 7 shows EU's FDI in the United States from 2020 to 2021. The United States accounted for 32 percent (2.5 billion EUR) of the total FDI stocks held by the rest of the world in the EU.<sup>12</sup> The changes in FDI inward stock from the United States is shown in Figure 8.

U.S. FDI abroad totaled more than six trillion EUR in 2023,<sup>13</sup> and in the EU was led by nonbank holding

<sup>9</sup> Eurostat, *International Trade in Goods by Partner*, [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=International\\_trade\\_in\\_goods\\_by\\_partner#Focus\\_on\\_EU\\_trade\\_in\\_goods\\_-\\_an\\_overview](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=International_trade_in_goods_by_partner#Focus_on_EU_trade_in_goods_-_an_overview) (accessed September 30, 2024).

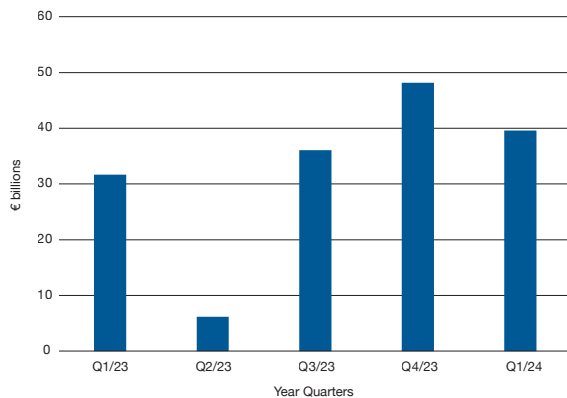
<sup>10</sup> U.S. Bureau of Economic Analysis, *U.S. International Trade in Goods and Services*, July 2024, September 4, 2024, <https://www.bea.gov/index.php/news/2024/us-international-trade-goods-and-services-july-2024> (accessed September 30, 2024).

<sup>11</sup> OECD, *Foreign Direct Investment (FDI)*, [https://www.oecd-ilibrary.org/finance-and-investment/foreign-direct-investment-fdi/indicator-group/english\\_9a523b18-en](https://www.oecd-ilibrary.org/finance-and-investment/foreign-direct-investment-fdi/indicator-group/english_9a523b18-en) (accessed September 30, 2024).

<sup>12</sup> Eurostat, *EU Residents Held €9 382 Billion in Stocks Abroad in 2022*, <https://ec.europa.eu/eurostat/web/products-eurostat-news/w/ddn-20231220-1> (accessed September 30, 2024).

<sup>13</sup> U.S. Bureau of Economic Analysis, *Direct Investment by Country and Industry*, July 23, 2024, <https://www.bea.gov/data/intl-trade-investment/direct-investment-country-and-industry> (accessed September 30, 2024).

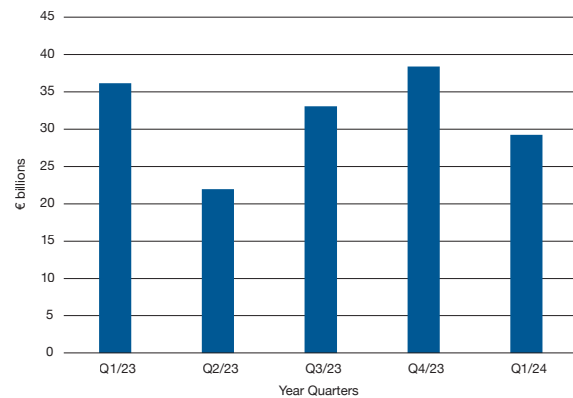
**Figure 9: U.S. Foreign Direct Investment Flows to the EU, Quarterly Totals for 2023-2024 (€ billions)**



**Source:** Prepared on the basis of online U.S. Bureau of Economic Analysis data, U.S. International Investment | BEA (bea.gov) (accessed September 9, 2024).

**Note:** The data was originally provided in millions of U.S. dollars and converted to euros using the exchange rate of 0,9 from <https://www.xe.com/currencyconverter/convert/?Amount=32352&From=USD&To=EUR>, accessed on September 9, 2024. Finally, the values were converted to billions of euros by dividing by 1,000 for consistency. The data has not been seasonally adjusted.

**Figure 10: Foreign Direct Investment Flows into the United States from the EU, Quarterly Totals for 2023-2024 (€ billions)**



**Source:** Prepared on the basis of online U.S. Bureau of Economic Analysis data, U.S. International Investment | BEA (bea.gov) (accessed September 9, 2024).

**Note:** The data was originally provided in millions of U.S. dollars and converted to euros using the exchange rate of 0,9 from <https://www.xe.com/currencyconverter/convert/?Amount=32352&From=USD&To=EUR>, accessed on September 9, 2024. Finally, the values were converted to billions of euros by dividing by 1,000 for consistency. The data has not been seasonally adjusted.

companies, manufacturing, and finance and insurance.<sup>14</sup> Figures 9 and 10 show FDI from the United States in the EU and from the EU to the United States from 2023 to 2024 (investment flows).

Lastly, a high number of jobs on both sides of the Atlantic is supported by transatlantic trade and investment. According to the publication *The Transatlantic Economy* by Daniel S. Hamilton and Joseph P. Quinlan, approximately five million people were employed by EU companies in the United States (direct jobs due to investment) in 2022. U.S. companies in the EU employed 4.7 million people in 2022.<sup>15</sup>

While these statistics depict healthy and growing transatlantic trade and investment, it is only one part of the transatlantic relationship.

*Transatlantic trade and investment are engines of economic growth and job creation.*

<sup>14</sup> Office of the United States Trade Representative, European Union, <https://ustr.gov/countries-regions/europe-middle-east/europe/european-union> (accessed September 30, 2024).

<sup>15</sup> Daniel S. Hamilton and Joseph P. Quinlan, *The Transatlantic Economy 2024*, 2024, [https://www.amchameu.eu/sites/default/files/publications/files/transatlantic\\_economy\\_2024\\_0.pdf](https://www.amchameu.eu/sites/default/files/publications/files/transatlantic_economy_2024_0.pdf) (accessed September 30, 2024).

## Re-Set: The TTC in a Changing Geopolitical Environment

Shortly after the U.S. presidential elections in November 2020, European Commission President Ursula von der Leyen proposed the “EU-U.S.: A New Transatlantic Agenda for Global Change,” with joint EU-U.S. tech approaches at its core. While there was little appetite for an ambitious transatlantic trade agreement in the Biden Administration, the idea of a new dialogue process fell on fertile grounds in the United States. After four turbulent years in the transatlantic partnership under President Trump, the Biden Administration aspired to rebuild trust among its allies. Under the slogan “America is Back,” President Biden and senior officials not only emphasized their commitment to the transatlantic partnership but also proposed a future-oriented agenda to increase innovation and resilience.

### *Biden aspired to rebuild trust among U.S. allies.*

As a result, the transatlantic partners agreed to launch the EU-U.S. TTC at the EU-U.S. Summit held in Brussels in June 2021. The TTC established ten working groups to tackle its objectives: 1. technology standards cooperation, 2. climate and clean tech, 3. secure supply chains, 4. ICTs security and competitiveness, 5. data governance and technology platform, 6. misuse of technology threatening security and human rights, 6. export controls cooperation, 8. investment screening cooperation, 9. promoting SME access to and use of digital technologies, and 10. global trade challenges.

From its outset, the TTC was not meant to be a second attempt at TTIP. Negotiations for the free trade agreement had begun in 2013 and failed in 2016. TTIP was an ambitious market access project with the goal to eliminate tariffs, to establish an institutional framework for regulatory cooperation, to open up government procurement, as well as to agree on rules for the protection of intellectual

property rights and many other issues, such as sustainability. TTIP would have been legally binding with a dispute settlement mechanism to enforce its rules. However, TTIP was also highly controversial in several EU member states. No other trade agreement had caused as much opposition among civil society. Many feared that TTIP would lower standards in Europe in areas such as workers’ rights, consumer, environmental, and health protection, public services, culture, animal welfare, and food. Apart from regulatory cooperation, investor protection and investor-state dispute settlement (ISDS) met particularly strong opposition in the EU. In contrast, the TTC is meant to serve as a coordination mechanism for selected policy areas rather than being a free trade agreement in the classical sense. Trade liberalization does not stand at its center, and agreements between the partners are not legally binding. According to the EU-U.S. Summit Statement (2021), its main objectives were: to grow the bilateral trade and investment relationship, to coordinate, seek common ground, and strengthen global cooperation on technology, digital issues, and supply chains, to support collaborative research and exchanges, as well as to facilitate regulatory policy and enforcement cooperation and, where possible, convergence.

The results of the TTC are mixed. Its greatest achievements to date have been in aligning sanctions and export controls as well as technology cooperation, particularly in relation to artificial intelligence (AI) and other emerging technologies. Some of the more noteworthy achievements are detailed in Figure 11.

Significant progress was made at the May 2023 TTC ministerial meeting, including the development of a common roadmap for trustworthy AI and risk management. Another success was achieved in the area of semiconductors, with transatlantic coordination now firmly integrated into day-to-day work, including a regular exchange on the U.S. and European Chips Acts. During the sixth ministerial

Figure 11: Timeline and Key Achievements of the EU-U.S. Trade and Technology Council (2021-2024)



Source: European Commission, Factsheet: EU-US Trade and Technology Council (2021-2024), <https://digital-strategy.ec.europa.eu/en/library/factsheet-eu-us-trade-and-technology-council-2021-2024> (accessed September 30, 2024).

meeting of the TTC in early April 2024, the United States and the EU announced further measures for technological cooperation in the areas of AI, 6G, and semiconductors. Another achievement of the TTC is the Transatlantic Initiative on Sustainable Trade, which is set up to identify actions in key areas of trade and environmental sustainability that advance the green transition.<sup>16</sup>

Overall, the TTC has become an important coordination forum for the transatlantic partners regarding national security, digitalization, regulatory convergence and technical standard setting, as well as (at least in parts) trade and sustainability.

At the same time, the TTC has delivered few tangible results regarding concrete market access. In addition, the list of unresolved conflicts remains long: it includes the U.S. steel and aluminum tariffs (based on national security considerations), which are yet to be removed permanently; EU disgruntle-

ment regarding some sections of the U.S. Inflation Reduction Act (IRA), and U.S. frustration regarding CBAM. Breakthroughs in the negotiations on a GASSA as well as on a CMA do not seem to be in sight.

*The TTC serves an important coordination forum for the transatlantic partners.*

The following section will give an overview of some of the central negotiation areas of the TTC before some conflictual issues will be identified and analyzed.

<sup>16</sup> European Commission, Factsheet: EU-US Trade and Technology Council (2021-2024), <https://digital-strategy.ec.europa.eu/en/library/factsheet-eu-us-trade-and-technology-council-2021-2024> (accessed September 30, 2024).

## Small Garden, High Fence: Leveraging Economic Tools for National Security

Since the inauguration of the TTC, the geopolitical environment has changed rapidly. In 2022, Russia's invasion of Ukraine sent shockwaves through Europe. The Hamas terror attacks on October 7, 2023, started a brutal war between Israel and Hamas. The international environment is more and more characterized by a growing systemic competition between democracies and autocracies as well as by a high degree of uncertainty, tension, and change.

*Russia's war against Ukraine shows the risks to economies and societies which are overdependent on individual suppliers.*

In addition, China's geopolitical ambitions as well as growing internal authoritarian trends, political repressions, and human rights violations are increasingly calling into question the mantra of "change through trade" that has guided many foreign economic policies around the world. According to the most recent U.S. National Security Strategy, China "is using its technological capacity and increasing influence over international institutions to create more permissive conditions for its own authoritarian model, and to mold global technology use and norms to privilege its interests and values."<sup>17</sup> The war against Ukraine has led to a growing alliance between Russia and China, further re-

shaping the global geopolitical environment, with China bolstering Russia's economy, enabling Moscow to bypass Western sanctions and expand its military-industrial base through the steady supply of essential dual-use goods. China's support also extends to hybrid warfare and increased military cooperation, reducing Russia's diplomatic isolation. For the EU and the United States, the China-Russia alignment is evolving from a simple challenge to a complex security threat.<sup>18</sup>

The vulnerability of supply chains and production networks was first shown during the COVID-19 pandemic, which led to shortages of key raw materials, inputs for manufacturing, and medical supplies. Russia's war against Ukraine once again underlined the risks to economies and societies which are overdependent on individual suppliers. This has led to a new awareness in the EU, the United States, and other partner countries about the interplay between trade and technology and the risks that arise when technology falls into "the wrong hands". Both the United States and the EU (and its member states) have thus deployed a comprehensive array of economic tools to address the changing geopolitical environment. These tools included sanctions targeting individuals and sectors, financial restrictions, export controls, and investment screening. These measures aim to penalize unlawful behavior, such as human rights abuses, and counter nonmarket actions, while safeguarding national security.

While the Trump Administration had called for a de-coupling from China, the Biden Administration has pursued a de-risking strategy of "small gardens, high fences." As such, the U.S. government has implemented tailored restrictions on specific tech exports and imports to and from China while still allowing for other trade to continue.<sup>19</sup>

17 The White House, National Security Strategy, October 2022, <https://www.whitehouse.gov/wp-content/uploads/2022/10/Biden-Harris-Administration-National-Security-Strategy-10.2022.pdf> (accessed August 22, 2024).

18 Natalie Sabanadze, Abigaël Vasselier, Gunnar Wiegand, China-Russia Alignment: A Threat to Europe's Security, Mercator Institute for China Studies, June 26, 2024, [https://merics.org/sites/default/files/2024-06/Chatham%20House%20GMF%20MERICS%20Report%20China-Russia%20alignment\\_06-2024.pdf](https://merics.org/sites/default/files/2024-06/Chatham%20House%20GMF%20MERICS%20Report%20China-Russia%20alignment_06-2024.pdf), (accessed October 2, 2024).

19 The White House, Remarks by National Security Advisor Jake Sullivan on Renewing American Economic Leadership at the Brookings Institution, <https://www.whitehouse.gov/briefing-room/speeches-remarks/2023/04/27/remarks-by-national-security-advisor-jake-sullivan-on-renewing-american-economic-leadership-at-the-brookings-institution/> (accessed October 2, 2024).

The EU sees China as “a partner for cooperation, an economic competitor and a systemic rival.”<sup>20</sup> This has led the EU to also seek a de-risking policy, which is a major pivot from the previous “reform and opening up” approach it had taken toward China. The EU’s actions follow the broader EU strategy of engaging with China on specific problems, such as the growing risk from climate change, while also addressing the economic threat of China. While the transatlantic partners have thus converged on their China policy as well as trade and security in general, there are still differences which can, in parts, be traced back to different trade dependencies, with the United States pursuing a more forceful approach.

In the light of these developments, geopolitics and geoeconomics moved very much to the center of discussions of the TTC. In the Inaugural Joint Statement of the TTC (Pittsburgh 2021), the transatlantic partners stressed the importance of export controls on dual-use technologies as a vital means of ensuring the “non-proliferation of weapons of mass destruction and preventing destabilizing accumulations of conventional weapons.”<sup>21</sup> EU member states and the United States control the export of so-called dual-use technology – technology that can be used for both civilian and military purposes.<sup>22</sup> To allow trade of these crucial technologies while containing associated risks, the partners agreed to technical consultations on upcoming legislative and regulatory developments, the development of convergent control approaches on sensitive dual-use technologies, information exchange on the risks associated with sensitive and dual-use technologies, technical consultations on compliance and enforcement techniques, capacity building assistance with third countries, and technical consultations regarding multilateral and international co-

operation.<sup>23</sup> Aligning export controls is important as their effectiveness depends, among other factors, on the market power of the implementing country. In addition to increasing market power, aligned policies are also harder to circumvent by third countries. Lastly, diverging policies create additional levels of costly bureaucracies for EU and U.S. companies with subsidiaries on both sides of the Atlantic which have to comply with two different systems.

*A timely and trust-based exchange of information is invaluable.*

Foreign investment screening is another important instrument to protect security and public order. The United States and the EU recognize that FDI is critical for economic growth and innovation, yet also accept that screening of these investments is necessary to identify potential security risks. The TTC’s Working Group 8 focused on foreign investment screening and sharing key information and best practices between the transatlantic partners with the goal of coming to a shared holistic view of the risks posed by FDI in specific technologies.<sup>24</sup> Specifically, the transatlantic partners agreed to explore “exchanges on investment trends impacting security, including strategic trends with respect to industries concerned, origin of investments, and types of transactions.”<sup>25</sup>

Building on the foundation set during the first TTC meeting, the transatlantic partners were able to coordinate a response to Russia in record time. The second TTC meeting in May 2022 resulted in an

20 European Union External Action, EU-China Relations Factsheet, December 7, 2023, [https://www.eeas.europa.eu/eeas/eu-china-relations-factsheet\\_en](https://www.eeas.europa.eu/eeas/eu-china-relations-factsheet_en) (accessed October 2, 2024).

The Federal Government, Robust. Resilient. Sustainable. Integrated Security for Germany: National Security Strategy, July 14, 2023, <https://www.nationalesicherheitsstrategie.de/National-Security-Strategy-EN.pdf> (accessed October 2, 2024).

21 European Commission, EU-US Trade and Technology Council Inaugural Joint Statement, September 29, 2021, [https://ec.europa.eu/commission/presscorner/detail/en/STATEMENT\\_21\\_4951](https://ec.europa.eu/commission/presscorner/detail/en/STATEMENT_21_4951) (accessed October 2, 2024).

22 European Commission, Exporting Dual-use Items, [https://policy.trade.ec.europa.eu/help-exporters-and-importers/exporting-dual-use-items\\_en](https://policy.trade.ec.europa.eu/help-exporters-and-importers/exporting-dual-use-items_en) (accessed October 2, 2024).

23 Ibid.

24 Factsheet on State of Play, EU-US Trade and Technology Council Working Group 8, December 15, 2022, <https://futurium.ec.europa.eu/en/EU-US-TTC/wg8/news/factsheet-working-group-8-investment-screening> (accessed October 1, 2024).

25 Ibid.

“unprecedented level of cooperation on export controls” and allowed the partners to align on sanctions and other responses to Russia’s invasion of Ukraine.<sup>26</sup> By coordinating their efforts, the transatlantic partners not only addressed their own security concerns but also supported each other in maintaining mutual security. While the working groups on export controls and investment screenings continued to meet, there were no further concrete commitments in the subsequent TTC ministerial meetings.

## *The “tech” pillar of the TTC has been more successful than other pillars.*

Another important topic on the TTC’s agenda is supply chain resilience. During the third meeting of the TTC in December 2022, the transatlantic partners announced “an administrative arrangement to implement an early warning mechanism to address and mitigate semiconductor supply chain disruptions in a cooperative way.”<sup>27</sup> At the fifth TTC ministerial in January 2024, the transatlantic partners announced that the supply chain early warning mechanism was successfully activated following China’s new export controls on gallium and germanium – materials that are crucial for, among others, semiconductors.<sup>28</sup> While the degree of vulnerabilities can diverge between the transatlantic partners depending on various factors such as resource endowment, production structures, and trading networks, a timely and trust-based exchange of information is invaluable given the deep integration of the transatlantic marketplace. This is also an important prerequisite for effectively preparing for fu-

ture crises and global value chain interruptions and preventing a repetition of the chaotic unilateral responses seen during the first months of the COVID-19 pandemic.

Using the TTC to coordinate a response to Russia’s invasion of Ukraine in 2022 was a substantial win for the forum and demonstrated how useful it is to have a formal information sharing and collaboration platform. In addition, the implementation of the semiconductors supply chain early warning mechanism and coordination on the FDI screening can be counted as important successes of the forum.

However, while the TTC achieved some important advancements to improve economic security both for the EU and the United States, disagreement remained on how to best respond to non-market practices by other states, such as China, in a coordinated and aligned way. Whereas the EU remains more committed to working with China, especially on shared global problems, the United States continues to advocate more restrictive policies. Until now, there has been no common or aligned response on China, and the different actions taken by EU member states and the United States toward China will continue to lead to friction in the transatlantic relationship. The latest example for this is U.S. irritation with Germany attempting to block EU countervailing duties on electric vehicles from China.<sup>29</sup>

## **Digitalization**

At the start of her first Commission Presidency in 2019, Ursula Von der Leyen had announced that she wanted to make “Europe fit for the digital age”.<sup>30</sup> Before the Commission could make progress on this promise, the COVID-19 pandemic

26 U.S. Department of Commerce, U.S.-EU Joint Statement of the Trade and Technology Council, May 16, 2022, <https://www.commerce.gov/news/press-releases/2022/05/us-eu-joint-statement-trade-and-technology-council> (accessed October 1, 2024).

27 European Commission, EU-US Joint Statement of the Trade and Technology Council, December 5, 2022, [https://ec.europa.eu/commission/presscorner/detail/en/statement\\_22\\_7516](https://ec.europa.eu/commission/presscorner/detail/en/statement_22_7516) (accessed October 1, 2024).

28 European Commission, EU And US Take Stock of Trade and Technology Cooperation, January 30, 2024, [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_24\\_575](https://ec.europa.eu/commission/presscorner/detail/en/IP_24_575) (accessed October 1, 2024).

29 Giovanna Coi, Douglas Busvine, and Koen Verhelst, “Mission Impossible: Germany’s Bid to Kill EU Duties on Chinese EVs,” in: Politico, September 24, 2024, <https://www.politico.eu/article/eu-duties-electric-cars-european-union-autos/> (accessed October 1, 2024).

30 Ursula Von der Leyen, A Union That Strives for More: My Agenda for Europe. Political Guidelines for the Next European Commission 2019-2024, [https://commission.europa.eu/document/download/063d44e9-04ed-4033-acf9-639ecb187e87\\_en?filename=political-guidelines-next-commission\\_en.pdf](https://commission.europa.eu/document/download/063d44e9-04ed-4033-acf9-639ecb187e87_en?filename=political-guidelines-next-commission_en.pdf) (accessed October 1, 2024).



highlighted the urgent need across the EU for improved digitalization. Digitalization advanced rapidly in the years following, especially for the uptake in connectivity and “adoption of digital technologies by both citizens and businesses at EU level,” as the 2030 Digital Decade Report of the European Commission pointed out.<sup>31</sup> In addition, ChatGPT was released in 2022, bringing generative and large language model (LLM) AI to the forefront of public discussions. Yet, at the same time, AI-generated disinformation and other AI-assisted digital threats became important national security concerns.

Between 2019 and 2024, the EU also advanced digital policy, proposing and negotiating 23 legislative files, including the EU AI Act, the NIS-2 Directive, the Cyber Resilience Act, the Digital Markets Act (DMA), and the Digital Services Act (DSA), among others.<sup>32</sup> The DMA and DSA create a set of rules for digital service providers and platforms in the EU, while protecting and strengthening the rights of individual users.<sup>33</sup> While these regulations are technically only binding within the EU borders, they have a cross-border impact because of the nature of digital service providers and platforms, with many U.S.-based and founded digital platforms also being forced to comply and change how they do business.

Meanwhile, digitalization, data, and technology issues were also high on the agenda of the Biden Administration. Yet, unlike the EU, U.S. Congress did not pass any encompassing legislation on digital services and digital markets, although there were attempts regarding a federal data privacy

regulation<sup>34</sup> and also the possibility of a digital market regulator.<sup>35</sup> U.S. regulation is still a patchwork of different rules and regulations on the federal and subfederal level. The Biden Administration made some progress, however, on cybersecurity policy, with the creation of the Bureau of Cyberspace and Digital Policy at the U.S. State Department in 2022<sup>36</sup> and by publishing the updated National Cybersecurity Strategy in March 2022.<sup>37</sup> In addition, the White House issued the U.S. Executive Order on the Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence, adding to the emerging global governance on AI.<sup>38</sup>

*Both, the harmonization and mutual recognition of existing standards and regulations is difficult.*

In the light of the divergent digital policy efforts of the transatlantic partners, the TTC became a critical forum for deconflicting and finding alignment where possible. The “tech” pillar of the TTC has been generally considered more successful than the “trade” pillar, with several more policy outcomes being agreed to. This began with the transatlantic partners agreeing to joint principles on AI at the first TTC meeting in September 2021, which led to the more concrete Joint Roadmap on Evaluation and Measurement Tools for Trustworthy AI and Risk Management at the third ministerial meeting

31 European Commission, Digital Economy and Society Index (DESI) 2022. Thematic Chapters, <https://digital-strategy.ec.europa.eu/en/policies/desi> (accessed October 1, 2024).

32 European Commission, 2030 Digital Decade Report. Report on the State of the Digital Decade 2024, 2024, <https://digital-strategy.ec.europa.eu/en/policies/2024-state-digital-decade-package> (accessed October 1, 2024).

33 Shaping Europe’s Digital Future, The Digital Services Act Package, <https://digital-strategy.ec.europa.eu/en/policies/digital-services-act-package> (accessed October 1, 2024).

34 Mark Scott, “Is the US Congress About to Do the Unthinkable?,” in POLITICO, April 11, 2024, <https://www.politico.eu/newsletter/digital-bridge/is-the-us-congress-about-to-do-the-unthinkable/> (accessed October 1, 2024).

35 Mark McCarthy, “Congress Eyes Establishing a Digital Regulator,” in: Brookings Commentary, August 9, 2023, <https://www.brookings.edu/articles/congress-eyes-establishing-a-digital-regulator/> (accessed October 1, 2024).

36 U.S. Department of State, Establishment of the Bureau of Cyberspace and Digital Policy, April 4, 2022, <https://www.state.gov/establishment-of-the-bureau-of-cyberspace-and-digital-policy/> (accessed October 1, 2024).

37 The White House, The National Cybersecurity Strategy, March 2023, <https://www.whitehouse.gov/oncd/national-cybersecurity-strategy/> (accessed October 1, 2024).

38 The White House, Executive Order on the Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence, October 30, 2023, <https://www.whitehouse.gov/briefing-room/presidential-actions/2023/10/30/executive-order-on-the-safe-secure-and-trustworthy-development-and-use-of-artificial-intelligence/> (accessed October 1, 2024).

of the TTC in December 2022.<sup>39</sup> The Joint Roadmap on AI sought to align taxonomies and terminology for trustworthy AI as well as help minimize divergence on AI governance across the Atlantic.<sup>40</sup> At the fourth TTC ministerial meeting in May 2023, the transatlantic partners announced that the roadmap implementation was progressing, including that 65 key terms critical for alignment on risk-based approaches to AI were agreed to.<sup>41</sup> They also announced that a voluntary EU-U.S. Code of Conduct for AI was being developed.<sup>42</sup> Ultimately, the efforts on the voluntary code of conduct were incorporated into the G7 Hiroshima AI Process, which resulted in the development of the Hiroshima Process International Guiding Principles on Artificial Intelligence and the voluntary Code of Conduct for AI Developers.<sup>43</sup> These documents remain fluid, and international efforts for AI governance remain ongoing. Yet, it is important to recognize that transatlantic coordination efforts, fostered through the TTC, have strongly influenced other AI governance processes and shown how transatlantic alignment can be used in other international forums.<sup>44</sup>

## *The TTC positively influenced global AI governance.*

Beyond AI, the TTC addressed other emerging technologies. At the fifth TTC ministerial, the 6G Industry Roadmap was adopted, and the 6G Common Vision was adopted at the sixth TTC ministerial, both of which are needed to ensure that the development and rollout of the next generation of network technologies reflect the shared principles of the transat-

lantic partners for a more inclusive, sustainable and secure global economy.<sup>45</sup> The TTC also established the Quantum Task Force to “bridge gaps in research and development (R&D)” and to harmonize efforts on quantum advancements.<sup>46</sup> While the alignment on 6G has impacted other multilateral processes, such as within the International Telecommunication Union (ITU), the results of the Quantum Task Force are less clear. The United States and the EU could follow the successes of the Joint Roadmap on AI and develop a similar roadmap for quantum, but this has yet to come to fruition.

In addition, the TTC also worked on technical standards for digital identities – the online representation of an individual’s personal information. At the sixth TTC ministerial meeting in April 2024, the transatlantic partners released the Digital Identity Mapping Report to identify opportunities for transatlantic interoperability and cross-border use of digital identities. At the same ministerial meeting, the EU and the United States agreed on the joint declaration on “Enhancing eInvoicing Interoperability Between the EU and the United States”.<sup>47</sup> As in many other regulatory fields, technical specifications and profiles for eInvoice are already highly aligned between the transatlantic partners. However, differences remain, and further alignment could reduce unnecessary transaction costs. While the outcomes of the TTC are neither harmonized standards nor mutual recognition agreements, the digital identity mapping exercise and the declaration on eInvoicing are important steps towards greater regulatory compatibility.

A recurring theme of the TTC has been tech and democracy. As such, the transatlantic partners en-

39 The White House, U.S.-EU Joint Statement of the Trade and Technology Council, April 5, 2024, <https://www.whitehouse.gov/briefing-room/statements-releases/2024/04/05/u-s-eu-joint-statement-of-the-trade-and-technology-council-3/> (accessed October 1, 2024).

40 Ibid.

41 European Commission, Joint Statement EU-US Trade and Technology Council of 31 May 2023 in Lulea, Sweden, May 31, 2023, [https://ec.europa.eu/commission/presscorner/detail/en/statement\\_23\\_2992](https://ec.europa.eu/commission/presscorner/detail/en/statement_23_2992) (accessed October 1, 2024).

42 Mark Scott, Mohar Chatterjee and Gian Volpicelli, “The Struggle to Control AI,” in: POLITICO, May 31, 2023, <https://www.politico.eu/article/washington-eu-trade-and-tech-council-join-forces-to-stop-ai-harms/> (accessed October 1, 2024).

43 The White House, G7 Leaders’ Statement on the Hiroshima AI Process, October 30, 2023, <https://www.whitehouse.gov/briefing-room/statements-releases/2023/10/30/g7-leaders-statement-on-the-hiroshima-ai-process/> (accessed October 1, 2024).

44 Erik Brattberg, Adaptation or Atrophy? The U.S.-EU Trade and Technology Council Post-2024, Bertelsmann Foundation, February 2024, [https://www.bertelsmann-stiftung.de/fileadmin/files/BSf/Publikationen/GrauePublikationen/Adaptation\\_or\\_Atrophy\\_The\\_U.S.-EU\\_Trade\\_and\\_Technology\\_Council\\_Post-2024.pdf](https://www.bertelsmann-stiftung.de/fileadmin/files/BSf/Publikationen/GrauePublikationen/Adaptation_or_Atrophy_The_U.S.-EU_Trade_and_Technology_Council_Post-2024.pdf) (accessed October 1, 2024).

45 The White House, 2024.

46 The White House, 2024.

47 Ibid.

dorsed the Declaration of the Future of the Internet at the second meeting of the TTC in 2022, underlining their intent “to translate its principles into practice, including those concerning universal access, human rights, openness, and fair competition.”<sup>48</sup> Within the Declaration of the Future of the Internet, the signatories commit to one single, open, global internet that fosters competition, privacy, and respect for human rights.<sup>49</sup> As China increasingly advocates its more authoritarian visions in international forums, such as the United Nations, the International Telecommunications Union, and others, such a statement by the EU, the United States, and others is powerful.

The TTC dealt with another area concerning the interplay between digitalization and democracy: the disinformation environment. At the fourth ministerial meeting of the TTC, the transatlantic partners agreed to a common standard for exchanging structured threat information on disinformation and foreign information manipulation and interference (FIMI).<sup>50</sup>

While further coordination is needed on the ever-evolving world of tech and digital policy, the TTC has been able to advance several objectives. However, it is important to note that the TTC is not a regulatory committee. It can neither harmonize nor mutually recognize existing regulations and technical standards as this would often require legislation. Rather, it helps to align U.S.-EU perspectives and values in certain digital and tech policy areas, which is an important prerequisite for policy alignment. It also helps the transatlantic partners to identify opportunities for coordination and cooperation.<sup>51</sup> This works best in areas of new and emerging technologies where technical standards and regulations are only in the making.

Overall, the balance sheet for what is left is much shorter than on other key issues the TTC addressed. But more needs to be done. More alignment is necessary to ensure that ongoing regulatory efforts do not create new barriers in the transatlantic marketplace. Roadmaps need to be put into practice and their operationalization should be evaluated. The transatlantic partners should use the positive experience regarding the AI roadmap to jointly tackle other new and emerging technologies. Lastly, the transatlantic partners should use the TTC more strongly to coordinate their efforts in multilateral standard setting organizations.

## Regulatory Convergence and Technical Standard-setting

While tariffs have been comparatively low in transatlantic trade, diverging technical standards and regulations still pose considerable non-tariff barriers (NTBs), creating unnecessary costs for businesses on both sides of the Atlantic. This issue has long been on the negotiating table, during both the TTIP negotiations and now as a part of the TTC. In order to improve market integration between the United States and the EU, there is an urgent need for regulatory cooperation, especially for new and emerging technologies as also discussed in the previous chapter.

An important learning from the failed TTIP negotiations is that both the harmonization and mutual recognition of existing standards and regulations is difficult. Therefore, the TTC focused on identifying opportunities for cooperation, creating shared definitions and visions, and set the stage for mutual recognition of some standards, with a strong focus on the development of standards for new and emerging technologies.

48 The White House, U.S.-EU Joint Statement of the Trade and Technology Council 16 May 2022, <https://www.whitehouse.gov/wp-content/uploads/2022/05/TTC-US-text-Final-May-14.pdf> (accessed October 1, 2024).

49 U.S. Department of State, Declaration for the Future of the Internet, <https://www.state.gov/declaration-for-the-future-of-the-internet> (accessed October 1, 2024).

50 European Commission, Factsheet: EU-US Trade and Technology Council (2021-2024), <https://digital-strategy.ec.europa.eu/en/library/factsheet-eu-us-trade-and-technology-council-2021-2024> (accessed October 1, 2024).

51 Frances Burwell and Andrea G. Rodríguez, The US-EU Trade and Technology Council: Assessing the Record on Data and Technology Issues, Issue Brief, Atlantic Council, 20. April 2023, <https://www.atlanticcouncil.org/in-depth-research-reports/issue-brief/us-eu-ttc-record-on-data-technology-issues/> (accessed October 1, 2024).

One of the first decisions in this regard was to develop the EU-U.S. Strategic Standards Information (SSI) mechanism, which was announced at the second TTC ministerial meeting in May 2022.<sup>52</sup> The SSI is intended to facilitate information sharing between government leaders on standard setting activities, including in other forums like the ITU.<sup>53</sup> Also at the second meeting, workstreams to increase standards cooperation on additive manufacturing (3-D printing), plastics recycling, and digital identities were announced.<sup>54</sup> While the SSI and additional workstreams set admirable goals, it is unclear if the SSI has led to more standard recognition or alignment, as information on its functioning has been lacking.

## *Transatlantic regulatory cooperation on green tech is still in its infancy.*

One of the success stories of the TTC (apart from the ones mentioned in the previous chapter) concerns electric vehicle charging systems. In May 2022, the EU and United States agreed to jointly work on a common standard on electric vehicle charging systems.<sup>55</sup> At the fourth ministerial meeting of the TTC in May 2023, both sides recognized the significance of the Megawatt Charging System (MCS) adopted by the international standardization organizations such as the International Electrotechnical Commission (IEC) and the International Organization for Standardization (ISO) for charging electric HDVs. In addition, the Transatlantic Technical Recommendations for Government-funded

Implementation of Electric Vehicle Charging Infrastructure were released. The EU and the United States also committed to collaborate on developing a transatlantic test procedure for high-power charging, with the goal of ensuring interoperability. This is another important step to reduce manufacturing and deployment costs. While this regulatory cooperation should speed up the rollout of EV infrastructure, current reports show that EV infrastructure in the EU and the United States is still developing and a direct impact from the TTC actions is yet to be determined.<sup>56</sup>

Another positive result of the TTC on regulatory cooperation concerns pharmaceutical goods. At the fourth TTC ministerial meeting, the transatlantic partners agreed to extend the scope of the EU-U.S. Mutual Recognition Agreement annex for Pharmaceutical Good Manufacturing Practices to include veterinary medicines. In addition, the EU-U.S. Marine Equipment Mutual Recognition Agreement was also updated. Mutual Recognition Agreements (MRA) between the United States and the EU have been in place since the early 2000s to “facilitate trade in marine equipment and to promote cooperation on international marine equipment regulations,” and are regularly updated to align the latest international developments.<sup>57</sup>

While these are tangible results there are many areas in which regulatory cooperation would be beneficial for both sides of the Atlantic. One of these areas is data and data flows.<sup>58</sup> This issue has not been included in the scope of the TTC, as the EU-U.S. Data Privacy Framework was dealt with separately. Yet, while the Data Privacy Framework addressed the privacy aspects of data flows, there is

52 U.S. Department of Commerce, 2022.

53 European Commission, 2022.

54 Ibid.

55 European Commission, EU-US Trade and Technology Council, [https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/stronger-europe-world/eu-us-trade-and-technology-council\\_en](https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/stronger-europe-world/eu-us-trade-and-technology-council_en) (accessed May 10, 2023)

56 European Commission, European Alternative Fuels Observatory. New Study on Accelerating EU Electric Vehicle Charging Infrastructure Roll-out, May 6, 2024, <https://alternative-fuels-observatory.ec.europa.eu/general-information/news/new-study-accelerating-eu-electric-vehicle-charging-infrastructure-roll> (accessed September 21, 2024).

57 United States Coast Guard, Mutual Recognition Agreements, <https://www.dco.uscg.mil/CG-ENG-4/MRA/> (accessed September 21, 2024).

58 Benjamin Ledwon, Working Group 1 – Technology Standards. Deutsche Telekom | Recommendations Working Group 1, European Commission, <https://futurium.ec.europa.eu/en/EU-US-TTC/wg1/posts/deutsche-telekom-recommendations-working-group-1> (accessed September 24, 2024); Amélie Coulet, Working Group 1 - Technology Standards. IBM's Recommendations for the EU-US Tech and Trade Council - WG1, European Commission, <https://futurium.ec.europa.eu/en/EU-US-TTC/wg1/documents/ibms-recommendations-eu-us-tech-and-trade-council-wg1> (accessed September 24, 2024); American Chemistry Council (ACC) and the European Chemical Industry Council (Cefic), U.S.-EU Trade and Technology Council (TTC) Recommendations from the Transatlantic Chemical Industry, December 2022, [https://cefic.org/app/uploads/2023/03/U.S.-EU-Trade-and-Technology-Council-TTC-Recommendations\\_ACC-Cefic.pdf](https://cefic.org/app/uploads/2023/03/U.S.-EU-Trade-and-Technology-Council-TTC-Recommendations_ACC-Cefic.pdf) (accessed September 24, 2024).

additional room for standardization of language for data.

Another regulatory area which promises great benefits are renewable energy and other “green” technologies.<sup>59</sup> A prime example are technical standards for hydrogen production and transportation. Both transatlantic partners are heavily investing in this emerging industry, which is an important component in the green transition on both sides of the Atlantic. Discussions about harmonized technical standards and an important definition of what constitutes green hydrogen are, however, still nascent in the transatlantic partnership. Other areas offering ample of opportunity for closer cooperation are international methane standards in gas production as well as Carbon Capture and Storage (CCS) technologies. These are necessary to move the green transition forward in an aligned manner.<sup>60</sup> In addition, the issue of reconciling international standards on plastics recycling, while an initial goal of the TTC, has not been achieved. The efforts in this area should continue.<sup>61</sup>

Lastly, the TTC has made little progress on the mutual recognition of conformity assessment bodies. This issue has been on the transatlantic agenda for years – first during the TTIP negotiations and subsequently during the Trump Administration. While the transatlantic partners are continuing to work on the issue, a concrete strategy or roadmap to conclude a mutual recognition agreement is yet to be issued. While such an agreement would not lead to the mutual recognition of conformity assessments based on international standards, it would still be valuable. Thus, it would allow conformity assessment bodies in both markets to certify goods for

each other’s requirements. Certified products would then be accepted in the relevant importing market, regardless of which conformity assessment body was used. Many sectors, in particular the machinery, electronics and clean tech sector, on both sides of the Atlantic would benefit considerable as such an agreement would reduce administrative burdens, without lowering standards.<sup>62</sup>

## Trade and Sustainability

As one of his campaign promises, President Biden had pledged to put the United States on course to tackle climate change.<sup>63</sup> Biden was able to keep this promise through the IRA, which became one of the most significant legislations on climate change in the history of the United States. On the other side of the Atlantic, Ursula von der Leyen had promised a European Green Deal to make the EU climate neu-

*Climate change policies have played an important role in the TTC negotiations.*

tral by 2050.<sup>64</sup> To date, several laws have been passed to make progress on the EU Green Deal. However, while the United States and the EU are working towards compatible goals, the mechanisms for getting there could result in new trade disputes. Therefore, climate change policies as well as sustainability and trade played an important role in the TTC negotiations.

59 Bill Echikson, Dimitar Lilkov, and Clara Riedenstein, *Transatlantic Trade and Technology: Partners or Rivals?*, Center for European Policy Analysis, January 25, 2024, <https://cepa.org/comprehensive-reports/transatlantic-trade-and-technology-partners-or-rivals/> (accessed September 24, 2024); Olga Khakova and Annika Hedberg, *Policy Memo: How the US and EU Can Advance the Green Transition Along With Energy and Resource Security*, Atlantic Council, August 7, 2023, <https://www.atlanticcouncil.org/blogs/new-atlanticist/policy-memo-ttc-us-eu-green-transition/> (accessed October 1, 2024).

60 Ibid.

61 European Commission, *EU and US High-Level Officials Meet to Take Stock of Ongoing Cooperation Under the EU-US Trade and Technology Council*, September 17, 2024, [https://policy.trade.ec.europa.eu/news/eu-and-us-high-level-officials-meet-take-stock-ongoing-cooperation-under-eu-us-trade-and-technology-2024-09-17\\_en](https://policy.trade.ec.europa.eu/news/eu-and-us-high-level-officials-meet-take-stock-ongoing-cooperation-under-eu-us-trade-and-technology-2024-09-17_en) (accessed October 1, 2025).

62 Transatlantic Business Initiative, *Assessing the Fourth Meeting of the EU-US Trade and Technology Council (TTC)*, Juli 2023, [https://transatlanticbusiness.eu/wp-content/uploads/2023/07/TBI-Assessment-4th-TTC-Meeting\\_final.pdf](https://transatlanticbusiness.eu/wp-content/uploads/2023/07/TBI-Assessment-4th-TTC-Meeting_final.pdf) (accessed Oktober 2, 2024).

63 Adam Cancryn, “Did Biden Keep His Campaign Promises from 2020? Here’s Our Report Card.” in: *POLITICO*, April 26, 2023, <https://www.politico.com/news/2023/04/26/biden-2020-campaign-promises-report-card-00093779> (accessed October 1, 2024).

64 European Commission, *The European Green Deal: Striving to be the First Climate-Neutral Continent*, [https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal\\_en](https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal_en) (accessed October 1, 2024).

To address this issue, the EU and the United States launched the Transatlantic Initiative on Sustainable Trade (TIST) at the third TTC ministerial meeting.<sup>65</sup> The aim of the TIST is to create a more sustainable, stable and resilient transatlantic marketplace that will help accelerate the transition to a climate neutral and circular economy.<sup>66</sup> It is to strengthen the resilience and sustainability of key supply chains, to ensure that the green transition is fair and inclusive, and to promote efforts to advance the transition to a low-emission and green future at a global level.<sup>67</sup> Ideally, through the TIST, the transatlantic marketplace would become a catalyst for green transition and decarbonization.<sup>68</sup>

*Despite the importance of sustainable trade, the record of the TTC on this issue is mixed.*

The fourth TTC ministerial meeting in Sweden in May 2023 further clarified how the TIST would function and announced a work program. The work program detailed four building blocks around which the work would focus: a sustainable business environment for an integrated transatlantic marketplace, resilient and sustainable supply chains for the clean economy, benefits for workers and consumers in the green economy, and a global path for the green transition.<sup>69</sup> According to the work program, the TIST also aimed to reach an agreement on conformity assessment in support of the green transition and to establish a common catalog of best practices for green public procurement.<sup>70</sup>

However, it was not until the sixth TTC ministerial meeting in Leuven in April 2024 that the TIST was given real substance with the publication of the Catalogue of Best Practices on Green Public Procurement and the announcement of the planning of a stakeholder workshop to promote innovative solutions in sustainable supply chain management at the next TTC meeting in Washington, D.C.<sup>71</sup> The Common Catalogue launched in Leuven provides an overview of policies, practices, and measures to be applied at all stages of the procurement process, from strategic planning to pre-procurement, procurement, and post-award. It also addresses a wide range of environmental and climate challenges, such as reducing greenhouse gas emissions, improving energy efficiency, and promoting circular economy approaches.<sup>72</sup>

Launched as part of the broader TIST framework at the fourth TTC ministerial meeting in 2023, the Clean Energy Incentives Dialogue aims to increase transparency and cooperation on clean energy incentives between the United States and the European Union.<sup>73</sup> The Dialogue focused on sharing information on respective clean technology incentives and addressing concerns about non-market practices in third countries that may impede the green transition. By fostering open communication and cooperation on these issues, the objective of the Clean Energy Incentives Dialogue is to contribute to the creation of a more integrated and resilient transatlantic marketplace for sustainable goods and services. This initiative is consistent with the goals of the TIST to promote a fair and inclusive green transition while stimulating transatlantic trade and investment in clean technologies. Through the Dialogue, the United States and EU want to work towards aligning their

65 European Commission, EU–US Trade and Technology Council – Annex I: Transatlantic Initiative on Sustainable Trade – Work Programme, May 2023, <https://futurium.ec.europa.eu/en/EU-US-TTC/pages/annex-i-transatlantic-initiative-sustainable-trade-work-programme> (accessed July 17, 2024).

66 U.S. Department of Commerce, U.S.-EU Joint Statement of the Trade and Technology Council, April 5, 2024, <https://www.commerce.gov/news/press-releases/2024/04/us-eu-joint-statement-trade-and-technology-council> (accessed by October 1, 2024).

67 The White House, U.S.-EU Joint Statement of the Trade and Technology Council, May 31, 2023, <https://www.whitehouse.gov/briefing-room/statements-releases/2023/05/31/u-s-eu-joint-statement-of-the-trade-and-technology-council-2/> (accessed October 1, 2024).

68 Ibid.

69 European Commission, May 2023.

70 Ibid.

71 The White House, U.S.-EU Joint Statement of the Trade and Technology Council, April 5, 2024, <https://www.whitehouse.gov/briefing-room/statements-releases/2024/04/05/u-s-eu-joint-statement-of-the-trade-and-technology-council-3/> (accessed October 1, 2024).

72 Office of the U.S. Trade Representative, Green Public Procurement, <https://ustr.gov/issue-areas/government-procurement/green-public-procurement#:~:text=The%20Joint%20Catalogue%20presents%20a,such%20as%20reduction%20of%20greenhouse> (accessed October 1, 2024).

73 The White House, U.S.-EU Joint Statement of the Trade and Technology Council, May 31, 2023, <https://www.whitehouse.gov/briefing-room/statements-releases/2023/05/31/u-s-eu-joint-statement-of-the-trade-and-technology-council-2/> (accessed October 1, 2024).

approaches to clean energy incentives. In addition, the Dialogue has served as a platform to identify and address potential market distortions caused by opaque or unfair incentive practices within the overarching framework of the TIST. While the TIST is a step in the right direction, its future is unclear. The stakeholder meeting on “Crafting the Transatlantic Green marketplace” held on the sidelines on the fifth TTC ministerial in January 2024 was instrumental in setting an agenda for the TIST, but outside of the TTC framework, many questions remain for how and if this work will continue.

Despite the clear priority by both Biden and von der Leyen to work towards more sustainable trade, the efforts of the TTC in this area are mixed at best. For instance, as described above, the TTC has disappointed on the issue of mutual recognition of conformity assessments for green tech products.<sup>74</sup> Furthermore, many conflictual areas (see chapter below) have yet to be resolved. New conflicts are also looming on the horizon, such as on the EU’s Carbon Border Adjustment Mechanism (CBAM). Lastly, disagreement has remained between the transatlantic partners on how to best address the impact of non-market policies by third countries, which could negatively impact the green transition. The latest irritant concerns the EU Deforestation Regulation. With the aim to combat climate change and biodiversity loss, the regulation requires companies that trade certain products within the EU (such as cattle, wood, cocoa, soy, palm oil, and coffee) to prove that these do not originate from land that has been recently deforested or have contributed to forest degradation. The United States and other agricultural exporters have repeatedly raised concerns about inadequate preparation and asked for a delay of the implementation of the regulation and subsequent enforcement of penalties.<sup>75</sup>

## Areas of Unresolved Conflicts

While substantial progress in the transatlantic relationship has been achieved over the past three years, conflicts remain, which will need to be addressed in the coming years if further market integration is desired. Apart from bilateral issues, this also concerns how to proceed with World Trade Organisation (WTO) reform and the appellate body of the institution.

### Steel and Aluminum Tariffs

In March 2018, the United States had imposed a 25 percent tariff on imported steel and 10 percent tariff on imported aluminum under Section 232 of the Trade Expansion Act of 1962.<sup>76</sup> An investigation by the U.S. Department of Commerce had found that steel and aluminum imports endangered U.S. national security. While the EU was initially exempted, tariffs were also imposed on steel and aluminum imports from the EU beginning in June 2018.<sup>77</sup> These remained in place even after tariffs on imports from Australia, Canada, and Mexico were lifted and Argentina, Brazil, and South Korea agreed to strict quota regulations. The EU then filed a complaint with the WTO and imposed retaliatory tariffs on U.S. imports.<sup>78</sup>

*U.S. tariffs on steel and aluminum remain an irritant for the EU.*

The Biden Administration also made use of Section 232 investigations. Instead of abolishing the steel and aluminum tariffs imposed by Trump, Biden initially continued them. It was only on the margins of the G20 summit at the end of October 2021 that the EU and the United States found a compromise. The EU agreed to a tariff quota that granted the EU a cer-

74 Brattberg, 2024.

75 Avi Hawkins, Weekly Trade, Anxiety over EU Deforestation Rule, September 30, 2024, <https://www.politico.com/newsletters/weekly-trade/2024/09/30/will-bidens-supply-chains-survive-a-port-strike-00181593> (accessed October 1, 2024).

76 U.S. Government Accountability Office, “Steel and Aluminum Tariffs: Agencies Should Ensure Section 232 Exclusion Requests Are Needed and Duties Are Paid”, July 20, 2024, <https://www.gao.gov/products/gao-23-105148#:~:text=In%20March%202018%2C%20citing%20national,or%20exclusion%2C%20from%20the%20tariffs> (accessed October 2, 2024).

77 U.S. Department of Commerce, “Section 232 Investigation on the Effect of Imports of Steel on U.S. National Security”, <https://www.commerce.gov/issues/trade-enforcement/section-232-steel> (accessed October 2, 2024).

78 Jonathan Joseph, “Europe and U.S. Extend Trade Truce Over Trump Tariffs”, BBC News, December 19, 2023, <https://www.bbc.com/news/business-67758395> (accessed October 2, 2024).

tain volume of duty-free exports to the United States, beginning January 1, 2022. Tariffs were to be continued on exports exceeding the quota. In return, the EU decided to suspend retaliatory measures against the U.S. tariffs. In addition, the EU and the United States came to an understanding to suspend their respective WTO cases and not to file new complaints regarding the steel and aluminum dispute.<sup>79</sup> The agreement contained two other important aspects: firstly, the United States and the EU wanted to work more closely together to more rigorously address unfair trade practices and overcapacity by third countries. Secondly, they wanted to negotiate a global agreement – GASSA – within two years that would create a level playing field and reduce greenhouse gas emissions. Third countries that trade unfairly or do not reduce their greenhouse gas emissions were to be countered with market access barriers.

## *Conclusion of negotiations on GASSA and CMA is not in sight.*

So far, negotiations for GASSA have not been concluded, highlighting some differences between the United States and the EU on how to treat imports from third countries. The United States seems to prefer tariffs as an instrument to level out unfair competition; the EU would rather go with CO<sub>2</sub> prices as the basis for an agreement. There also seem to be different opinions on how to measure unfair advantages. The United States appears to prefer to use the average carbon intensity of a country to avoid low-carbon steel being exported by the trading partner while carbon-intensive steel is consumed domestically. The United States is also recommending that the signatories should not purposefully contribute to global oversupply and should restrict the activities of state-owned companies. The EU is more skeptical about

this approach, warning that measures taken need to be in line with the rules of the WTO. At the EU-U.S. summit at the end of October 2023, the two sides were unable to reach a compromise. To avoid an escalation of the trade conflict, the U.S. decided to extend the suspension of tariffs on steel and aluminum for another two years.<sup>80</sup>

### **Industrial Subsidies and Transatlantic Cooperation**

On August 16, 2022, President Biden signed the Inflation Reduction Act (IRA) into law, marking a historic step in U.S. climate and clean energy policy.<sup>81</sup> This act, a 433 billion USD investment package, aimed to transform U.S. industry to be more climate-resilient and forward-looking, addressing climate change, energy security, corporate taxes, affordable medications for seniors, and healthcare subsidies.<sup>82</sup>

While the IRA was lauded for its ambition, it has also raised serious concerns in the EU. European leaders worry that the IRA's generous subsidies incentivize European companies to relocate to the United States, particularly given the higher energy costs in Europe. This potential relocation could weaken the European industrial base, prompting fears of a transatlantic economic imbalance.<sup>83</sup>

The EU is particularly unhappy with the rules of origin elements in the IRA: for example, the law includes several tax credits in the automotive sector from 2022 to 2032. To qualify, certain requirements must be met. Starting in 2023, for battery raw materials (such as lithium), 40 percent of the critical raw materials used must come from North America or another partner country with which the United States has a free trade agreement. This quota will be increased by ten percent each year until it reaches 80 percent in 2027. In addition, beginning in 2025, key battery raw materials may

79 Press Release, "EU and U.S. Agree to Start Discussions on a Global Arrangement on Sustainable Steel and Aluminum And Suspend Steel and Aluminum Trade Disputes." The European Commission, October 31, 2021, [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_21\\_5721](https://ec.europa.eu/commission/presscorner/detail/en/ip_21_5721) (accessed October 2, 2024).

80 Jonathan Joseph, "Europe and U.S. Extend Trade Truce Over Trump Tariffs", BBC News, December 19, 2023.

81 The White House, Inflation Reduction Act Guidebook, <https://www.whitehouse.gov/cleanenergy/inflation-reduction-act-guidebook/> - :~:text=The Inflation Reduction Act specifies,mode or condition, low or (accessed September 30, 2024).

82 Deutschlandfunk, Inflation Reduction Act – Was die EU den Milliarden-Investitionen der USA Entgegensetzen Will, <https://www.deutschlandfunk.de/inflation-reduction-act-anti-inflationsprogramm-inflationsbekaempfungsgesetz-100.html> (accessed September 30, 2024).

83 Ibid.



not come from Russia, China, or another critical country, a “Foreign Entity of Concern”. Similarly, starting in 2023, 50 percent of battery components (based on cost) must be manufactured in North America or a partner country with a free trade agreement with the United States. This percentage will increase to 100 percent by 2029. Beginning in 2024, battery components may also no longer come from certain countries such as China and Russia. This poses a problem for the EU as it does not have a free trade agreement with the United States.

Meanwhile, the EU is advancing its own European Green Deal, a strategy to make Europe climate-neutral by 2050. The Green Deal involves stricter emissions standards, renewable energy policies, and sustainability practices. These measures not only aim to reduce the EU’s carbon footprint but also position it as a leader in global climate efforts. However, the Green Deal’s regulatory frameworks could also lead to new trade impediments. This might impact sectors like the automotive and agriculture sector, where U.S. exports to the EU are significant.<sup>84</sup> Responding to the industrial policy initiatives introduced by other leading industrialized nations, the EU also adopted the Net-Zero Industry Act (NZIA) in late April 2024, with the aim of supporting key industries in Europe for the purposes of strengthening their competitiveness and mitigating unilateral reliance on imports.

In March 2023, President Biden and European Union Commission President Ursula von der Leyen agreed to launch talks on a Critical Minerals Agreement (CMA).<sup>85</sup> The goal is to enable relevant critical minerals extracted or processed in the EU to count toward requirements for clean vehicles in the Section 30D clean vehicle tax credit of the IRA. The EU and

the United States also want to cooperate more broadly on securing supplies of critical minerals.<sup>86</sup>

*While the IRA was lauded for its ambition, it also raised serious concerns in the EU.*

While some had hoped for a breakthrough of the talks at the TTC ministerial meeting in Sweden, the U.S.-EU Joint Statement only reiterates the ongoing negotiations, as differences have emerged between the United States and the EU. First, according to the Congressional Research Service, U.S. proposals seem to go further than the CMA which the United States has concluded with Japan, regarding environmental protections relevant to critical minerals supply chains. As such, the United States has proposed an enforcement tool to ensure that critical mineral imports meet labor and environmental standards. The EU, however, warns that this may be contrary to EU practices: The EU seldomly has sanctions-based enforcement of sustainability chapters in its free trade agreements – unlike the United States – and follows a more diplomatic enforcement approach. The EU also warns that some potential provisions may not be within EU law or EU competencies (e.g., promotion of employer neutrality regarding labor unions), making ratification very complicated.<sup>87</sup> In addition, legislators on both sides of the Atlantic are also worried about the nature of the agreement. In April 2023, EU Commissioner Dombrovskis stated that the EU was “aiming for an executive agreement” that would not need to win the support of each EU member state.<sup>88</sup> As executive agreement, the deal would not need approval by U.S. Congress and the European Par-

84 Mark Leonard, Jean Pisani-Ferry, Jeremy Shapiro, Simone Tagliapietra, Guntram Wolff, The Geopolitics of the European Green Deal. European Council of Foreign Relations, February 2021, <https://ecfr.eu/wp-content/uploads/The-geopolitics-of-the-European-Green-Deal.pdf> (accessed October 1, 2024).

85 European Commission, Joint Statement by President Biden and President von der Leyen, [https://ec.europa.eu/commission/presscorner/detail/de/statement\\_23\\_1613](https://ec.europa.eu/commission/presscorner/detail/de/statement_23_1613) (Accessed October 1, 2023).

86 Ibid.

87 Shayerah I. Akhtar and Andres B. Schwarzenberg, Proposed U.S.-EU Critical Minerals Agreement, Congressional Research Service, April 2, 2024 <https://crsreports.congress.gov/product/pdf/IN/IN12145#:~:text=Since%20a%20March%202023%20announcement,tax%20credit%20requirements%20of%20PL> (accessed October 1, 2024).

88 Overly Steven, “No Deal Yet on EU Critical Minerals,” in: POLITICO, April 17, 2023, <https://www.politico.com/newsletters/weekly-trade/2023/04/17/no-deal-yet-on-eu-critical-minerals-00092270> (accessed October 1, 2023).

liament.<sup>89</sup> However, U.S. Congress voiced strong opposition to such an approach.

*Industrial subsidies risk becoming new transatlantic points of contention.*

An EU-U.S. critical minerals agreement would solve a part of the problem of the IRA for EU companies, although many questions remain, including how recycled materials would feature in such an agreement. In addition, it would not solve the

broader challenge of industrial subsidies. As such, the dialogue on incentives and support measures needs to be intensified, both within the TTC as well as in the Clean Energy Incentives Dialogue as a subsidies race would have devastating effects on the transatlantic economy.

Ultimately, both the IRA and the EU Green Deal signify a shift towards greener economies, but they also highlight the need for regulatory alignment and cooperation to prevent economic divergences and enhance transatlantic relations. The ongoing negotiations between the EU and the United States will be crucial for ensuring that both regions can achieve their climate goals without undermining each other's economic stability.

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<sup>89</sup> Shayerah I. Akhtar and Andres B. Schwarzenberg, "Critical Minerals: A U.S.-EU Free Trade Agreement?," Congressional Research Service, April 14, 2023.

## Looking Ahead: The U.S. Presidential Candidates

In which direction is the EU-U.S. partnership heading? While this does not only depend on who will win the U.S. presidential elections on November 5, 2024 – the EU also had important elections in 2024 –, the outcome will be decisive for the coming years. The following chapter reviews the economic policy priorities of the Democratic and Republican presidential candidates and how these could impact the transatlantic relationship.

### The “Opportunity Economy” – Kamala Harris’ Economic Policy Agenda

On July 21, 2024, incumbent President Joe Biden withdrew his candidacy for the 2024 U.S. presidential election and at the same time endorsed Vice President Kamala Harris for president. She has since launched a full-on campaign and was formally confirmed as the Democratic Party’s nominee at the Democratic National Convention on August 21, 2024. With her now being the candidate of the Democratic Party, it raises the questions: which economic and trade policies can be expected from a possible Kamala Harris presidency? And what would this mean for the transatlantic partnership?

The economy plays an important role in the Harris campaign. Most recently, she laid out her economic program during a speech in Pittsburgh late September 2024.<sup>90</sup> Harris has actively supported the Biden Administration’s “Build Back Better” program, emphasizing the benefits of landmark legislation such as the American Rescue Plan and the Inflation Re-

duction Act.<sup>91</sup> This suggests continuity with the line taken by her predecessor. On the other hand, her previous political positions as a senator and presidential candidate in 2019 as well as current speeches indicate a more progressive economic policy approach compared to that of incumbent President Biden.<sup>92</sup> At

*At the center of Harris’ economic agenda stands the “Opportunity Economy”.*

the center of Harris’ economic agenda stands the “Opportunity Economy”, which, according to her Pittsburgh speech has several components: growing the middle class and helping lower income groups, fighting inflation and reducing costs of living, fostering re-industrialization and innovation, and crack down on unfair trade practices from abroad, particularly from China. “I believe we shouldn’t be constrained by ideology, and instead should seek practical solutions to problems, realistic assessments of what is working and what is not, applying metrics to our analysis,” Harris said in her speech.<sup>93</sup>

### Economic Opportunity and Middle-Class

Kamala Harris wants to prioritize economic equality, focusing on the middle and lower-income classes. Her Administration would likely continue championing initiatives such as affordable housing, educational reforms, and expanded healthcare access. Notably, Harris has advocated for a corporate

90 PBS News, Harris Gives Speech on Her Economic Vision in Pittsburgh, September 25, 2024, <https://www.pbs.org/newshour/politics/watch-live-harris-gives-speech-on-her-economic-vision-in-pittsburgh> (accessed October 1, 2024).

91 The White House, Briefing Room, Remarks by Vice President Harris Highlighting the Impacts of Bidenomics and Announcing Increasing Support for Small Businesses, <https://www.whitehouse.gov/briefing-room/speeches-remarks/2023/08/04/remarks-by-vice-president-harris-highlighting-the-impacts-of-bidenomics-and-announcing-increasing-support-for-small-businesses/> (accessed October 1, 2024).

92 Erica York and Garrett Watson, “Where Does Kamala Harris Stand on Taxes?,” in: Tax Foundation, July 24, 2024, <https://taxfoundation.org/blog/kamala-harris-tax-proposals-2024/> (accessed October 1, 2024).

93 PBS News, Harris Gives Speech on Her Economic Vision in Pittsburgh, September 25, 2024.

tax increase to 28 percent, aiming to generate revenue for public services that benefit the middle class.<sup>94</sup> This aligns with her broader vision of reducing socio-economic inequalities through targeted fiscal policies.

Tax policies are an important topic: Former President Trump and Republicans in Congress had introduced sweeping changes to the tax code through the Tax Cuts and Jobs Act (TCJA) in 2017. Many provisions of the law were only enacted temporarily, and key provisions on personal income tax and estate tax are set to expire at the end of 2025.<sup>95</sup> Harris is not expected to extend the current provisions, particularly those that favor wealthy taxpayers.

## *Harris wants to prioritize economic equality, focusing on the middle and lower-income classes.*

Kamala Harris' vision for the U.S. economy is an "Opportunity Economy". This concept builds on the foundations laid by the Biden Administration but shifts the focus more explicitly towards addressing the cost of living and ensuring that economic gains are more evenly distributed across the population. At the core of Harris' economic philosophy is the belief that every individual, regardless of their background or starting point, should have a genuine opportunity to succeed economically. This vision is not just aspirational but is grounded in a series of specific policy proposals aimed at rectifying economic disparities and enhancing the financial security of American families. For instance, Harris has proposed significant reforms in the food industry, targeting what she perceives as exploitative practices that have contrib-

uted to soaring grocery bills. By advocating for a federal ban on price gouging, particularly in the meat industry, she intends to address one of the most immediate pain points for consumers, which she argues has been exacerbated by a lack of competition within the industry.<sup>96</sup>

Harris' economic plan also includes substantial tax reforms designed to alleviate financial pressures on middle- and lower-income families. Expanding the Child Tax Credit and the Earned Income Tax Credit (EITC) are central to this strategy, with the former potentially increasing to 3,600 USD per child and up to 6,000 USD for the first year of life. Additionally, Harris advocates for an expansion of the EITC to benefit low-income workers, including those without children. The proposed changes could reduce the effective tax rate for these individuals by as much as 1,500 USD, offering critical support to those who are often most vulnerable to economic instability.<sup>97</sup> These measures are aimed at reducing the effective tax burden on working families, thereby enabling them to save and invest in their futures.

A potential change in tax policy under a Harris Administration could also involve a revision of how tips are taxed, which could significantly affect middle- and lower-income workers, especially those in the service industry. During Trump's Administration, discussions around the taxation of tips resurfaced as part of broader tax reforms. Currently, workers are required to declare their tips, but enforcement and compliance remain inconsistent. Harris proposes to allow workers in the service and hospitality industries with income below 75,000 USD to claim exemptions up to a (currently unspecified) capped amount.<sup>98</sup>

Another important aspect of Harris' Opportunity Economy is her focus on housing affordability, a persistent issue that continues to strain the finances

94 Ibid.

95 Joint Committee on Taxation, List of Expiring Federal Tax Provisions 2016–2027, January 9, 2018, [https://buchanan.house.gov/\\_cache/files/1/c/1c5f987d-18ae-4c70-8186-1810bc86defa/0AE716BA77C4A07B3D377B9879CB25DE.x-1-18-5057-1-.pdf](https://buchanan.house.gov/_cache/files/1/c/1c5f987d-18ae-4c70-8186-1810bc86defa/0AE716BA77C4A07B3D377B9879CB25DE.x-1-18-5057-1-.pdf) (accessed October 1, 2024).

96 The White House, Briefing Room, Remarks by Vice President Harris at a Campaign Event in Raleigh, NC, August 16, 2024, <https://www.whitehouse.gov/briefing-room/speeches-remarks/2024/08/16/remarks-by-vice-president-harris-at-a-campaign-event-in-raleigh-nc/> (accessed October 1, 2024).

97 Ibid.

98 Alex Muresianu, "Frustrated with Tipping? No Tax on Tips Could Make It Worse", in: Tax Foundation, July 23, 2024, <https://taxfoundation.org/blog/tipping-trump-tax-on-tips/> (accessed October 1, 2024).

of many Americans. She has proposed the construction of three million new homes by the end of her first term, coupled with a 25,000 USD down payment assistance for first-time homebuyers. This initiative seeks to make homeownership accessible to more people, particularly those who have been historically marginalized from the housing market. Harris' economic agenda also addresses healthcare costs, particularly the price of prescription drugs. Building on her experience as California's Attorney General, where she successfully challenged pharmaceutical companies over pricing practices, Harris has pledged to further reduce drug costs, including capping insulin prices and lowering the cost of other essential medications.<sup>99</sup>

## Inflation

Kamala Harris' stance on inflation, as articulated in her recent speeches, reflects a nuanced approach that acknowledges both the progress made and the ongoing challenges. She has emphasized that while inflation has significantly decreased from its pandemic-era highs, particularly with the overall rate below three percent since July 2024, many Americans still do not feel the benefits of this progress in their daily lives.<sup>100</sup> Harris has linked the persistence of high prices, especially in food, to a lack of competition within key industries, such as the meat-packing sector. As mentioned above, Harris announced a plan to target these specific sectors and industries. Additionally, she has reiterated her commitment to policies that would directly address cost-of-living issues, such as lowering healthcare costs and expanding tax credits to provide more disposable income to middle- and lower-income families.<sup>101</sup>

Key drivers of inflation in recent years include supply chain disruptions during and after the

COVID-19 pandemic, coupled with heightened demand during the recovery phase. Additionally, Russia's war of aggression against Ukraine has contributed to higher input prices, particularly in energy and commodities, which companies have passed on to consumers in the form of higher prices. While some point to corporate price gouging as an infla-

*Key drivers of inflation in recent years include supply chain disruptions.*

tionary factor, the evidence supporting this claim remains mixed. Research from the National Bureau of Economic Research shows that consumers in the United States rely mainly on the price changes they face in their daily lives while grocery shopping to form aggregate inflation expectations. Specifically, the frequency and size of price changes, rather than their expenditure share, matter for individuals' inflation expectations.<sup>102</sup> The Harris campaign's approach to tackling inflation acknowledges these complex drivers but lacks specifics on how these policies would address these factors in practice.

## Green Transition

In the context of last year's United Nations global climate summit in Dubai, United Arab Emirates, Harris stated: "the urgency of this moment is clear. The clock is no longer just ticking, it is banging. And we must make up for lost time."<sup>103</sup>

Harris has a strong commitment to environmental sustainability. She has supported significant legis-

99 The White House, Briefing Room, Remarks by Vice President Harris at a Campaign Event in Raleigh, NC, August 16, 2024, <https://www.whitehouse.gov/briefing-room/speeches-remarks/2024/08/16/remarks-by-vice-president-harris-at-a-campaign-event-in-raleigh-nc/> (accessed October 1, 2024).

100 The White House, Briefing Room, FACT SHEET: Two Years In, the Inflation Reduction Act is Lowering Costs for Millions of Americans, Tackling the Climate Crisis, and Creating Jobs, August 16, 2024, <https://www.whitehouse.gov/briefing-room/statements-releases/2024/08/16/fact-sheet-two-years-in-the-inflation-reduction-act-is-lowering-costs-for-millions-of-americans-tackling-the-climate-crisis-and-creating-jobs/> (accessed October 1, 2024).

101 The White House, Briefing Room, Remarks by Vice President Harris at a Campaign Event in Raleigh, NC, August 16, 2024.

102 Francesco D'Acunto, Ulrike Malmendier, Juan Ospina & Michael Weber, Exposure to Daily Price Changes and Inflation Expectations. National Bureau of Economic Research, September 2019, <https://www.nber.org/papers/w26237> (accessed October 1, 2024).

103 Lisa Friedman & Jim Tankersley, "The Main U.S. Speaker, Vice President Kamala Harris, was a Last-Minute Addition," in: The New York Times, December 1, 2023, <https://www.nytimes.com/live/2023/12/01/climate/cop28-climate-change-summit?searchResultPosition=4#the-main-us-speaker-vice-president-kamala-harris-was-a-last-minute-addition> (accessed October 1, 2024).

lation promoting renewable energy and reducing carbon emissions. Her advocacy for a green transition, a fracking ban in 2019, and a carbon tax in 2019 highlights her record of dedication to transforming the U.S. economy into a green economy.<sup>104</sup> However, as the campaign has progressed, Harris has adapted her stance on key environmental issues to reflect political realities. For example, her earlier position advocating for a fracking ban has been softened; a spokesperson from her team recently confirmed that Harris would not pursue an outright fracking ban if elected. This adjustment reflects her desire to balance environmental goals with economic concerns, including safeguarding jobs and regional economies – particularly in states reliant on energy industries like Pennsylvania.<sup>105</sup>

## *Harris has adapted her stance on climate issues to balance environmental goals with economic concerns.*

Her commitment to a green transition is also reflected in her litigation against the oil industry as a prosecutor, but also in her rejections of international trade deals that do not acknowledge climate change and her ongoing support for international climate negotiations in her role as Vice President.<sup>106</sup>

Harris' stance on climate is rooted in her broader vision of environmental justice, which emphasizes the disproportionate impact of climate change on

marginalized communities. She has been vocal about the need to ensure that climate policies address the needs of low-income and minority communities, who often bear the brunt of environmental degradation. This approach underscores her advocacy for a green transition, which she views not only as an environmental initiative but also as a framework for social and economic equity. Additionally, Harris has expressed strong support for the Paris Climate Agreement, which she sees as a crucial international framework for coordinating global efforts to combat climate change. Harris has criticized the withdrawal of the United States from the agreement under the Trump Administration, arguing that it undermined global leadership on climate issues. As Vice President, she has been instrumental in the Biden Administration's decision to rejoin the Paris Agreement, framing it as an essential step in reasserting U.S. commitment to global climate action and cooperation.<sup>107</sup>

Although the United States possesses vast potential for expanding renewable energy sources, it is important to acknowledge that fossil fuels continue to dominate the country's energy mix – also during the Biden Administration.<sup>108</sup> Harris has adapted her climate messaging to acknowledge this reality, proposing a balanced transition to renewable energy that aims to protect both the environment and U.S. jobs.

### **Re-Industrialization**

During the 2024 Munich Security Conference Vice President Harris stated: “When it comes to America's national security, our approach starts with our historic, direct investment in the working people of America, an investment which has helped build a resilient and innovative economy.”<sup>109</sup>

104 The White House, Briefing Room, Remarks by Vice President Harris on Combatting Climate Change and Building a Clean Energy Economy, <https://www.whitehouse.gov/briefing-room/speeches-remarks/2023/07/14/remarks-by-vice-president-harris-on-combatting-climate-change-and-building-a-clean-energy-economy/> (accessed October 1, 2024).

105 Tim Benton, “Trump's Plans Invite Environmental Disaster. Harris Takes Climate Change Seriously, but Lacks Detail”, in: Chatham House, September 16, 2024, <https://www.chathamhouse.org/2024/09/trumps-plans-invite-environmental-disaster-harris-takes-climate-change-seriously-lacks> (accessed October 1, 2024).

106 Keith Romer, Nick Fountain, Jess Jiang, Emma Peaslee, “What Kamala Harris' Economic Agenda Might Look Like,” in: Planet Money, July 24, 2024, <https://www.npr.org/2024/07/26/1197961127/kamala-harris-president-election-biden-democrats> (accessed October 1, 2024).

107 The White House, Briefing Room, Remarks by Vice President Harris Delivering the U.S. Statement at COP28, <https://www.whitehouse.gov/briefing-room/speeches-remarks/2023/12/02/remarks-by-vice-president-harris-delivering-the-u-s-statement-at-cop28/> (accessed October 1, 2024).

108 Sonja Thielges & Stormy-Annika Mildner, “Die Energiepolitische Agenda der Biden-Administration,” in: Bundeszentrale für politische Bildung (bpb), July, 5, 2024, <https://www.bpb.de/themen/nordamerika/usa/550069/die-energiepolitische-agenda-der-biden-administration/> (accessed October 1, 2024).

109 The White House, Briefing Room, Remarks by Vice President Harris at the Munich Security Conference | Munich, Germany, <https://www.whitehouse.gov/briefing-room/speeches-remarks/2024/02/16/remarks-by-vice-president-harris-at-the-munich-security-conference-munich-germany/> (accessed October 1, 2024).

Kamala Harris' support for re-industrialization is strongly evidenced by her backing of critical legislation such as the U.S. CHIPS and Science Act and the IRA. These acts are designed to invigorate domestic manufacturing, particularly in advanced technologies and sustainable practices.<sup>110</sup> Under a Harris presidency, these efforts would likely be further amplified, with a focus not just on job creation and economic growth, but also on reducing the dependency of the United States on foreign supply chains, particularly from China. The U.S. CHIPS and Science Act aims to enhance the domestic production of semiconductors, which are vital for various industries, including technology, automotive, and defense.<sup>111</sup> This act is a direct response to the growing concerns over U.S. reliance on foreign, especially Chinese, supply chains for critical components. By boosting domestic production, the act seeks to mitigate risks associated with geopolitical tensions, supply chain disruptions, and technological dependencies.

A Harris Administration would likely continue this trajectory, reinforcing efforts to bring more high-tech manufacturing back to the United States and reduce the strategic vulnerabilities linked to Chinese imports. During the presidential debate with Trump, Harris called for a focus on “investing in American based technology so that we win the race on A.I. and quantum computing, focusing on what we need to do to support America’s workforce, (...)”.<sup>112</sup> In her economic speech in Pittsburgh in late September 2024, she listed sectors where she wanted to see growth – biomanufacturing, aerospace, AI, quantum computing, advanced batteries. According to her campaign, Harris pro-

poses tax credits for companies investing in those sectors.<sup>113</sup>

Furthermore, she is likely to continue Biden’s “de-risking”-strategy regarding foreign suppliers.<sup>114</sup> This approach does not seek to decouple entirely from China but rather to ensure that critical sectors – such as energy, technology, and pharmaceuticals – have robust, alternative supply lines that can withstand geopolitical shocks.<sup>115</sup>

*Harris is likely to continue Biden’s “de-risking”-strategy regarding foreign suppliers.*

In addition, a Harris Administration would likely place significant emphasis on enhancing the digital infrastructure necessary for a modern industrial economy. The recent announcement by the Biden-Harris Administration outlining priorities for improving the digital ecosystem highlights their commitment to using digital innovation as a key part of their strategy for advancing the economy. This includes enhancing cybersecurity measures, promoting digital manufacturing technologies, and ensuring that the digital backbone of the U.S. economy is resilient and capable of supporting the next generation of industrial growth.<sup>116</sup>

110 The White House, Briefing Room, FACT SHEET: Vice President Harris Kicks Off Nationwide Economic Opportunity Tour in Atlanta, April 29, 2024, <https://www.whitehouse.gov/briefing-room/statements-releases/2024/04/29/fact-sheet-vice-president-harris-kicks-off-nationwide-economic-opportunity-tour-in-atlanta/> (accessed October 1, 2024).

111 The White House, FACT SHEET: CHIPS and Science Act Will Lower Costs, Create Jobs, Strengthen Supply Chains, and Counter China, August 9, 2022, <https://www.whitehouse.gov/briefing-room/statements-releases/2022/08/09/fact-sheet-chips-and-science-act-will-lower-costs-create-jobs-strengthen-supply-chains-and-counter-china/> (accessed October 1, 2024).

112 Riley Hoffman, “READ: Harris-Trump Presidential Debate Transcript,” in: ABC News, September 11, 2024, <https://abcnews.go.com/Politics/harris-trump-presidential-debate-transcript/story?id=113560542> (accessed October 1, 2024).

113 Deepa Shivaram and Alejandra Marquez Janse, “Harris Heads to Pittsburgh (again) to Make a Manufacturing Pitch to Voters,” in: NPR, September 25, 2024, <https://www.npr.org/2024/09/25/nx-s1-5124999/harris-pittsburgh-manufacturing-economy> (accessed October 1, 2024).

114 The White House, Remarks by National Security Advisor Jake Sullivan on Renewing American Economic Leadership at the Brookings Institution, April 27, 2023, <https://www.whitehouse.gov/briefing-room/speeches-remarks/2023/04/27/remarks-by-national-security-advisor-jake-sullivan-on-renewing-american-economic-leadership-at-the-brookings-institution/> (accessed October 1, 2024).

115 Harris Walz, A New Way Forward, <https://kamalaharris.com/wp-content/uploads/2024/09/Policy-Book-Economic-Opportunity.pdf> (accessed October 1, 2024).

116 The White House, Briefing Room, Fact Sheet: Biden- Harris Administration Announces Priorities for Enhancing the Digital Ecosystem to Support a Secure Energy Future, August 9, 2024, <https://www.whitehouse.gov/oncd/briefing-room/2024/08/09/fact-sheet-biden-harris-administration-announces-priorities-for-enhancing-the-digital-ecosystem-to-support-a-secure-energy-future/> (accessed August 20, 2024).

## Digital and Tech Policies

As in other areas, digital and technology policy under a President Kamala Harris would likely build on the foundations laid by the Biden Administration, with the opportunity to introduce new emphases that reflect her own priorities and experience. A cornerstone of Harris' plans is to extend and expand efforts to regulate and oversee AI. Recognizing AI as a transformative technology with far-reaching implications across multiple sectors, the Democratic nominee would likely expand on Biden's executive order calling for greater public oversight and regulation of AI.<sup>117</sup> In addition, Harris could urge Congress to codify consumer privacy, cybersecurity, and human safety protections related to AI technologies, and to use the federal government's procurement power to ensure that AI systems deployed by government agencies adhere to strict security and ethical guidelines.<sup>118</sup>

*A cornerstone of Harris' plans is to extend and expand efforts to regulate and oversee AI.*

Harris is likely to place a focus on racial and gender bias in technology, drawing on her track record of fighting discrimination in various sectors.<sup>119</sup> As such she is expected to push for more inclusive and equitable technology development and deployment, reflecting her commitment to creating an "opportunity economy" that benefits all Americans.<sup>120</sup> When it comes to cryptocurrency, Harris has not taken a position on digital assets yet but is

expected to pursue a stricter regulatory approach compared than her Republican counterpart.<sup>121</sup> She believes that consumers need adequate protection and that there should be more transparency in the crypto market. Digital infrastructure would likely remain a priority under a Harris Administration, building on the significant investments in national broadband infrastructure made during the Biden-Harris Administration. This focus on infrastructure aligns with her broader goal of expanding access and opportunity for all U.S. Americans in the digital age.

While technology policy may not be at the forefront of her political agenda, the issues raised are inextricably linked to broader national security considerations. Like her predecessors and political opponents, Harris has framed technological advancement in the context of maintaining U.S. competitiveness, particularly in relation to China. During the first presidential debate, she emphasized the need to invest in "American-based technology" to "win the 21st century race" in AI and quantum computing.<sup>122</sup> This perspective is consistent with the Biden Administration's approach to technology as a critical national security issue. A Harris presidency would likely continue efforts to limit China's access to advanced technologies while promoting U.S. technological leadership. Her Administration would pursue a technology policy characterized by responsible innovation, strong consumer protections, and a commitment to equity and fairness in the digital age. This approach would balance the need for technological progress with concerns about AI risks, data privacy, and algorithmic bias, thereby reflecting Harris' broader political philosophy and the evolving challenges of the digital age.

117 The White House, Briefing Room, Executive Order on the Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence, October 30, 2024, <https://www.whitehouse.gov/briefing-room/presidential-actions/2023/10/30/executive-order-on-the-safe-secure-and-trustworthy-development-and-use-of-artificial-intelligence/> (accessed October 1, 2024).

118 Nicol Turner Lee and Darrell M. West, "How Harris and Trump differ on Tech Policy," Brookings, July 23, 2024, <https://www.brookings.edu/articles/how-harris-and-trump-differ-on-tech-policy/> (accessed October 1, 2024).

119 The White House, Briefing Room, Remarks by Vice President Harris on the Future of Artificial Intelligence, November 1, 2023, <https://www.whitehouse.gov/briefing-room/speeches-remarks/2023/11/01/remarks-by-vice-president-harris-on-the-future-of-artificial-intelligence-london-united-kingdom/> (accessed October 1, 2024).

120 The White House, Briefing Room, Remarks by Vice President Harris During the Nationwide Economic Opportunity Tour, May 6, 2024, <https://www.whitehouse.gov/briefing-room/speeches-remarks/2024/05/06/remarks-by-vice-president-harris-during-the-nationwide-economic-opportunity-tour/> (accessed October 1, 2024).

121 Jaspar Goodman and Eleanor Mueller, "Harris triggers crypto tug-of-war between Democrats," in: POLITICO, August 1, 2024, <https://www.politico.com/news/2024/08/01/democrats-kamala-harris-crypto-policy-fight-00172103> (accessed October 1, 2024).

122 Riley Hoffmann, "Harris-Trump presidential debate transcript," in: ABC News, September 11, 2024, <https://abcnews.go.com/Politics/harris-trump-presidential-debate-transcript/story?id=113560542> (accessed October 1, 2024).



## Tariffs and Trade Agreements

Harris' trade agenda is likely to show a lot of continuity to the trade policy of the Biden Administration. During a 2019 presidential debate, she asserted, "I am not a protectionist Democrat."<sup>123</sup> However, her stance on trade is not fully aligned with free-trade principles either. She had expressed opposition to the North American Free Trade Agreement (NAFTA) of 1992,<sup>124</sup> which then-Senator Joe Biden had supported, and she also opposed the Trans-Pacific Partnership (TPP), an initiative endorsed by the Obama Administration.<sup>125</sup> In 2020, Harris was among a minority of ten Senators, who voted against the United States-Mexico-Canada Agreement (USMCA), the accord designed to replace NAFTA.<sup>126</sup> Negotiated by the Trump Administration, USMCA had also received support from Democrats because it incorporated stronger protections for workers and the environment. Nonetheless, Harris believed the deal's environmental provisions to be "insufficient – and by not addressing climate change, the U.S.M.C.A. fails to meet the crises of this moment."<sup>127</sup>

Harris opposes baseline tariffs that could increase consumer prices, as she made clear during the presidential debate. She framed Trump's proposed tariffs as the "Trump sales tax", arguing that they would rise costs, especially for middle-class families.<sup>128</sup> At the same time, she appears open to targeted tariffs, particularly against China, to protect American economic interests.<sup>129</sup> These tariffs would likely be similar to those of the Biden Administration. Targeted tariffs could be applied to key strategic sectors like steel and aluminum, semi-

conductors, electric vehicles, batteries, critical minerals, solar cells, ship-to-shore cranes, and medical products, among others.<sup>130</sup>

*Harris is not likely to negotiate new free trade agreements.*

Harris is not likely to negotiate new free trade agreements. Again, she is expected to follow her predecessor's policies. The Biden Administration focused on a new type of agreement: trade and technology agreements. One of these is the TTC. Another example is the "Indo-Pacific Economic Framework" (IPEF).

This strategy indicates a balance between protecting domestic industries and maintaining healthy international trade relationships. Like Biden, Harris does not have the party – and also voter – backing for a trade liberalization agenda. Unions hold significant power within the Democratic Party. They have historically supported more protectionist trade policies as trade liberalization often affects the job security of their members. However, the presidential campaign has shown that the union vote is not fully shored up by Harris.<sup>131</sup> Looking ahead to a potential Harris Administration, a key challenge will be turning the support from union leaders into sustained backing from rank-and-file union members, particularly in the manufacturing-heavy Midwest. While union leadership has largely aligned with the

123 Ana Swanson, "With Kamala Harris, U.S. Free Trade Skepticism May Continue. The Vice President Has Been Critical of Past Trade Deals. But Her Record Suggests She Could Push for Trade Measures That Address Environmental Issues." in: *The New York Times*, July 26, 2024, <https://www.nytimes.com/2024/07/26/us/politics/kamala-harris-trade-trump.html> (accessed October 1, 2024).

124 Ibid.

125 The White House (President Obama), *The Trans-Pacific Partnership. What You Need to Know about President Obama's Trade Agreement.* <https://obamawhitehouse.archives.gov/issues/economy/trade> (accessed October 1, 2024).

126 *The New York Times*, "Fact-Checking the Vice-Presidential Debate," in: *The New York Times*, October 7, 2020, <https://www.nytimes.com/live/2020/10/07/us/fact-check-harris-pence-debate/senator-kamala-harris-was-one-of-only-ten-members-of-the-senate-to-vote-against-the-usmca?smid=url-share> (accessed October 1, 2024).

127 Ana Swanson, "With Kamala Harris, U.S. Free Trade Skepticism May Continue," in: *The New York Times*, July 26, 2024, <https://www.nytimes.com/2024/07/26/us/politics/kamala-harris-trade-trump.html> (accessed October 1, 2024).

128 Hoffman, 2024.

129 Rooks, 2024.

130 The White House, Briefing Room, *Fact Sheet: President Biden Takes Action to Protect American Workers and Businesses from China's Unfair Trade Practices*, May 14, 2024, <https://www.whitehouse.gov/briefing-room/statements-releases/2024/05/14/fact-sheet-president-biden-takes-action-to-protect-american-workers-and-businesses-from-chinas-unfair-trade-practices/> (accessed October 1, 2024).

131 Davis Giangliulio, "Union Members Aren't Just Voting on Labor This Year," in: *NBC News*, August 25, 2024, <https://www.nbcnews.com/politics/2024-election/trump-harris-labor-union-voters-issues-rcna167652> (accessed October 1, 2024).

Democratic platform, many union members hold differing political views. This divergence under-

## *The presidential campaign has shown that the union vote is not fully shored up by Harris.*

scores the need for targeted efforts to engage and win over these voters. This will also influence Harris' trade policy.<sup>132</sup>

### **Trade and China**

Harris is likely to take a tough approach toward China, aligning with the general agreement among both major political parties to be firm in dealing with the country. During her tenure as a U.S. Senator from 2017 to 2021, including her 2020 presidential bid, she co-sponsored and helped pass legislation sanctioning Chinese officials for human rights abuses in Hong Kong<sup>133</sup> and Xinjiang,<sup>134</sup> requiring that Congress and the U.S. intelligence community regularly report on human rights abuses in these regions. Furthermore, both bills expect the State Department and the Department of Commerce to report continuously to Congress and to develop strategies in order to protect U.S. citizens and residents, including ethnic Uyghurs and Chinese nationals studying or working in the United States, from harassment and intimidation by the Chinese government.

While Harris criticized the extent of Trump's tariffs on China as counterproductive, Harris also strong-

ly condemns Beijing's unfair trade practices and its violations of the rules-based international order, for example in her September 2022 speech aboard the USS Howard in Yokosuka Base, Japan, but also in more recent speeches.<sup>135</sup> The Biden Administration has largely maintained the broad tariffs on Chinese imports that were implemented by the previous administration and has also introduced additional targeted tariffs. Specifically, the Biden Administration imposed a 50 percent tariff on semiconductor imports from China by 2025. The tariff rate on electric vehicles under Section 301 increased from 25 percent to 100 percent in 2024.<sup>136</sup> Section 301 of the Trade Act of 1974 allows the implementation of tariffs to counter unfair trade practices, including intellectual property theft and forced technology transfers. The application of these tariffs has been a key element in addressing the trade imbalances between the United States and China.<sup>137</sup>

Harris is likely to hold China accountable for unfair trade practices while ensuring that American businesses are protected. This approach would involve a combination of targeted tariffs and strategic trade measures aimed at reducing dependencies while maintaining necessary economic ties.<sup>138</sup>

### **Trade and Security**

Economic security is more and more becoming an integral component of both national security and economic policy, transcending party lines, particularly in relation to China. Harris would likely pursue a similar strategy to the Biden Administration.

Harris' predecessor not only used the existing trade and investment policy arsenal – above all export controls and investment screening – to reduce critical dependencies, but also tightened some of them.

132 Kayla Tausche and Arlette Saenz, "Harris Secures Support from Union Leaders. But Workers are Still Weighing Their Options," in: CNN Politics, August 7, 2024, <https://edition.cnn.com/2024/08/08/politics/kamala-harris-union-leaders-workers/index.html> (accessed October 1, 2024).

133 116th Congress of the United States of America, S.1838 – Hong Kong Human Rights and Democracy Act of 2019, <https://www.congress.gov/bills/116/congress/senate-bill/1838> (accessed October 1, 2024).

134 116th Congress of the United States of America, S.3744 – Uyghur Human Rights Policy Act of 2020, <https://www.congress.gov/bills/116/congress/senate-bill/3744> (accessed October 1, 2024).

135 Dean P. Chen, "Will a Kamala Harris Administration Continue Biden's Greater Clarity on Taiwan?," in: The Diplomat, August 6, 2024, <https://thediplomat.com/2024/08/will-a-kamala-harris-administration-continue-bidens-greater-clarity-on-taiwan/> (accessed October 1, 2024); The White House, Briefing Room, FACT SHEET: President Biden Takes Action to Protect American Workers and Businesses from China's Unfair Trade Practices, May 14, 2024, <https://www.whitehouse.gov/briefing-room/statements-releases/2024/05/14/fact-sheet-president-biden-takes-action-to-protect-american-workers-and-businesses-from-chinas-unfair-trade-practices/> (accessed October 1, 2024).

136 Ibid.

137 The White House, May 2024.

138 Rooks, 2024.

Continuing the Biden Administration’s policies, Harris would likely focus on securing supply chains and protecting intellectual property, especially regarding China. This would involve enhancing domestic production capabilities and diversifying supply sources to mitigate geopolitical risks.<sup>139</sup>

More specifically, export controls would likely be a critical component of Harris’ trade strategy. These controls aim to restrict the transfer of critical technologies that could enhance the military and economic capabilities of adversarial nations, particularly China. For instance, technologies related to artificial intelligence, semiconductors, and other advanced manufacturing sectors would likely face even more stringent export restrictions. This policy is designed to prevent these technologies from being used in ways that could undermine U.S. national security and economic interests.<sup>140</sup>

*Export controls would likely be a critical component of Harris’ trade strategy.*

Investment screening is also likely to play a significant role in Harris’ approach. These controls regulate foreign investments in the United States, particularly in sectors deemed vital to national security, such as critical infrastructure, advanced technology, and sensitive data. The goal would be to prevent foreign entities, especially those from China, from gaining control or significant influence over key industries and technologies that are crucial for national security.<sup>141</sup> Regarding outbound investments,

the Biden Administration introduced an executive order to establish a targeted outbound investment program.<sup>142</sup> This is especially relevant in the context of China, due to the fact that many relevant entities are state-owned businesses, that could gain sensitive intelligence from U.S. investors in crucial sectors and dual-use technologies.<sup>143</sup>

*Harris is likely to take a tough approach toward China.*

It is expected that Harris will continue using economic security tools to halt Chinese investments inside the United States and vice versa, especially in the field of critical technologies.

### **Implications for the EU: Harris and the Transatlantic Partnership**

Kamala Harris’ potential presidency would bring both opportunities and challenges for the transatlantic relationship. While Harris is not a traditional “transatlanticist” by background, she possesses significant expertise with European affairs, supported by advisors with strong ties to the European Union. This positions her as a predictable and stable partner for the EU, though the relationship may not always be easy. Key areas of friction, such as industrial policy, green policies, and digital governance, are likely to remain central to U.S.-EU interactions.

Harris’ progressive economic agenda, with its emphasis on environmental sustainability and equitable growth, aligns well with current EU priorities, potentially opening up new avenues for collaboration on green technologies and sustainable develop-

139 The White House, Briefing Room, Fact Sheet: Vice President Harris Kicks Off Nationwide Economic Opportunity Tour in Atlanta, April 29, 2024, <https://www.whitehouse.gov/briefing-room/statements-releases/2024/04/29/fact-sheet-vice-president-harris-kicks-off-nationwide-economic-opportunity-tour-in-atlanta/> (accessed October 1, 2024).

140 Von Daniels, 2024.

141 Shayerah I. Akhtar and Andres Schwarzenberg, Proposed U.S.-EU Critical Minerals Agreement, IN12145, Congressional Research Service, April 2, 2024, <https://crsreports.congress.gov/product/pdf/IN/IN12145> (accessed October 1, 2024).

142 The White House, Executive Order 14105, Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern, August 9, 2023, <https://www.federalregister.gov/documents/2023/08/11/2023-17449/addressing-united-states-investments-in-certain-national-security-technologies-and-products-in> (accessed October 1, 2024).

143 Cathleen Cimino-Isaacs and Karen Sutter, Regulation of U.S. Outbound Investment to China, Congressional Research Service, August 12, 2024, <https://crsreports.congress.gov/product/pdf/IF/IF12629> (accessed October 1, 2024).

ment.<sup>144</sup> One would expect continued efforts to foster transatlantic cooperation through platforms like the TTC. The continuation of the TTC under Harris would ensure that the EU and the United States remain aligned on critical issues such as digital governance, technology standards, and supply chain security. This would be particularly beneficial for European tech industries and could foster a more predictable and stable transatlantic trade environment, but it is still unclear if the TTC will continue beyond 2024.<sup>145</sup>

Meanwhile, the revival of comprehensive trade agreements such as TTIP seems unlikely. Instead, the focus would be on addressing specific trade and technology issues through existing frameworks, promoting regulatory alignment, and enhancing economic collaboration on critical technologies and supply chains.<sup>146</sup>

## *Continuing the TTC would ensure that the EU and the United States better align on critical issues.*

In terms of trade, Harris is likely to face significant challenges in navigating U.S. domestic political dynamics which will impact trade negotiations. For instance, the Biden Administration's efforts to negotiate trade measures with the EU to reduce carbon emissions in the steel and aluminum sectors

(GASSA) have encountered difficulties, and Harris may find it hard to permanently remove tariffs on steel and aluminum. Given the political importance of swing states like Pennsylvania, where steel and aluminum play a vital role in the economy, maintaining tariffs may be necessary to retain voter support, even if it complicates relations with Europe.<sup>147</sup>

As Vice President, Harris has supported finding pragmatic solutions to accommodate EU interests, particularly on issues such as the IRA.<sup>148</sup> Whether or not negotiations for the Critical Minerals Agreement would be continued under a Harris Administration is unclear. The negotiations have met considerable opposition in U.S. Congress, and it seems unlikely that Harris would use political capital trying to get this through a highly divided legislature.

Given her strong commitment to the green transition, Harris could be a valuable partner for the EU in advancing environmental standards globally. This could pave the way for deeper regulatory cooperation, aligning U.S. and EU initiatives such as the European Green Deal and fostering joint investment in green technologies. However, Harris' environmental agenda, particularly her focus on progressive taxation and regulatory measures, may also present challenges for EU industries, requiring careful negotiation to avoid conflict.<sup>149</sup>

In conclusion, a Kamala Harris presidency would likely see a continuation and amplification of many of the Biden policies, with a stronger emphasis on progressive domestic economic reforms, environmental sustainability, and strategic international trade relations. For the EU, this means an opportunity to deepen cooperation in green technologies,

144 Hubertus Bardt, Trump oder Harris oder ...? Worauf sich Europa Einstellen Muss. Szenarien für die Nächste US-Präsidentschaft, IW-Policy Paper, Institut der Deutschen Wirtschaft Köln, Juli 2024, [https://www.iwkoeln.de/fileadmin/user\\_upload/Studien/policy\\_papers/PDF/2024/IW-Policy-Paper\\_2024-Trump\\_Harris.pdf](https://www.iwkoeln.de/fileadmin/user_upload/Studien/policy_papers/PDF/2024/IW-Policy-Paper_2024-Trump_Harris.pdf) (accessed October 1, 2024).

145 Steff Chávez, "Inside Kamala Harris's Economic Vision," in: Financial Times, July 30, 2024, <https://www.ft.com/content/15678490-a2da-40b7-a631-75252458a054> (accessed October 1, 2024).

146 Chávez, 2024.

147 Sanam Rasool, William Alan Reinsch, and Thibault Denamiel, Crafting a Robust U.S. Carbon Border Adjustment Mechanism, Center for Strategic and International Studies, August 8, 2024, <https://www.csis.org/analysis/crafting-robust-us-carbon-border-adjustment-mechanism> (accessed October 1, 2024).

148 Thomas Obst, Jürgen Matthes, and Samina Sultan, What if Trump is Re-elected? Trade Policy Implications, IW-Reports, Institut der Deutschen Wirtschaft, March 4, 2024, [https://www.iwkoeln.de/fileadmin/user\\_upload/Studien/Report/PDF/2024/IW-Report\\_2024-Trump-Trade-Effect.pdf](https://www.iwkoeln.de/fileadmin/user_upload/Studien/Report/PDF/2024/IW-Report_2024-Trump-Trade-Effect.pdf) (accessed October 1, 2024).

149 The White House, April 2024; The White House, Briefing Room, Remarks by Vice President Harris on Combatting Climate Change and Building a Clean Energy Economy, <https://www.whitehouse.gov/briefing-room/speeches-remarks/2023/07/14/remarks-by-vice-president-harris-on-combatting-climate-change-and-building-a-clean-energy-economy/> (accessed October 1, 2024).

regulatory standards, and strategic trade issues, fostering a robust and mutually beneficial transatlantic partnership.<sup>150</sup> However, Harris' progressive eco-

*Given her strong commitment to the green transition, Harris could be a valuable partner for the EU.*

nomics policy agenda, particularly on taxation and re-industrialization, as well as her trade policy agenda may also present challenges that the EU will need to navigate carefully.

## A Second Trump Term

Former President Donald Trump announced his candidacy for the 2024 presidential election on November 15, 2022, and was formally confirmed as the party's candidate at the Republican National Convention on July 15, 2024. Which economic and trade policy can be expected from a possible second Donald Trump presidency? And what would this mean for the transatlantic partnership?

A look back at the first Trump Administration (2017-2021) is a good indicator for the direction the transatlantic partnership would take in case of a second Trump term. Back then, numerous trade conflicts put a massive strain on the relationship: U.S. tariffs on steel and aluminum, the U.S. threat to impose tariffs on automobiles, the ending of the TTIP negotiations, and last but not least, the escalation in the Airbus-Boeing dispute. The tone was sharper; the char-

acter of transatlantic relations became much more confrontational and conflict-ridden.

Trump clearly broke with the trade policy of his predecessors. For Trump, trade is a zero-sum game: the large trade deficit of the United States is proof to him that other countries are trading unfairly. A trade deficit is equated with a loss.<sup>151</sup> With his "America First" trade policy, Trump wanted to strengthen the industrial base in the United States, bring production back, and create millions of new jobs. He relied on bilateral and quid pro quo solutions instead of multilateral cooperation. His approach was transactional; instead of international agreements, he relied on bilateral deals. Although the Obama Administration had also criticized the WTO, Trump went much further. Not only did the United States block the appointments of members to the dispute settlement body, but Trump also repeatedly threatened to withdraw the United States from the WTO.<sup>152</sup>

This trade policy found many supporters in the United States, in particular among Trump's core voter group. In 2016, Trump had been able to win over many people from the white lower middle class. Except for Illinois, Trump had won the states of the so-called "Rust Belt" – Indiana, Ohio, Michigan, West Virginia, and Pennsylvania, as well as Wisconsin and Iowa, parts of which also belong to the "Rust Belt." Many of the traditional industries such as automotive, steel, and coal can be found there, where many jobs have been lost due to automation processes in production and job relocations. Many "blue collar" workers see themselves as losers of globalization. Trump attempted to address this in his trade policy.<sup>153</sup>

In order to ease transatlantic relations and as a follow up to the failed TTIP negotiations, Trump and then President of the European Commission Jean-Claude Juncker had agreed to begin negotiations on the dis-

150 Elizabeth Beattie, "A President Harris Might be Decidedly Trumpy in Approach to Asia Trade," in: Japan Times, July 30, 2024, <https://www.japantimes.co.jp/business/2024/07/30/economy/harris-biden-asia/> (accessed October 1, 2024).

151 Donald Trump, Agenda47: Cementing Fair and Reciprocal Trade with the Trump Reciprocal Trade Act, <https://www.donaldjtrump.com/agenda47/agenda47-cementing-fair-and-reciprocal-trade-with-the-trump-reciprocal-trade-act> (accessed October 1, 2024).

152 Bardt, 2024

153 Ibid. and Stormy-Annika Mildner, Anna, Kantrup, and Katherine Tepper: "Make It or Break It?" – Die transatlantischen Handelsbeziehungen während der Präsidentschaften von Barack Obama und Donald Trump," in: Sascha Arnautović, Aylin Matlé, Jakob Wiedekind, eds., *Transatlantische Perspektiven unter Obama und Trump*. Wiesbaden: Springer VS, 2023, 49-83.

mantling of industrial goods tariffs and non-tariff trade barriers in July 2018.<sup>154</sup> The United States, however, preferred a comprehensive agreement that included the agricultural sector, while the EU rejected the inclusion of agricultural issues. Given these differences in interests, it is not surprising that virtually no progress was made during the remaining time of the Trump Administration.

## *For Trump, trade is a zero-sum game.*

A lot of continuity from his first term could be expected for a second Trump term. In addition, the Trump team would undoubtedly be better prepared the second time around. The electoral victory in 2016 was so unexpected that for months many crucial positions could not be filled. Additionally, substantive planning was lacking. In a second term, a significantly larger number of positions would be occupied by Trump loyalists.<sup>155</sup>

One example of improved preparation for a second Trump term is Project 2025. It is a significant policy initiative that has gained attention as a blueprint for a potential second Trump Administration, though it is important to note that this project is not officially affiliated with the Republican campaign. Donald Trump, distancing himself from the document, stated, “I have no involvement with Project 2025.”<sup>156</sup> Nonetheless, numerous former Trump Administration officials are participating in the project, aiming to prepare for the possibility of a Republican victory in the 2024 presidential election. The project outlines a comprehensive agenda aimed at restructuring the federal government to align with conservative values. Key objectives include reducing the size of federal agencies, rolling back Biden-era regulations, promoting domestic energy production, and rein-

forcing executive control over government agencies. This initiative reflects broader conservative goals of limiting government intervention and enhancing individual freedoms.<sup>157</sup> While Project 2025 may not be officially embraced by the Trump campaign, many of these ideas would inform a second Trump term. In addition, there are many other learnings from his first term, that will likely affect how Trump sets up his Administration.

### **Tax Policy**

Former President Donald Trump has not yet presented a comprehensive tax plan for his current re-election campaign; however, he has proposed several tax policy initiatives. Notably, he intends to extend the expiring provisions of the 2017 Tax Cut and Jobs Act (TCJA), further reduce the corporate income tax rate, exempt tips and Social Security payments from taxation, impose a ten percent or higher baseline tariff on all imports, and raise tariffs on Chinese products to 60 percent.<sup>158</sup>

### **Inflation**

Inflation has become a key issue in Trump’s campaign, where he frequently criticizes the Biden Administration for being responsible for rising prices. However, while Trump uses inflation as a central talking point, he has not presented a detailed plan on how he would address the broader, complex causes of inflation in a second term. His focus on increased fossil fuel production oversimplifies the issue and leaves other important economic factors unaddressed.<sup>159</sup>

### **Energy and Climate Policy**

In a potential second term, Donald Trump’s energy and climate policy would likely diverge sharply from the strategies pursued under the Biden Administration. Trump’s approach to energy policy during his first term focused heavily on deregulation and prioritizing fossil fuel production, and a

154 Ibid.

155 Ibid.

156 Mike Wendling, “Project 2025: The Right-Wing Wish List for Another Trump Presidency,” in: BBC, September 11, 2024, <https://www.bbc.com/news/articles/c977njnvq2do> (accessed October 1, 2024).

157 The Heritage Foundation, Mandate for Leadership. The Conservative promise, [https://static.project2025.org/2025\\_MandateForLeadership\\_FULLL.pdf](https://static.project2025.org/2025_MandateForLeadership_FULLL.pdf) (accessed October 1, 2024).

158 Erica York, “Trump’s Tax and Tariff Ideas: Details & Analysis,” in: Tax Foundation, July 10, 2024, <https://taxfoundation.org/blog/trump-tax-plan-tariffs-analysis/> (accessed October 1, 2024).

159 Leah Sarnoff, “Trump Says ‘Drill, Baby, Drill,’ but the Record for US Oil Production Isn’t His,” in: ABCNews, July 19, 2024, <https://abcnews.go.com/Politics/drill-baby-drill-donald-trump-oil-gas-rnc/story?id=112108980> (accessed October 1, 2024).

return to the White House would likely see a continuation and expansion of these policies.

Trump has consistently advocated for the expansion of domestic energy production, particularly in the oil, gas, and coal sectors. Trump has repeatedly blamed inflation on what he describes as the Biden Administration's failure to boost domestic oil production, advocating for a return to more fossil fuels to lower energy costs and reduce inflation.<sup>160</sup> His Administration rolled back numerous environmental regulations that were seen as obstacles to energy development. For instance, the Trump Administration withdrew from the Paris Climate Agreement, arguing that it disadvantaged American workers and the economy. Trump's policies emphasized energy independence, primarily through increased fossil fuel production, under the slogan "energy dominance." In contrast to Biden's push for renewable energy, a second Trump Administration would likely double down on fossil fuels, arguing that they are essential for economic growth and national security. Trump has been critical of renewable energy, often citing concerns over its reliability and cost. His Administration would likely slow or even reverse federal efforts to transition towards renewable energy, such as wind and solar, focusing instead on supporting traditional energy industries. Moreover, Trump's policies might include further deregulation aimed at reducing restrictions on drilling, mining, and other forms of energy extraction. This would potentially involve opening more federal lands and offshore areas to energy exploration and extraction.

Trump has also expressed skepticism about the severity of climate change and has been dismissive of international climate agreements, which would likely result in reduced U.S. participation in global climate initiatives. Pricing greenhouse gas emissions according to the European model is virtually inconceivable.<sup>161</sup> An international leadership role

for the United States in climate protection should not be expected, nor significant domestic measures. Trump has promised to expand oil and gas production, and his campaign has said he will again withdraw the United States from the Paris Accord for a second time if he wins a second term.<sup>162</sup>

### Re-Industrialization

Recent speeches by Donald Trump and J.D. Vance – the Republican Vice President candidate – indicate that revitalizing U.S. manufacturing would be their top priority if elected. During his previous presidency, Trump pursued a series of policies aimed at revitalizing U.S. manufacturing and reducing dependence on foreign supply chains, particularly those linked to China. His approach to re-industrialization was characterized by a combination of protectionist measures, deregulation, and aggressive trade policies.<sup>163</sup>

*A lot of continuity from his first term could be expected for a second Trump term.*

In his current campaign, Trump has doubled down on these themes, emphasizing the need to "bring back" jobs from China and other countries. He continues to advocate for tariffs and other trade barriers as tools to protect U.S. industries, as described in the following chapters. Furthermore, Trump has expressed a commitment to expanding domestic energy production (as described above).<sup>164</sup>

Trump's approach to re-industrialization is also linked to his broader economic nationalism, which prioritizes American sovereignty and self-sufficiency over globalization. His focus on re-industri-

<sup>160</sup> Ibid.

<sup>161</sup> Hubertus Bardt, "CO<sub>2</sub>-Bepreisung und Industriepolitik," in: Wirtschaftsdienst, 104. Jahrgang, Heft 5, 2024, 306-309, <https://www.wirtschaftsdienst.eu/inhalt/jahr/2024/heft/5/beitrag/co2-bepreisung-und-industriepolitik.html> (accessed October 1, 2024).

<sup>162</sup> Leah Sarnoff, "Trump Says 'Drill, Baby, Drill,' but the Record for US Oil Production Isn't His", in: ABCNews, July 19, 2024, <https://abcnews.go.com/Politics/drill-baby-drill-donald-trump-oil-gas-rnc/story?id=112108980> (accessed October 1, 2024).

<sup>163</sup> Marcus Noland, Protectionism under Trump: Policy, Identity, and Anxiety, <https://www.piie.com/blogs/trade-and-investment-policy-watch/protectionism-under-trump-policy-identity-and-anxiety> (accessed October 1, 2024).

<sup>164</sup> Matthew Sasser, "Harris pitches 'Opportunity Economy' in First Major Policy Address," In: Stateaffairs, August 16, 2024, <https://stateaffairs.com/north-carolina/elections/harris-campaign-economic-speech/> (accessed October 1, 2024).

alization is not just about economic policy but is also deeply intertwined with his vision of restoring U.S. strength and independence on the global stage, as indicated in the following chapters.

## Digital Policy

Trump is likely to approach digital and tech policies similarly to other policy areas, meaning that he generally supports a lighter regulatory approach to AI, emerging technology, and large tech platforms. During his first term, digital and tech policies did not take a prominent role, and it is also unlikely to be a primary focus if he wins in November.<sup>165</sup> Trump has announced he plans to repeal President Biden's Executive Order on AI and instead plans to support the development of an AI "rooted in free speech and human flourishing."<sup>166</sup> The GOP Platform also opposes the creation of a Central Bank digital currency.<sup>167</sup> Yet, beyond these two issues, the official campaign platform for Trump does not address tech or digital policy.

## *A second Trump Administration would likely double down on fossil fuels.*

By looking at some of Trump's other positions, there are some clues as to how he might act regarding digital and tech policies in a second term. As such, he is likely to continue prioritizing national security, including banning high-tech components from Chinese manufacturers, protecting the U.S. tech sector from non-market competition, and promoting the United States's ability to produce necessary high-

tech components.<sup>168</sup> In addition, while the United States under Biden was a supporter of international AI governance initiatives like the G7 Hiroshima Process, it should be expected that under Trump the leading role of the United States might decrease.

## Tariffs and Trade Policy

In the event of a second term, an aggressive trade policy can once again be expected from Trump. Trump made clear that he would continue his previous trade policy if he was elected once more, announcing that he would not only raise tariffs on Chinese products but also on imports from allies of the United States, such as the EU. The former president announced he would implement a 60 percent tariff on Chinese goods and a 10 to 20 percent universal baseline tariff on all U.S. imports.<sup>169</sup> He has also floated the idea of a 100 percent tariff on imported cars<sup>170</sup> as well as replacing the federal income tax with tariffs on countries that contribute to illegal immigration.<sup>171</sup> Trump's running mate, J. D. Vance is also a staunch critic of free trade, repeatedly emphasizing the need to protect U.S. industries from global competition through broad-based tariffs, especially on goods coming in from China.

Under the current Biden Administration, efforts were made to de-escalate the trade dispute concerning U.S. tariffs on steel and aluminum, thereby preventing further escalation. Despite these efforts, restrictions on EU steel exports remained, as only pre-existing export volumes, up to 3.3 million metric tons of EU steel and 384,000 tons of aluminum, were exempted from duties, leaving tariffs in place for exports exceeding this threshold. In 2022, the EU exported a total of 3.8 million metric tons of

165 Nicol Turner Lee and Darrell M. West, How Harris and Trump Differ on Tech Policy, July 23, 2024, <https://www.brookings.edu/articles/how-harris-and-trump-differ-on-tech-policy/> (accessed October 1, 2024).

166 GOP, 2024 GOP Platform Make America Great Again!, [https://rncplatform.donaldjtrump.com/?\\_gl=1\\*1bu8cs7\\*\\_gcl\\_au\\*MTMxOTg1M-TA5OS4xNzI1MjA2OTIw&\\_ga=2.169910051.203538801.1727270435-733950888.1725206920](https://rncplatform.donaldjtrump.com/?_gl=1*1bu8cs7*_gcl_au*MTMxOTg1M-TA5OS4xNzI1MjA2OTIw&_ga=2.169910051.203538801.1727270435-733950888.1725206920) (accessed October 1, 2024).

167 Mark Scott, "Tech Policy Under Harris or Trump Looks Pretty Similar," in: POLITICO, August 1, 2024, <https://www.politico.eu/newsletter/digital-bridge/tech-policy-under-harris-or-trump-look-pretty-similar/> (accessed October 1, 2024).

168 Ibid.

169 Ana Swanson, "For Trump, Tariffs Are the Solution to Almost Any Problem," in: New York Times, September 11, 2024, <https://www.nytimes.com/2024/09/10/us/politics/trump-enthusiasm-tariffs.html> (accessed October 1, 2024).

170 Howard Gleckman, What Trump's 100 Percent Auto Tariff Would Mean For The US Economy, Trade Policy Center, March 2024, <https://www.taxpolicycenter.org/taxvox/what-trumps-100-percent-auto-tariff-would-mean-us-economy#:~:text=What%20would%20the%20economic%20impactbe%20passed%20on%20to%20consumers> (accessed October 1, 2024).

171 Tim Reid, Kanishka Singh and Ted Hesson, "Trump Suggests Tariffs Against Nations Including China over Illegal Immigration," in Reuters CNBC, June 7, 2024, <https://www.reuters.com/world/us/trump-suggests-tariffs-against-nations-including-china-over-illegal-immigration-2024-06-06/> (accessed October 1, 2024).



steel to the United States, of which 3.2 million metric tons benefitted from tariff exclusions, meaning only 600 thousand metric tons of steel were subject to the U.S. tariffs.<sup>172</sup> When quotas are filled, the additional imports are subject to the standard Section 232 tariffs. Should Trump revoke these relief measures, the EU would likely respond with the retaliatory measures it had previously applied and temporarily paused following the agreement with the Biden Administration.<sup>173</sup> It is also worth noting, that the U.S. steel industry is concentrated in key U.S. swing states, making it an important element of campaigning.

Another significant trade policy risk for the EU is that a Trump Administration could revoke the accommodations provided under the IRA for EU-based companies operating within the United States. These accommodations are crucial as they enable EU firms that manufacture electric vehicles (EVs) and other clean technologies in the United States to access some of the IRA's financial incentives. The Biden Administration has actively engaged with European counterparts to find solutions to some of the remaining conflictual issues as described above. Under a Trump Administration, these efforts are likely to be discontinued. Late September 2024, Trump announced during a campaign speech in Savannah, Georgia, he would seek to "take" manufacturing jobs from foreign countries, including U.S. allies, by offering incentives to encourage companies to relocate to the United States. offering low taxes and little regulation. Germany was specifically named in his speech. "I want German car companies to become American car companies. I want them to build their plants here," Trump said.<sup>174</sup>

Would the President have the executive power to implement these measures? At the beginning of Trump's first term in office, many had hoped that Congress could act as a counterweight. According

to the U.S. Constitution, the legislative branch has the authority over trade policy. However, since World War II, Congress has repeatedly expanded the powers of the executive. This includes the aforementioned Section 232 of the Trade Act of 1962 and Section 301 of the Trade Act of 1974. During the Trump presidency, there were initiatives in Congress to restrict the powers under Section 232,

*Trump prioritizes American sovereignty and self-sufficiency over globalization.*

but these did not receive the necessary majorities. Trump could again use Section 232 and Section 301 to implement tariffs. However, it would be very hard to justify baseline tariff increases under the respective laws. Other trade laws would also only give him limited power, such as the Trading with the Enemy Act or the International Economic Emergency Powers Act. This does not mean that Trump would not try to implement new tariffs. And in case of a Republican dominated Congress, he might face little opposition.<sup>175</sup>

While the EU's ability to respond to such new trade impediments would be constrained, it has a new tool in its trade defense tool kit: the Anti-Coercion Instrument (ACI), which entered into force late December 2023. It provides the EU with the means to deter and respond to economic coercion to better defend its interests. Whether or not the EU would use this instrument against the United States is uncertain. This depends on the specific measures the Trump Administration would take as well as on political consideration. However, it is clear that new conflicts would be on the horizon.

172 European Commission, EU Prolongs Tariff Suspension for US Products Related to the Steel and Aluminium Dispute, December 19, 2023, [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_23\\_6713](https://ec.europa.eu/commission/presscorner/detail/en/ip_23_6713) (accessed October 1, 2024).

173 Thomas Obst, Jürgen Matthes & Samina Sultan, What if Trump is Re-elected?. Trade Policy Implications, IW-Reports, Institut der deutschen Wirtschaft, March 4, 2024, [https://www.iwkoeln.de/fileadmin/user\\_upload/Studien/Report/PDF/2024/IW-Report\\_2024-Trump-Trade-Effect.pdf](https://www.iwkoeln.de/fileadmin/user_upload/Studien/Report/PDF/2024/IW-Report_2024-Trump-Trade-Effect.pdf) (accessed October 1, 2024).

174 Tim Reid and Gram Slattery, "Trump Pledges to Take Jobs and Factories from Allies, China," in: Reuters, September 25, 2024, <https://www.reuters.com/world/us/trump-set-offer-federal-lands-other-incentives-firms-relocating-us-2024-09-24/> (accessed October 1, 2024).

175 Alan Wolff, Trump II Tariffs: Who Said He Could Do That?, Peterson Institute for International Economics, September 2, 2024, <https://www.piie.com/blogs/realtime-economics/2024/trump-ii-tariffs-who-said-he-could-do> (accessed October 1, 2024).

## China

As mentioned above, Trump's economic policy vis-à-vis China resonated well both among Democrats and Republicans as well as the broader population and was largely continued by the Biden Administration. It is therefore highly likely that there will be considerable continuity within this policy field.

As described, Donald Trump has proposed the implementation of universal baseline tariffs on the majority of imported foreign goods. Additionally, he advocates for a mechanism to incrementally increase tariffs on nations identified as engaging in currency devaluation or other unfair trading practices. Although this policy does not explicitly single out China, this would significantly impact Chinese exporters, particularly those involved in the consumer goods sector, given the United States' role as a critical export market for China. The Trump Administration has previously designated China as a currency manipulator, indicating that China is likely to be a primary target of the proposed counter-currency manipulation mechanism.<sup>176</sup>

Trump's stance toward China has been one of the most defining aspects of his trade policy. The imposition of tariffs on a wide range of Chinese goods was a hallmark of his first term, and this strategy is likely to persist. The administration's goal is to reduce the trade deficit with China and compel Beijing to change its trade practices. However, this has also led to a retaliatory cycle, with China imposing its own tariffs on American products, affecting industries such as agriculture, automotive, and technology.

## Trade and Security

Regarding trade and security, one should again expect considerable continuity to the first Trump term, when he implemented stringent export controls and investment restrictions, particularly targeting Chinese technology firms and investments. This ap-

proach is expected to continue and possibly intensify in a second term. The administration's focus on national security led to the expansion of the Export Control Reform Act (ECRA) and the Foreign Investment Risk Review Modernization Act (FIRRMA), enhancing the government's ability to restrict foreign access to critical technologies and infrastructure. These measures aim to prevent the transfer of sensitive technologies that could enhance the military capabilities of rival nations, particularly China.

Intellectual property protection has been a critical concern under Trump's trade policies. The administration has emphasized the need to safeguard American innovations from foreign exploitation, particularly by Chinese firms. This focus has led to increased scrutiny of Chinese companies operating in the United States and restrictions on technology transfers. Key industries affected include semiconductors, telecommunications, biotechnology, and artificial intelligence.<sup>177</sup> The U.S. government is concerned that access to dual-use technologies will open backdoors to technology and allow for spying or that the access to intellectual property will further assist the Chinese government in its efforts to strengthen the People's Liberation Army (PLA) and therefore its own strategic interests.<sup>178</sup>

*Trump could again use Section 232 and Section 301 to implement new tariffs.*

While Trump intensified the use of export controls and investment screening, he has not been alone in using these tools. As described, export controls were expanded under Biden to counter Russia in the wake

176 U.S. Department of Treasury, Treasury Designates China as a Currency Manipulator, <https://home.treasury.gov/news/press-releases/sm751> (accessed October 1, 2024).

177 Chad P. Brown, How Trump's Export Curbs on Semiconductors and Equipment Hurt the US Technology Sector, September 28, 2020, <https://www.piie.com/blogs/trade-and-investment-policy-watch/how-trumps-export-curbs-semiconductors-and-equipment-hurt> (accessed October 1, 2024).

178 Christopher A. Ford, Export Controls and National Security Strategy in the 21<sup>st</sup> Century. Arms Control and International Security Papers, Office of the Under Secretary of State for Arms Control and International Security, August 19, 2020, <https://www.state.gov/wp-content/uploads/2020/08/T-Paper-Series-16-Export-Controls-508.pdf> (accessed October 1, 2024).

of its war on Ukraine.<sup>179</sup> And a possible Harris Administration would likely follow a similar path. A difference between the two possible administrations, however, might concern the degree of cooperation and coordination with allies. While the coordination of economic security instruments played an important role in the TTC during the Biden Administration, the chances for this to be continued are lower under a possible second Trump term.

### Consequences for the EU: Trump 2.0

A second Trump presidency would likely lead to a return of a more aggressive trade policy, although it is important to note that some aspects would be similar under both a possible Trump and a possible Harris Administration. A level of uncertainty would also likely be introduced, stemming from Trump's history of abrupt policy changes, such as imposing tariffs and renegotiating trade agreements without prior warning. Such unpredictability disrupts market stability and complicates long-term business planning.

The European Union faces several challenges in this scenario. The imposition of higher tariffs on European goods would force EU exporters to either absorb increased costs or find alternative markets, potentially reducing their competitiveness. Additionally, the Trump Administration's trade policy could exacerbate regulatory clashes between the United States and the EU, particularly regarding climate and environmental regulations but also more broadly regarding new and emerging technologies. A possible divergence in regulatory approaches would create further uncertainty for businesses operating in both markets, complicating compliance and operational strategies.

In addition, tax incentives and high tariffs – together with lower U.S. energy prices – could encourage European companies to relocate to the United States.

Economically, the EU would need to adjust its trade policies and supply chains to mitigate the impact of new trade barriers. This adjustment might involve diversifying trade partnerships and increasing intra-EU trade to lessen dependency on the U.S. market. Furthermore, political and diplomatic relations could be strained, necessitating the EU to balance its policy priorities and navigate U.S. unilateral actions.

Overall, the economic policy associated with a potential second Trump presidency is likely to lead to a more fragmented global trade system. Countries might form new alliances and trade partnerships to circumvent U.S.-imposed barriers, resulting in a less predictable and more volatile trade environment.

*Trump has proposed the implementation of universal baseline tariffs on the majority of U.S. imports.*

Furthermore, it is less likely that the TTC would continue in a formal manner. The TTC meetings could continue at the working level, but the frequent ministerials of the past four years would be less likely.<sup>180</sup> Unilateral actions taken by a Trump-led United States could also further weaken multilateral trade institutions as countries prioritize bilateral agreements over broader, more stable multilateral frameworks. It remains to be seen to what extent a Trump Administration would try to still work within the WTO framework or if the United States would simply ignore the institution, thereby weakening it further.<sup>181</sup>

179 Gregory C. Allen, Emily Benson, and William Alan Reinsch, Improved Export Controls Enforcement Technology Needed for U.S. National Security, Center for Strategic and International Studies, November 30, 2022, <https://www.csis.org/analysis/improved-export-controls-enforcement-technology-needed-us-national-security> (accessed October 1, 2024).

180 Cynthia Kroet, "Analysis: How Could a Trump Win Affect EU Big Tech Enforcement?" in: euro.news, July 17, 2024, <https://www.euronews.com/next/2024/07/17/how-could-a-trump-win-affect-eu-big-tech-enforcement-analysis> (accessed October 1, 2024).

181 Alan Yanovich, Will the WTO Survive a Change of Administration?, July 19, 2024, <https://www.akingump.com/en/insights/blogs/ag-trade-law/will-the-wto-survive-a-change-of-administration> (accessed October 1, 2024).

## What to Do? The Way Ahead

Not only has transatlantic trade grown strongly over the last years, political relations between the United States and the EU have also improved markedly. While the results of the TTC are mixed and the partnership was not without conflict, the TTC played an important role in ensuring greater coordination and cooperation across the Atlantic in many policy fields. Yet, with the U.S. presidential election on the near horizon, signifying potential changes to the transatlantic relationship, the EU needs to prepare for the next four years. As described above, the fate of the TTC is uncertain. The past decades have shown, however, that the transatlantic economic partnership needs a dialogue structure to prevent and deal with conflict and to realize the potential for deeper integration – independent of what this structure might be called in the future.

- **Continuing the TTC:** Over the past three years, the has TTC supported the exchange of information, helped to build trust and understanding, provided a structure to deal with conflicts, and allowed for stakeholder input. These are important prerequisites for fostering coordination and cooperation in important policy fields such as trade and security (instruments such as export controls and investment screening), trade and fair competition (instruments such as trade defense and anti-coercion instruments), trade and sustainability, as well as standard setting for new technologies. The TTC should therefore be continued, preferably with regular high-level ministerials as well as a working level structure. If the incoming U.S. administration decided to upend the TTC in its existing form, the EU should explore and propose pragmatic ways how to continue structured negotiations on the working level in key areas of mutual interest as well as foster cooperation among non-governmental stakeholders at the level of the EU, the member states, and the subfederal level.
- **Aligning of the TTC Mission:** Independent of the form in which the TTC might be continued, the EU and the United States need to agree on its main goals and mission. In the past, diverging views have repeatedly led to frictions. The United States approached the forum primarily to address broader geopolitical impacts on trade (with a strong focus on China). The EU, on the other hand, has given greater emphasis to trade and market access issues. While more market access would be desirable in transatlantic trade as engine for economic growth and jobs, there is little appetite on both sides of the Atlantic for an ambitious free trade project and the reduction of tariffs. As such, the transatlantic partners should advance cooperation on trade and security, trade defense instruments, trade and sustainability, as well as new and emerging technologies. This does not mean that market access issues would be off the agenda. Quite the contrary: Cooperation on standards and regulations on new and emerging technologies should be intensified to prevent transatlantic divergence and new impediments to trade.
- **Exploring Options for Structural Reform of the TTC:** In addition, the transatlantic partners should take the opportunity to evaluate the working group structure of the TTC. This could include consolidating working groups to ensure that work is not being duplicated. While the transatlantic partners might want to consider reducing the frequency of ministerial meetings to allow for more negotiating time between meetings, high-level meetings are necessary to give guidance to the process and to overcome deadlocks at the working level. In addition, the TTC should be linked more directly to other transatlantic dialogues such as the EU-US Collaboration Platform on Agriculture, and transparency of these should be increased.

- Establishing of an Early Warning Mechanism and a Positive Agenda:** Furthermore, the EU and the United States should consider establishing an early warning mechanism. Such a mechanisms existed in the late 1990s<sup>182</sup> and could help to identify, provide early warning of, and facilitate the resolution of conflicts. It would also allow each side to better take the other side's interests into account at an earlier stage when formulating policy, legislative, or regulatory decisions and thus avoid policy divergence. Taking into account the mixed results of the TTC, the transatlantic partners should also agree on a clearer road map (possibly with more concrete timelines) and identify a positive agenda for cooperation. Success stories are necessary to create positive dynamics.
- Evaluating the TTC Outcomes:** Both, the EU and the United States regularly publish the results of TTC meetings on various websites. A thorough evaluation of the TTC and its outcomes has not been conducted yet, however. In particular, there is a lack of transparency regarding how negotiation outcomes are being put in practice and what their actual impact is. The transatlantic partners should therefore engage in a comprehensive review to evaluate the TTC's effectiveness. Such a study could either be commissioned to a research consortium or conducted by the European Commission and the Office of the USTR themselves. In the latter case, external stakeholders should be consulted.<sup>183</sup>
- Strengthening Stakeholder Input:** Both, the EU and the United States have repeatedly consulted stakeholders (businesses and civil society representatives) regarding the negotiation topics of the TTC. The Office of the USTR, for example, published a request for comments on the TTC Global Trade Challenges Working Group in late September 2024.<sup>184</sup> These consultations should be conducted on a more regular and structured basis. The EU and the United States should also explore mechanisms which would allow stakeholders to feed in expertise directly into the appropriate TTC working groups. Furthermore, the transatlantic partners might want to consider organizing topic-specific stakeholder meetings adjacent to the ministerial meetings on a more regular basis to allow for a direct exchange of information.<sup>185</sup> Stakeholder input should be made publicly available.
- Resolving Dispute on Steel and Aluminum Tariffs and the IRA:** Two of the biggest unresolved trade disagreements between the United States and the EU remain U.S. tariffs on steel and aluminum and the IRA. Negotiations on the Global Arrangement on Sustainable Steel and Aluminum and the Critical Minerals Agreement, which are to provide solutions to these conflicts, have stalled for months. The EU could take the advantage of a new U.S. president as an opportunity to re-open the GASSA negotiations with a fresh perspective. This should include agreeing to a common definition of green steel and agreeing to a mechanism to expand the GASSA beyond the EU and the United States to other like-minded countries in the future.<sup>186</sup>

Progress on the CMA might be harder to achieve given the above-described opposition by U.S. Congress to an executive agreement. Options are limited: as such, the transatlantic partners could pursue a sector-specific critical minerals agreement, which would have to be passed by U.S. Congress and the European Parliament and would allow the EU to be classified as free trade partner of the United States

182 U.S. Department of State, Early Warning and Problem Prevention: Principles and Mechanisms Released at the U.S.-EU Summit, Bonn, Germany, June 21, 1999, [https://1997-2001.state.gov/regions/eur/eu/op\\_990621\\_useu\\_trade.html](https://1997-2001.state.gov/regions/eur/eu/op_990621_useu_trade.html) (accessed October 1, 2024).

183 Erik Brattberg, Adaptation or Atrophy? The U.S.-EU Trade and Technology Council Post-2024, Policy Brief Bertelsmann Stiftung, 2024, <https://www.bertelsmann-stiftung.de/en/publications/publication/did/adaptation-or-atrophy-the-us-eu-trade-and-technology-council-post-2024-en> (accessed October 1, 2025).

184 Federal Register, Request for Comments on the U.S.-EU Trade and Technology Council (TTC) Global Trade Challenges Working Group, September 5, 2024, <https://www.federalregister.gov/documents/2024/09/05/2024-19881/request-for-comments-on-the-us-eu-trade-and-technology-council-ttc-global-trade-challenges-working> (accessed October 1, 2024).

185 Bill Echikson, Dimitar Lilkov, and Clara Riedenstein, 2024.

186 Charlotte Unger and Rainer Quitzow, "Dream or Reality: Where is the Club for Green Steel?" in: NPJ Climate Action 3, 49, June 14, 2024, <https://www.nature.com/articles/s44168-024-00119-z> (accessed October 1, 2025).

under the IRA. While this would solve one of the conflicts around the IRA, the passage of such an agreement is anything but certain and could spark opposition by civil society in the EU.

While an EU-U.S. critical minerals agreement could solve a part of the problem of the IRA for EU companies, it would not solve the broader challenge of industrial subsidies. As such, the dialogue on incentives and support measures needs to be intensified, both within the TTC as well as in the Clean Energy Incentives Dialogue as a subsidies race would have devastating effects on the transatlantic economy.

- **Aligning Approaches to Economic Security:** Both U.S. presidential candidates and the EU Commission President-elect Ursula von der Leyen have identified economic security, and to an extent, economic sovereignty, as key priorities for their administrations. In a world in which geopolitics and geoeconomics are being ever more closely intertwined, it would behoove the transatlantic partners to agree to a shared approach for achieving economic security. The past years have shown, however, that this is not always the case. The latest example for this is U.S. irritation with Germany attempting to block EU countervailing duties on electric vehicles from China.

To start with, there is no common definition of what economic security means and what tools are best used to achieve it. While EU and U.S. interests and strategies will never be fully congruent due to differences in their economies and their reliance on trade, the transatlantic partners should engage in a more thorough dialogue on the goals and instruments of economic security. They need to develop a better understanding for each other's position, and they need to be careful that the usage of economic security instruments does not create collateral damage, negatively impacting each other. U.S. unilateral tariffs on steel and aluminum are a case in point. Aligned approaches would also give the EU and the United States much more market power to counter unfair trade practices from third countries.<sup>187</sup>

- **Reaffirming Commitment to the International Order:** As the world gets more dangerous and geoeconomics more complex, it is becoming increasingly necessary to reinforce and support international rule of law and institutions. Without doubt, the WTO system currently does not meet the needs of its member states and a reform is necessary. Furthermore, as authoritarian states gain power and seek to exert it in international institutions, democratic states must align and counter overreach from authoritarian states. The EU has the opportunity to take the lead and to advocate for reforms that are necessary to revitalize the WTO and ensure it can continue to serve as a cornerstone of global trade governance. While the United States has shown little appetite for more deeply engaging in WTO reform, the EU should continue the dialogue and explore possible landing zones. In addition, the transatlantic partners should more actively transfer results from bilateral cooperation into multilateral forums. A good example for this is, as described above, AI governance. This could serve as precedent for other new and emerging technologies.<sup>188</sup>

187 Daniel Mullaney and Bruce Stokes, The Case for a Comprehensive US-EU Economic Agreement, *New Atlanticist*, Atlantic Council, September 15, 2024, <https://www.atlanticcouncil.org/blogs/new-atlanticist/case-for-a-comprehensive-us-eu-economic-agreement/> (accessed October 1, 2024).

188 Frances Burwell and Andrea G. Rodríguez, The US-EU Trade and Technology Council: Assessing the Record on Data and Technology Issues, *Issue Brief*, Atlantic Council, 20. April 2023, <https://www.atlanticcouncil.org/in-depth-research-reports/issue-brief/us-eu-ttc-record-on-data-technology-issues/> (accessed October 1, 2024).

## About the Aspen Institute Germany

The Aspen Institute Germany is an independent, non-partisan organisation that promotes values-based leadership, constructive dialogue, and transatlantic cooperation to strengthen a free and open society. Founded in 1974 in Berlin, the Institute has been bringing together decision-makers and experts from politics, business, academia, media, culture, and civil society for 50 years to address the challenges of our time.

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## About the Project

The German-American Trade and Tech Dialogue brings together a diverse group of transatlantic representatives from politics, administration, business, academia, and civil society to support the U.S.-EU Trade and Technology Council (TTC) and provide new impetus for German-American cooperation. The project includes virtual workshops and an annual conference.

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