Virtual Event | An Emerging G2? Prospects for Transatlantic Tech Cooperation

TRANSCRIPT

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Peter Rough:

Good afternoon and welcome to Hudson Institute. My name is Peter Rough. I'm a senior fellow here at Hudson, focusing on American foreign policy with special emphasis on Europe and the transatlantic relationship. It's my pleasure to moderate today's panel entitled, An Emerging G2? Prospects for Transatlantic Tech Cooperation. We're presenting today's panel on the same day that senior negotiators or officials are meeting in Pittsburgh, Pennsylvania to inaugurate the transatlantic trade and technology council. The so called TTC was born in Brussels early June when President Biden on a swing through Europe, met with the president of the European Commission Ursula von der Leyen. The two of them announced the TTC. And perhaps before I introduce our marvelous panel today, I would just take a minute to update those viewers who might not be familiar with the TTC, what it is and why it is that we think it's important to have this conversation today.

So the TTC, the Trade and Technology Council, is the not quite successor to the old faded transatlantic trade and investment pack, which was more of a classic free trade negotiation, which died an ugly death at the end of the Obama administration, it's really more of a mechanism within which Europe and the United States can talk about those technologies, which really will underpin power in the 21st century. And then also additional priorities that matter a great deal to both sides of the Atlantic, to the Biden administration in Europe, like for example, green technologies. So it includes a lot of those areas in 10 working groups that one might expect to matter to both sides and which will shape the future of the 21st century from supply chains and semiconductors to standard setting in areas like robotics or artificial intelligence. It also includes working groups on export controls to make sure that key technologies don't flow to pernicious and malicious state actors abroad or non-state actors.

And it also includes a investment screening working group. Of course, the US has the famous CFIUS project, the committee on foreign investment screening in the United States. And so greater alignment on screening inbound FDI, foreign direct investment is also an ambition of the transatlantic trade and technology council. Today's meeting in Pittsburgh is very high level. It includes two cabinet secretaries, the secretaries of state and commerce, as well as the USTR, the United States trade rep. And the Europeans are gracing us with their presence with two vice presidents of the European Commission. So a very important meeting, a very high-level meeting. And at the risk of sagging a little bit from moderator to panelists, perhaps I'll just say word or two about what I think are the motivations behind the US and the Europeans launching this council. On the American side, I think it's clear that the US would like to try and win over Europe for the broader competition it sees unfolding with the Chinese.

The Europeans are a bit hesitant about this because they neither wish to endorse the threat perception I think, that has become standard analysis in Washington and in the United States nor do they wish to see Sino-American competition descended to what they perceive to be in a necessary cold war. On the European side, I think it's always a great thing for the European commission to be considered a peer of the United States executive. The European commission is constantly fighting for legitimacy in Europe and trying to overcome what amounts to a bit of a democratic deficit. And so that alone, I think is for it a plus and a bonus. And beyond that, Europe and the European commission has used the European consumer market, the vast market that is the European single market to try to muscle its way, imposing its view of social policy and regulation in this new frontier or the digital domain on outside actors, including the United States.

We've already seen this when it comes to digital governance and transatlantic data flows where there's been an imbroglio over the last several years about the nature of transatlantic data flows, privacy versus national security considerations, et cetera, et cetera. So the Europeans view, the US is a bit of a digital wild west that would argue as well in particular post 2013 when Ed Snowden made his revelations and has had growing support at home for a tough regulatory agenda. In the US, perhaps less so amongst the

Biden administration, which in the democratic party, I think over decades has had a bit more of a regulatory footprint than perhaps some free marketeers. But in general, I would say there is a worry or a concern that the innovative basis of America's technological progress might be undermined a bit by the European regulatory agenda and so, one must tread carefully.

We saw this also in TTIP, where there was a concern that transatlantic regulatory alignment may lead to harmonization at the European level rather than simple regulatory recognition. And so there I think is partially the American reservation of what the Europeans think is a great advantage here. But given that it is the Biden administration and the Democrats, and I think there's a changing landscape in American politics, some Republicans too are more apt to impose regulations on our technology sector. There is more of an interest in perhaps moving a distraction and trying to work together. So, so much for the important meeting that's taking place today. The key mechanism or channel through which the transatlantic community is trying to get a handle on these new economic frontiers that we are facing. And I could have no better than these three panelists to talk about both sides of the Atlantic, the technological landscape, the prospects for cooperation or the hurdles to that cooperation going forward.

First, we have Nadia Schadlow, a colleague of mine at Hudson Institute who came to Hudson from the National Security Council. She was the deputy National Security Council in the Trump administration. And she's widely credited as being the intellectual force and the author behind the 2017 national security strategy. You can see, she's a hard worker given that national security strategies tend not to come out in the first year of an administration, but she managed to pull off that heat. Before that, she was the senior program officer at the Smith Richardson Foundation, and she has published widely much of what you can see on the Hudson website. I encourage you to check out her work there, including a piece I particularly enjoyed on battery technologies since this is a technology session today in the national interest a few months back. Joining us from Berlin is an American, Tyson Barker who works at the German council in foreign relations, the German acronym being DGAP.

He is there the head of the digital and global affairs program. Tyson is a longstanding tech expert. He has a lively Twitter account where he talks not only about German politics, but also very substantively about these tech issues. I encourage you to check that out in his website for his many writings. Tyson previously was at the Aspen Institute where he was deputy executive director, and he also spent time at the Bertelsmann foundation on transatlantic issues. Tyson is an alumnus of the Obama administration, and one of the nicest guys around. So thanks a lot for joining us today, Tyson. And last, but certainly not least is my other Hudson colleague, Tom Duesterberg, who works on transatlantic trade and technology issues. Tom is also an alum of the Aspen Institute like Tyson. He ran the manufacturing and society in the 21st century program as executive director.

He has a government experience as assistant secretary of commerce and as a senior aid to Congressman Chris Cox, at the time Senator Dan Quayle. And Tom spent a lot of time at the Manufacturing Alliance as president and CEO from 1999 to 2011. And this is his second go round, at least as far as I know of at Hudson Institute. So thanks Tom for joining us today. So I thought I would begin with asking Nadia to spend a little bit of time on the United States on the state of the American technological landscape, the lay of the land as it were. And in particular, given that supply chains and semiconductors are up for discussion in Pittsburgh and generally will accompany us over the coming years. I thought I'd ask her to talk about that about the state of AI policy in the US or artificial intelligence. And lastly, perhaps about industrial policy to which I'm sure will return over the course of the next hour. Nadia, thanks for joining us and look forward to hearing your opening comments.

Nadia Schadlow:

Thanks, Peter. And thanks so much for inviting me. I look forward to the discussion with Tyson and Tom and to learning from, from them because they actually follow these issues very, very closely. So my comments will be more in the spirit of framing some of the issues. And then I'd love to hear what the three of you have to say. First, why are we having this discussion in the first place? Why is this committee meeting? I mean, ultimately, technology is critical to national power. Some have called it the fourth industrial revolution, not a great term, but essentially institutions haven't kept up with the revolutionary changes we're seeing right across the board. Markets, while they've driven much of this technological change have also created vulnerabilities in things like supply chains. Educational systems, at least in the United States haven't kept up.

I'd love to hear what Tyson has to say about this in Germany. Our secondary educational system is not producing the next generation of technologists. We've been saying this for 10 years, nothing has changed. Budget processes remain very, very slow while technology moves fast, that creates disconnects in our acquisition process in terms of our government being more adept with new technologies, acquiring new systems, platforms, not just in the national security space, but across the board remains sclerotic, no matter how often we seem to try to improve these areas. So really the list goes on. Clearly, the United States has a lot to do at home, but that doesn't mean it can't and shouldn't also be working with allies. So we're seeing the needs for both simultaneously. But in terms of the TTC specifically, I think there are three things that strike me, that we really need to think about in terms of the US and the broader set of meetings.

First, we still don't really seem to want to prioritize and in certain areas. There are 10 working groups of the TTC. That's a lot. 10 areas. That means that it's going to be very hard to coordinate and actually make progress across all 10. So why not, in my mind, prioritize on privacy shield, issues related to data protection, which is a key issue that underscores all of the other tech related cooperation. Standards, very important. Keep in mind that in addition to these 10 were working groups of the TTC, we have a bunch of working groups that the quad just established last week. The US, India, Japan, Australia, also on standards. So as usual, I'm always skeptical of these multilateral processes just for these reasons. I think in the year, we're going to see updates on meetings and not so much on outcomes. Second, in terms of what's happening in the US related to this, the signals are mixed here.

We haven't really decided on a theory of the case regarding how to improve the situation regarding microchips and semiconductors that is, how do we ensure that the vulnerabilities that are out there, our ability to get certain types of microchips when we need them quickly? How do we mitigate those vulnerabilities? Right now, most of that chip production is offshore, Taiwan and Asia. So we've been dealing with this as a country for several years now. The problem is we still remain at a standstill. There was a famous piece of legislation, or at least in our circle called the chips act, which later got subsumed into a larger piece of legislation called the American Innovation and Competitiveness Act. And that's now at a standstill on Capitol Hill, on the house side, it passed to Senate. Well, for about 18 months, we've been discussing supposed $52 billion in additional funding in the sphere.

It remains at a standstill because we can't figure out where to put that funding and how to spend that money. Should it go into early-stage R and D? Should it go into manufacturing facilities? And I know Tom can talk about this too, so I'd love to hear your views. So again, this is going to create, I think, some disconnects between progress and the TTC and unresolved US debates at home. Similarly, I'd argue that you don't want to start from scratch. So every time you read about these new processes, new meetings, everyone's starting from scratch. And we shouldn't. The Biden administration did a decent job at articulating some of supply chain vulnerabilities in the semiconductor space, as well as in the battery space and in the pharmaceutical area. So start from the research that's already been done there.

Don't start from scratch. And hopefully, these working groups won't. Keep in mind, the AI national commission on artificial intelligence, that was a two-year long commission. It came up with a lot of really specific recommendations on how to keep US technological edge in this domain, as well as with allies and partners. So begin from thinking about how to implement some of those well thought out recommendations. I think unfortunately, everyone wants to reinvent the wheel. So overall I think that those are some of the main challenges facing the TTC today, a prioritization, building on existing sets of recommendations and working through differences in the United States regarding industrial policy, part of the problem in the semiconductor space. There is a real disconnect still on how involved the US government should be, and if there should be involvement, what part of that supply chain should the government be involved? Early research and development, mid-range, the building of very expensive fabrication facilities. So those are issues that I think we'll see them reappear as these discussions in Pittsburgh go on. Thank you.

Peter Rough:

Thanks, Nadia. I just comment that I share your view. I have a piece coming out in the next couple of days that not having privacy shield embedded in these first round of negotiations, or at least high on the agenda is probably a missed opportunity, but hopefully this doesn't just become a process-oriented topic. Tyson, maybe you could take it from there and give us a view. You sit in Berlin. I know you're an American, but you can give us a lay of the land on the European side. And also, I know you've been quoted in the press as having a close read on what's taking place in Pittsburgh. What's your sense of the TTC?

Tyson Barker:

Well, first of all, thank you for the invitation to Hudson and for having me. This is a great round. I'm really honored to be here. Maybe I can start with, why Pittsburgh? Pittsburgh, in many ways, represents what the hope is that the TTC represents namely, a city that used to be based on coal and steel, a real representation of an industrial Titan that's transformed itself into research hub for robotics and artificial intelligence. And in many ways, this is the hope for the trans-Atlantic innovation industrial base itself. So I think that that's part of the reason why Pittsburgh was chosen. And I think it couldn't have been a better choice personally. Maybe just to start with what the EU is coming to the table with would be a good place to start. So for many years, the EU has been pushing a digital agenda, but it has primarily been focused on regulation and completing the digital single market.

It has not seen necessarily the geopolitical underpinnings of technological relationship as it's developed over the past 10 to 15 years. And that has caught Europe a little bit off guard with the rise of new general-purpose technologies, the prevalence of choke holds, choke points and supply chain brittleness, and the way that these technologies can be used both for civilian and military purposes. So Europe has been shifting its focus away from an emphasis on the digital single market to something that we hear a lot about in this commission, which is technological sovereignty or digital sovereignty. And there's of course, a lot of questions about what this term even means. And that strategic ambiguity is really important to the term itself because it encapsulates a vision of tech policy that appeals to both the Germans and the French, but in very different ways.

And I have to say that the Franco-German Motor is essential to understand if you want to understand how Europe is approaching digital technology and tech policy in general. So for the Germans, they have a very order liberal interpretation of that term. It's about openness of the economy. It's about creating the space for competition. It's about preserving informational self-determination in the form of privacy and data protection rights. It's about open-source ability. It's about clear rules of the game. Those are the emphasizes that Germany has when it talks about digital sovereignty. When the French talk about

digital sovereignty, they're talking about import substitution-based industrialization in the tech sphere. Basically, they want to grow an indigenous industry in a new emerging technology. And sometimes these areas overlap. If you look at, for example, the GAIA-X project, or if you look at discussions around semiconductors, there's a lot of overlap between the two, or discussions around data protection.

But there are places where they diverge. And maintaining that strategic ambiguity has been something creating tension within the European Union and will create some tension, obviously with Europe's relationships with its partners like the United States. So moving into this era of digital sovereignty post COVID, the European Union and its member states have also been pursuing a more proactive tech industrial policy. We all saw last year that the European Union rolled out €750 billion for the next generation EU pack, 20% of which should be dedicated to the digital transformation. So that's €150 billion that should be used in this area. And they've rolled out a set of targets in a document that came out this March called the digital compass, which included among other things, the ability to produce 20% of the Globes high in semiconductors within Europe. That is a quite an ambitious goal.

There are a lot of questions about how to get there, but that is definitely going to be a topic of discussion at TTC and elsewhere. At the same time, a lot of member states themselves are pursuing industrial policies. In the state that I'm sitting in Germany, which just had an election this week, there are new plans for €5 billion investment in artificial intelligence, a €2 billion investment in open ran, a €2 billion investment in quantum computing. And that's just at the federal level. Members states themselves particularly Bavaria and Baden-Württemberg are also doing a lot. In addition to that, the European Union is pursuing this new tool that it has called IPCEI, Important Projects of Common European Interest, which allows it to skirt certain state aid rules, which will be bring together public sector players and private sector players in consortia to basically leapfrog certain areas of technological development and develop the next generation of technology in areas like 6G, cloud, and semiconductors, et cetera.

The other area I should focus on not just on industrial policy, of course, is on regulation because Europe is well known for producing regulation. In fact, they're quite proud in some ways of being the world's global referee. They point to GDPR as a global gold standard. In the past 9 to 10 months have been a real big bang of new regulatory drafts coming out on everything from the digital markets act, which looks to regulate digital gatekeepers, the digital services act, which looks to regulate speech and illegal content online. The AI act, which looks at regulating risk based artificial intelligence, social scoring, and real time remote biometric identification. And other pieces of regulation that are coming out in the near future, including the data act, which will look at industrial data and new cloud rules.

So that's the set of issues that Europe is coming to the table with when they come to Pittsburgh, a lot of ambition, both on the industrial policy side and on the regulatory policy side. But also a lot of questions about what the United States is looking to do with this new Biden administration. And I will save my comments about the TTC itself for the discussion, but I'll say a couple of things, what Europe once to see not happen necessarily. Your past four Nos, I would say, when it comes to Pittsburgh. Four red lines about what the TTC is not. It is not a TTIP strikes back. This is not TTIP 2.0. And they will make it very clear that they're trying to avoid issues from investment dispute settlement mechanisms, to chlorinated chicken, to everything, to deal with agriculture, et cetera. It is not for them an anti-China Alliance. Although if you look at the texts of the community case, there's a lot of language that is quite pointed in the direction of China including questions about civil military fusion.

They would say it's not an area to negotiate privacy shield. And they would say this for a couple of reasons. One is the DG, the director at general, that's responsible for those negotiations is not involved in TTC. That's a DG just. But there are also other reasons for that, which we can get into in the discussion. And the fourth is it's not an area to negotiate or discuss active draft legislation that is currently before member states in the European parliament, i.e., they don't want this to be a venue to

discuss the digital markets act, this big pace of legislation that is looking to regulate online gatekeepers. So those are their four no. Let me just take a lot of... I mean, I'm an American sitting in Berlin, but I have a lot of empathy for those nos. And let me give you some of the dangers that exist with the TTC in Europe that don't necessarily exist in the United States, which is some of the reason behind some of those red lines.

The first is the potential, and we're already seeing this a little bit, that a narrative, a disinformation narrative, conspiracy theory narrative develops that this is a behind closed doors negotiation between the commission, the US government, and what is called here, GAFA or Google, Apple, Facebook, and Amazon, that this is a vehicle for those four companies to get what they want in areas like data governance and competition law. And that kind of narrative, if it develops, could be quite mobilizing in Europe, which we saw with TTIP, which was also backed incidentally by top cover online from Russian disinformation actors. And we could only imagine that the Chinese would really benefit from instrumentalizing or weaponizing that kind of narrative, if it were to metastasizing in Europe. The second is the question of the hub and spoke system that some in Brussels in Berlin and other places see developing in the United States. There's questions about how much the US is going to emphasize taking some of the quad deliverables and basically hoisting it, cut and paste onto Europe.

That's probably not going to work if that's the intention of Washington. And the third, and this is an inter European problem, but we saw it this past week is what Peter mentioned. The commission wants a peer relationship with the United States, but the member states prize their relationships with the United States. And so to the extent that it looks like the commission is driving legitimacy from this peer relationship, member states themselves are going to of question that and say, "Well, actually, we're the ones in charge here." And we saw this in the AUKUS spat with France, where France basically threatened to derail, postpone, really bloodied up this process a little bit last week, where France said, the commission isn't really in charge. Their authority derives from big states like France and Germany. And Germany back them up on this. So it's going to be really important to get member state buy-in for this process, if it's to work. And I look forward to the discussion. Thank you.

Peter Rough:

Thanks, Tyson. I suppose if there is a danger that embedding data governments in the TTC, derails it all together, and you just have a different director negotiate in parallel that's okay. I was just surprised that it wasn't on the agenda given that data governance is one of the 10 working groups and the subset of issues they mentioned within data governments are tailor made for privacy shields and clearly it's important, but anyways. And a last observation I'll make, when you mentioned the big bang of regulations coming out, I think it was you, had a panel with Eric Schmidt recently, who named the explainer rule within the artificial intelligence regulation as disaster or catastrophe, or some really hyperbolic description.

The explainer rule being that humans need to be able to explain the AI processes if there is somebody who comes back and ask how a certain result came to be in an AI process. But anyways, that's just another example of regulation versus innovation, not clashing, but there at least being a bit of tension. With that, to our three-slot hitter, Tom Duesterberg, if you want to take us home on what this all means, opportunities, friction points between the Europe and the US.

Thomas J. Duesterberg:

Okay. Like Nadia, I'm looking forward to a fulsome exchange with all of you. I have a lot to learn. I'm going to start with a somewhat pessimistic view about the prospects, at least in the near term for this exercise. And Tyson's list of four no's, which has a Chinese ring to it, just in terms of the phrasing strikes me as reinforcing what I am going to say. First of all, on the American side, the Biden administration is

totally focused on the domestic agenda and everything that's going to happen I think, in the next three months. This year is going to be dedicated to using the political capital that they have to get their domestic agenda in as a robustus form as they can, get it through to the finish line. They're not going to think about, in my view, larger issues on the international front. I think the way they handle Afghanistan, they just wanted to get it off the table.

It was a disaster, partly because of that. So there's that. Then as Tyson mentioned, it's always difficult to get consensus in the European Union. And I can't improve on the lists of issues that he talked about there. Then we have the current events, the German elections, the need to reestablish a leadership team there, French anger on a variety of fronts, but reinforced by the decision on the submarines. I would say, east Europe is not always easy to bring into the fold to develop a consensus in Europe. And now we have, they're upset by the Nord Stream decision. They're upset by the criticism that they're on the other end of for human rights immigration.

Finally, the European, especially the German reluctance to choose sides on China I think, is an impediment to really at least near-term accomplishments with the meeting this week, at least. Then there are longstanding differences between the United States and Europe mostly on the trade front, but it spills over into regulatory policy as well. The trade right now in the United States is a third rail. Nobody wants to touch it. And again, because of the focus on domestic policy, Biden folks are not going to take any chances. They're not even really in my view, reviewing China policy in a serious way yet. I think they will. But there are longstanding major differences.

Tyson mentioned a couple of them, agriculture, the perception, at least that antitrust is aimed at the United States. Digital giants. This new digital services act may reinforce that, that focused on the five largest platforms. And amongst other things, there are some who criticize it because it allows in the interest of transparency, the transfer of data to research institutions. Now, Tyson can help me with this. Does that include China if they request it? So I look forward to your answer on that, but there's suspicion in the United States that a lot of these regulatory policies aren't as robustly enforced with regard to China.

I would also note in the near term, I don't think Europe has the scale to be a real competitor with China in industrial policy. And if the United States goes ahead with the bills that Nadia mentioned, the chips act being the most prominent, and we put in another $100 billion, $200 billion, can Europe compete with that? Can they compete with... Because of the distribution of power, even if you have a robust central industrial policy, who's going to get the $20 billion or $30 billion for an advanced semiconductor plan? I think that's a problem.

Finally, on the negative side, I'm nervous about the United States overall policy. There's been an attack in the last 10, 20 years on intellectual property law, the erosion of patent standards, the ability to get injunctions for contraventions of patents. Now, the Biden administration wants to get a waiver on the COVID vaccine. All of this adds up to... Plus, I would note the macro policy of the Biden administration amongst other things, going to support the green technology. We're just not competitive in that. We're not competitive in production of solar panels, wind. The Biden administration wants to erode the ability of the fossil fuel industry to be an engine of growth in our economy. Finally, taxation, if suggested, moded, tax plans are passed, then we'll have the highest corporate tax rates in the OECD world, again, higher than China as well.

So I would just suggest, I would still like to see this process move forward. I think their less ambitious goals are what we ought to focus on. I have a little list here. I'll just go through it. Tyson mentioned the German program, an open ran. I think some of that EU wide money could be used for that. I believe the Italians are looking at that as well. That's an area where there's complementary Europe has the hardware, we have the software. So that might be an area to pursue. In terms of battery technology, I

think both sides want to put a lot of money into becoming self-sufficient in batteries. But we're still looking at lithium-ion batteries. Why can't we put some money into really advanced research, see if there isn't another technology out there that could be scaled up?

China's already captured the entire supply chain for battery technology anyways. So that's an area I'd like to look at. Quantum computing, again, some complementary of technologies. I think we need to solve this privacy shield issue. I don't know how to do it, but it's extremely important into the US economy. And I don't see how you go forward, unless we can get a good resolution to that. One out outside the box idea and maybe it's not really this meeting that can look at that, but we have this dispute over the world trade organization. And as both of us move smartly towards national champions and industrial policy, there's some danger we're going to totally undermine the world trade organization.

We have this appellate body dispute, which on the US side has its origins in the decisions of the appellate body outside and their interpretation outside what they thought they had negotiated and put into the rules of the WTO. So it's all on anti-AD/CVD, Europe calls this trade defense measures and is trying to ramp up their ability to deploy trade defense measures. So if the United States is right within the WTO, maybe that would be an area where they could find a resolution to the appellate body problem and develop some momentum. AI standards, both of you mentioned that. Export controls.

So in the longer run, hopefully we'll move on some of these confidence building measures, if you will. I think from what I can tell, reading the European commentary of the business community, I think there's a growing recognition that Chinese capitalism is a real problem. And maybe at some point, not this year, but in future years, we can talk a little bit more plainly about what to do about working together on countering the Chinese practices. Anyway, gone on too long, but there's lots of stuff that's very interesting to cover.

Peter Rough:

Thanks, Tom. And maybe just because you had those questions directly, Tyson, do you have any thoughts on the draft, digital markets act on transferring sensitive data or code that third parties without geographic restrictions? And then also, where the money would go? I think was the other thing Tom might have-

Thomas J. Duesterberg:

Sure.

Nadia Schadlow:

Not to take over the role of moderator, but I would like Tyson then also to explain, because I think it's important, how important that that data issue is to tech cooperation in areas like artificial intelligence in other areas? So that's what I'm having trouble grappling with. How can you not resolve the data issue and not have an impact on these other areas of cooperation?

Peter Rough:

That's right, Nadia. I became a panelist in my introduction. So you could become a moderator during- [crosstalk 00:38:11].

Nadia Schadlow:

I always tend to take over the moderator.

Peter Rough:

[crosstalk 00:38:16], Tyson.

Tyson Barker:

So first of all, not to be outdone by US sloganeering, the European Union has introduced its own chips act. The European chips act, which has three parts, a European semiconductor research strategy, a plan to enhance production capacity and a framework for international cooperation and partnership. This was announced in Ursula Von der Leyen's State of the Union address about three weeks ago or two weeks ago. The problem is it didn't have a price tag attached to it yet. And so people are asking the question, where's the money or what's the plan? Of course, the European Union has the horizon Europe program, which is an R&D program over the next seven years, which is looking at spending about €95.5 billion. And then there's the recovery and resilience facility. Are they just rebranding some of that spending? Is that going to be an area where they're looking to redirect some of that money and creating indigenous production capacity beyond R&D?

And it should be stated that Europe's past track record in spending on industrial policy has been primarily focused on R&D and it's had a real trouble commercializing a lot of that R&D. So are they going a big, further downstream on the production cycle? It seems that they want to go there, but as Tom mentioned, picking locations for fabs and that kind of thing is really tough. That's politically sensitive stuff. And it's hard for a state like the United States to do that. If you're talking about 27 members states, you're really picking winners and that's difficult. So we're getting into some very politically sensitive territory, but actually I think this is going to come up in the transatlantic context in the midterm as well. And one data point to add, we're having this first meeting on Thursday in Pittsburgh, where they're going to talk about short term objectives in semiconductors, primarily focused around supply chain security and resilience, but they do want to create a roadmap for mid- and long-term objectives.

And I think that some of that has to do with R&D and production capabilities. And the next meeting of the TTC is slated to take place in spring of 2022 during the French EU presidency. So it will take place in France most likely, right before a French election, I might add. So if you're a political prognosticator, you can think about where some of that effort might start to gel. On the open ran question. I agree. It makes a lot out of sense in the German American context, but this is where things get difficult. Germany has become a big supporter of open ran because of Deutsche Telekom, because it wants to have cheap mobile network equipment. But Europe has two champions that produce mobile network equipment and have a lock in the global market, Nokia and Erickson. So even though that Germany itself is pursuing an open ran industrial strategy, that is quite controversial in Brussels and with countries like France, which opposed mentioning that in the G7 Communique in the UK. So again, we're getting conflicting objectives within the European Union, very, very complicated interests and dynamics. On privacy shield.

Although it is officially not part of the TTC process, it is to put a diplomatically adjacent to the TTC process. There is live negotiations taking place, and everybody is aware of the urgency. I had some conversations with one of the negotiators from DG JUST a couple of weeks ago, and the United States, the Department of Commerce keep coming back with ideas, but they're not getting to the level of, and I don't want to get into the technical details, but it's not getting into the level of independent redress that the European Union would like to see to make sure that the process has credibility. And it's not just the bilateral front that the European Union and the United States have been duking it out on this issue. They've also had very tough discussions at the OECD, where the European Union has rejected any kind of interim agreements that focus on policy frameworks, favoring changes in the legislation.

So Europe is coming into a difficult time, not just with the United States, which it's the Canary and the coal mine on data privacy. This is how Europe wants to interact with the rest of the world given the GDPR framework. The standard contractual clauses, which are the other mechanism by which Europe interacts require that states that it transfers data to have what they call adequacy, basically the same standards that the European Union has. But do we really believe that India, which does not have an adequacy agreement has similar standards to the European Union or China or so many other potential partners? Do we really believe that some countries that have adequacy including the UK and Israel would withstand scrutiny by the European court of justice? I think it's difficult to make that case. So the question is, how does Europe want to interact with the whole world in maintaining an order that allows the free flow of personal data?

It's not just a question for the United States. The sad thing is, is that has been really compartmentalized in the transatlantic relationship. And that has been part of the problem. And there are two reasons for that. And two reasons it's a problem. One is all the enforcement fire power has been directed towards the United States. And I think that that have been just acknowledged. That's partially a product of the fact that the US had great platforms that developed early on, but as we are seeing Chinese platforms globalize, the scrutiny needs to be turned towards other actors in this space in order to maintain credibility for the data protection authorities. And the second is in the dynamic, the negotiating dynamic with privacy shield. You have the United States negotiators from the Department of Commerce. You have tech companies. And you have the intelligence community on the one side. That's the US side.

And then on the European side, you have the European commission negotiating in good faith with, at its back, watching it closely, NGOs, privacy bound NGOs, the European court of justice, and the data protection authorities in the member states. What you don't have are European tech companies, which exist. In fact, every company is a tech company because all these auto companies are going to be transferring personal data if they're planning, not having connected cars. You don't have member state governments, including their intelligence communities saying, "Why is this important for us to maintain this relationship?" So you have a big asymmetry in the negotiating dynamic, which also causes problems. So even beyond the letter of the law, the political atmospherics are not right for a durable solution quite yet. But both sides are looking to get a solution by November, before a decision comes down, dealing with Facebook, which could really make things more difficult. That said, I think we're still a little way away. It's really tough.

Peter Rough:

Thanks, Tyson. That's really interesting. Maybe I'll just try to bring this back up to the global level, since you just hinted at it and ask, how this transatlantic relationship and negotiation mess within the broader American strategy in the world, given the quad statement that came out and the meeting that the president had. I mean, are these Nadia mentioned that the US is charging forward? Do these have compatibility? Is there going to be tension? The Europeans have to decide how to deal with the world, but the Americans also now have not competing multilateral frameworks, but they do have, or seem to be forging new relationships. How do we see that? And I'll throw that out to really anybody who'd like to take it.

Nadia Schadlow:

Well, I'll just quickly say that ultimately, I agree with Tyson that the idea is not to create a choice between the United States and China, but ultimately Europeans will need to realize that their longer-term concerns about data privacy, their longer-term concerns about environmental issues. The things that they put on their agenda will not be consistent with a long term, closer EU China relationship. I mean, there will ultimately be a clash there, or a disconnect there. So that's a little bit how I see it that,

certainly China's not preserving the privacy of data in any systematic way. So these, and certainly in my view, China's also long term actually has very different agenda vis a vis, the environment and the Europeans. So I think if you pick the three to five key issues that Europeans think are important, if they actually draw out how those are likely to unfold, it's hard to see that it's within the context of a closer EU China relationship. That's it. Thanks.

Thomas J. Duesterberg:

Peter, I would just comment that I'm not quite sure how the quad for instance is going to play out their differences, especially with India. But that being said, and some of the very technical issues we've discussed, India is not in the same in place we are not likely to be anytime soon, even though, we could conceive of, for instance, some production of hardware and maybe research where India has certain skills, both in production and research software, some expertise in biopharmaceuticals. But the other parts of the quad, Japan and Australia are pretty much fully on board with what the United States is trying to do vis a vis China. And Japan is still a significant technology power. If we could bring in Korea and Taiwan for that matter, Singapore, maybe. Generally they're technologically sophisticated, have a lot to offer, a lot of ways in which we could cooperate with them. I mean, just take Japan on semiconductors and telecommunications technology, both hardware.

And they are somewhat of a leader in open ran type solutions as well. There's a lot to be gained by bringing them in. We had in the... somewhat related the world trade organization discussions between the so-called tri-lateral discussions on WTO reform. US, EU, Japan actually reached some pretty good conclusions and language about where to go on terms of industrial subsidies in the WTO. So that was just one sign that I think, that there's the chance to broaden this out. So it's not just a choice for the Europeans between the United States and China. There are other parts of the world, some which potentially bigger, and some of which are very technologically sophisticated and could be very useful in developing more resilient supply chains to adopt the cliches we're all throwing around these days.

Peter Rough:

Tyson, do you think that the Quad or AUKUS is shadowing these commissioners as they appear in Pittsburgh? Or are those really almost separate parts of the European brain?

Tyson Barker:

No, it's definitely shadowing the negotiations mainly in the sense that, and this is terrible to say, but Europe doesn't feel like it has been, and this is a perennial issue, and I know we have many people who've worked in government, so they know this, hasn't gotten the consultation that it deserves and its member states deserve. And I think that they have a case to be made, as was mentioned with Afghanistan, with office, with certain states regarding Nord Stream two. There was a lot of gardening that needed... and lot of advanced work that was just not done that left a lot of residual impact, I would say. It's going to be part of the atmospherics around the TTC, there's no doubt. But I would also say that in some ways, if you look at the areas where Europe is looking to make real offensive moves, interests in Pittsburgh around dual use export controls and investment screening, it's really about convergence with the United States.

It's about creating a democratic space for technology and really thinking about how we can harden our external borders to authoritarian states, primarily China. The commission is really doing a lot of proxy work for the United States and member states first and foremost, Germany in trying to create the policy and regulatory infrastructure on some of these questions that will start to get Germans, to reconsider some of these things. And I'll give you one example on investment screening. The European Union

pushed through a new investment screening framework last year, which led to Germany revising its framework and has ledge new hires. I was talking to somebody at the defense ministry here, and he said that they had hired 10 new people, primarily just to manage workload for screening Chinese investment in Germany.

And that there have been some cases noted by the public, including in the gaming sector. For example, there was just over the weekend questions. The German cybersecurity agency is looking at Xiaomi and Huawei handsets for their potential to censor, their censorship capabilities based on reports out of Lithuania. So there is a lot of movement and convergence tool towards a US way of looking at things, particularly around some of these market access, technological access questions in investment screening and export controls. And that could eventually lead to also questions around data flows, which is also quite important and trustworthy vendors, I should add.

Peter Rough:

Well, maybe as a closing round then related to the TTC, what are the agenda items that we think really are most essential? If we do need to prioritize this, Nadia puts it and not have a process-based forum that doesn't eventually pretty these concrete goals. And I do think that's a serious concern heading into this process. Those two areas, which you just mentioned, if I again, could put on my panelist rather than moderator hat seemed to matter to me as much as anything else, which is FDI controls and export controls, given that if the Americans lock their door, but the window of Europe remains open for theft of intellectual property, what's really the point? You're just basically damaging American exporters rather than really locking down key technologies. So those strike me as two areas that we could forge greater alignment and coordination on. Maybe Tyson, if you want to go first, what's your hope, your dream? If Tyson Barker were king, what would he want to see have happened coming out of Pittsburgh and then heading into 2022?

Tyson Barker:

Okay. My dream, and we're going to see all of it, but in a much less ambitious scope would be a strategic interdependence. So a real development of a high-end semiconductor ecosystem that supports both sides of the Atlantic in a balanced way. I'd like to see what I call democratic autonomy, which is deepening the data tech space within democratic countries, including those in Asia and hardening the borders to make sure that access to that democratic tech space comes with certain conditions that are met and join action on shaping the global digital rule book. I think we'll see one area in which we'll see some movement in data governance, which is on questions around illegal content and codes of conduct, codes of practice for platforms. But I don't think we'll see necessarily where we've discussed a movement on a privacy shield and some of these other things. So those would be the big three.

Peter Rough:

Great. Tom, do you have any thoughts on what you'd like to see coming out of the- [crosstalk 00:56:21]?

Thomas J. Duesterberg:

Well, just maybe too aspirational, but in the long run, I'm in favor of everything that Tyson articulated. And I would like to see this process work. I'm a little bit more worried about a headlong rush into industrial policy and spending a lot of money on industrial policy. In general, I don't think it always works very well and plenty of examples, but there seems to be a little bit of a danger of competition between the US and the EU, its semiconductors, it's cloud, lots of hardware. So I would like to see, at least a started discussion about the relative merits of cooperation on basic research. And I mentioned several

areas, semiconductors is one, battery technology. There are lots of them, quantum computing. But this divide balance, let's put it as a balance between developing the ecosystems, including support for basic research and outright support to individual companies to build things or develop products. I'd like to see some meeting of the minds on the best balance between those elements of technology policy.

Peter Rough:

Nadia.

Nadia Schadlow:

I'll just add one point standard setting tech agreement on technical standards and actually an agenda for doing it. If I read one more paper communicate statement over the past three years, we've been saying this and it's a boundable problem. It shouldn't be that hard. We should be able to organize an agenda, get the right people in the right place and actually start to make progress on it. And what I would ask the TTC to do then is to report out on really what their progress on that. It's a boundable problem. It's important, and it underlies a lot of these other issues as well.

Peter Rough:

Well, thank you, Nadia, Tom, and Tyson. To read more from Tyson, go to dagp.org. Nadia and Tom, you can find on hudson.org. Thanks a lot for watching and we look forward to seeing you at the next Hudson event. Have a good day.