

Professor Danuta Hübner

“Resetting the narrative on promoting EU and US technology leadership”

European Forum for Manufacturing Dinner Roundtable

European Parliament, Brussels, 7 June 2023

In the EU-US relations, we are not back to TTIP times. Somebody said that the focus now is more existential. The good news is to thinking about the EU and the US as the transatlantic economy, sharing challenges and common interests, which go well beyond trade relations. Flows that matter for the transatlantic economy are largely covered by the work of the ten working groups of the Trade and Technology Council. But, not at all out of nostalgia for the TTIP, let me say that getting rid of remaining traditional trade barriers, including tariffs between EU and US, would lower substantially costs for businesses.

I feel tempted to remind us that the transatlantic economy is the most interconnected, robust and resilient commercial artery in the world. Last year, US and EU companies broke historic record in trade in goods, in particular in comparison with EU-China and US-China trade flows. This economic relation runs very deep. 64% of global investment into the US comes from Europe. 61% of US global investment goes to Europe. This is two-thirds of global foreign direct investment stock. Our trade in services is 6 times bigger that the one between the EU and China. And my favorite data that I never hear from our politicians is about jobs. The EU and the US relations generate 16 million jobs on both sides of the Atlantic.

In the current geostrategic context, it is not only economic strength that matters. The EU and the US share fundamental values: democracy, human rights and the rule of law. The aggression on Ukraine showed those shared values in action.

Today, different flows build and accelerate globalization. A closer look shows the role of clean technology, sustainability efforts, security concerns, changing business models, state aid and geopolitical concerns in reshaping the global economy. Related policies are leading to strategies of “de-risking”, decoupling, and generous reaching out to state subsidies.

The global narrative is being reset. We are moving from a logic of cost efficiency to investments based on resilience and security considerations. I would say that if we are serious about a truly strategic de-risking, the challenge here is to make resilience based on security considerations also cost efficient.

In both the EU and the US, there are concerns about supply chain dependencies on China, especially for many critical materials and products needed for the digital and green transitions, and there are risks of switching addictions. I mentioned that the EU and the US share a common understanding of global threats, but we have a preference for different policy paths to respond to them.

The US is more prone to seeking bilateral partnerships with like-minded countries. The EU chooses to root its policy response in the multilateral rules-based system, with the WTO at its helm. Both, however, seem to increasingly appreciate opportunities opened by plurilateral frameworks and on both sides of the Atlantic, there is awareness of our shared global responsibility.

And I also think that we are both looking for a good balance between the rationality of domestic policies with a strong element of economic security, and the rationality of global responsibility, for which we need to be working together. We are both open to working on plurilateral agreements. This format could integrate conversations of common interest at the global level. Demonstrating leadership at global level is important. The G7 has become a platform for global engagement of the US and the EU.

At the recent G7 meeting, leaders endorsed the ‘G7 Clean Energy Economy Action Plan’, which emphasizes the importance trade policies and sharing necessary data will play in reaching net-zero emissions.

The G7 also mandated the OECD to report back on the progress of the Inclusive Forum on Carbon Mitigation Approaches (IMCMA) to explore methodological approaches for computing carbon intensity of goods or sectors.

We might remember that already at the June 2021 EU-US Summit, Presidents Biden and von der Leyen announced the creation of a “Green Tech Alliance”. We see now the first building blocks of that alliance being created in the TTC with the Transatlantic Initiative for Sustainable Trade, and the EU-US Clean Energy Incentives Dialogue. That dialogue will also undertake joint analyses of non-market policies and practices of third parties to better understand their impact on US and EU companies.

At the TTC4 meeting, the EU and the US also launched the Transatlantic Initiative on Sustainable Trade to amplify the potential of the transatlantic marketplace as a catalyst for decarbonization and the green transition.

In all those dialogues, our focus should be on helping to rapidly scale up clean tech so that EU and US innovations can become more affordable, accessible, and attractive. I trust that our respective policy packages addressing climate change and the transition to a low-carbon economy will build the resilience of the transatlantic marketplace in a mutually supportive way.

The EU and US have completed a joint early warning mechanism for semiconductor supply chain disruptions and a transparency mechanism for reciprocal sharing of information about public support provided to the semiconductor sector. It is essential to remain coordinated and avoid a race to the bottom in semiconductor public support. The TTC will collaborate on incentives for research on alternatives to some elements in chips manufacturing to build more resilient supply chains.

We probably all agree that in the ongoing technological race against China, we need to assert transatlantic technological leadership to ensure that future technology and standards will be aligned with our democratic values respectful of human rights.

In that regard, the TTC helps us not only advance on the resilience of transatlantic supply chains in key sectors for the green and digital transition but also cooperate on standards for emerging clean technologies.

The EU and the US announced at the end of the fourth meeting of the EU-US TTC that we developed a common standard for charging electric heavy-duty vehicles. I understand the alignment of EU-US approaches to standardization will be critical for the roll-out of dedicated recharging infrastructure.

The EU and the US should continue their cooperation on standards setting and should also cooperate on nominations in standards setting bodies to ensure that we have geopolitically sensitive experts in the technical committees.

In Sweden, the EU and the US announced they extended the scope of the EU-US Mutual Recognition Agreement annex for Pharmaceutical Good Manufacturing Practices to include veterinary medicines and updated the existing EU-US Marine Equipment Mutual Recognition Agreement. These are steps in the right direction.

However to achieve more frictionless trade between our markets, we still have a hugely untapped potential for adding more sectoral mutual recognition agreements in a range of sectors, such as machinery, auto safety, or digital tools.

On the digital front, there remains a gap between the EU and the US on AI rules. The EU is moving ahead with mandatory rules for AI that would require firms to not use the technology in pre-defined “harmful” ways.

On the US side, ongoing political division within Congress makes it unlikely that any AI-specific legislation will be passed before next year’s US election. Regardless of Congress, the Biden administration has made international collaboration on AI a policy priority as helping leading US AI companies compete against China’s rivals is also a national security priority.

The fact that the EU and the US announced at the TTC4 meeting that they are launching three dedicated expert groups on AI, including on terminology and standards shows we are collaborating the right way. We all expect to see more deliverables being announced at TTC5.

And it goes without saying that these unprecedented challenges can be adequately addressed only with an active role of the business community – actually with a new

approach to collaboration between policy makers, legislators, regulators and those who generate technology, growth, trade, and jobs.

We need collaboration that will be more transparent and based on a common understanding of risks, of economic and national security challenges, as well as of the importance of sectors to the digital and green transitions. And when I talk about collaboration I see it as a process and not a one of event.