Viewpoint: Why the U.S. and Europe Need to Work Better Together on Technology

Sean Randolph – August 1, 2023

Europe and the United States are allies, collaborators — and competitors. Today, it is increasingly important that Europe and the United States look beyond competition to align their policies and capabilities around shared strategic goals. The reasons are compelling. An aggressive and imperialist Russia has brought war to NATO's borders, while on the other side of the world China's technological capability and strategic ambition are expanding. The concern with China isn't just the economic challenge it poses, but how that drive is coupled with political authoritarianism. This combination poses a challenge of a different order to market democracies and the global values they represent.

Europe is important as a uniquely critical trade and investment partner. Last year the U.S. imported more from Europe than from China. Foreign investment between the U.S. and Europe dwarfs flows with China ($3.2 trillion in European investment here and $4 trillion U.S. investment there.) The U.S. and Europe are the top trading partner for each other in digitally enabled services. U.S. exports of digital services to Europe are twice those to the Asia-Pacific region, and data flows moving between North American and Europe overall are 55% higher than those across the Pacific.

Despite this, achieving political alignment is easier said than done. One barrier is the different approaches the EU and United States haven taken toward technology regulation, with Europe being much more aggressive on issues such as data privacy. We have these debates too, but Europe has moved forward with a raft of legislation that goes far beyond anything happening in the U.S. now. High fines have been imposed. on U.S. companies such as Facebook, and higher costs to access Europe's markets may follow.

Perhaps we should go there too, but many see in Europe's policies a shadow of protectionism. While it has world-leading companies like SAP, Europe has been much less successful that the U.S. in growing software companies to scale, and U.S. platform companies such as Google, Facebook, Apple, and AWS – primarily from the Bay Area –

dominate the digital and cloud landscape. As Europe aims to grow its own capacity U.S. companies, faced by a growing range of restrictions, often look like targets. The idea now prevalent in Europe of "data sovereignty" is particularly challenging in an environment where massive flows of data are exchanged every day.

We need to find common ground. Imposing discriminatory regulations on U.S. companies will not produce the innovation or competitive environment that Europe is looking for.

It is critical that we identify and build on points of alignment to ensure that regulatory differences don't impede larger strategic goals. One should be to keep the United States and Europe, together with allies such as South Korea, Canada and Japan, at the forefront of critical and emerging technologies and of the processes that set global technology standards. This means focusing not just on internet or platform companies, but on trans-Atlantic cooperation on defense R&D, facilitating the exchange of STEM talent, linking our innovation ecosystems, and collaborating on pre-competitive research in priority fields such as AI, cybersecurity and quantum computing and communications. The Trans-Atlantic Trade and Technology Council (TTC), a high-level government forum that facilitates trade and technology cooperation between Europe and the US, can lead this process.

Where we don't go, China will. The Chinese are intense competitors and invest heavily to achieve their goals. While Russia doesn't pose a comparable economic challenge, its aggression in Ukraine and alignment with China changes the global game. The worst thing for the U.S. and Europe would be, through lack of focus, to lose this competition by default.

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