Recommendations for a Digital Atlantic

By James A. Lewis, Heather A. Conley, Colin Wall & Eugenia Lostri

At the beginning of 2021, the Center for Strategic and International Studies (CSIS) began a study of the evolving dynamics of U.S.-EU relations on digital challenges and opportunities. Getting cooperation right on these issues will help determine the winners and losers of the future global economy. And while U.S. and European companies can succeed independently, by working together they can advance innovation, spark economic growth, and play a central role in setting standards for technology development.

At the same time, failure to act swiftly and jointly would have major consequences beyond economics: it would risk ceding the initiative to authoritarian regimes. The consequences of such a failure would extend beyond the Euro-Atlantic community. If the sophisticated Chinese model of digital repression is to become or influence the global standard, people in the developing world will suffer as China exports its authoritarian approach. At the same time, the values of political freedom and open expression that Europe and the United States seek to champion will be undermined.

Cooperation is the key to avoid this outcome, although it will not be easy—the United States and European Union do have reasons to look suspiciously at one another’s digital policies. These issues are well catalogued and are not repeated here. Instead, this brief picks up on CSIS’s Digital Atlantic workstream, which argues for the strategic benefits of a Digital Atlantic—a single, transatlantic digital community, with as high a degree of integration as is possible and sensible.

Taking its cue from the first meeting of the U.S.-EU Trade and Technology Council (TTC), the prior brief in this series identified three issues that the research team believes lay the best foundation for the construction of the Digital Atlantic. Two are areas where concrete collaboration can begin immediately, providing a critical foothold in the restoration of the digital transatlantic relationship and building a reflex for consultation and joint endeavor: creating a transatlantic semiconductor supply chain and working together to develop next generation networks. The third has been chosen because of the value of resolving transatlantic differences: formulating a model of values-based digital governance.
Semiconductor Supply Chain

As the inaugural joint statement following the first TTC meeting indicates, the United States and European Union are committed to building a partnership in this area. Governments on both sides of the Atlantic are paying close attention to this issue because of its strategic importance: 75 percent of global semiconductor production is concentrated in East Asia, and the United States and Europe have both seen their share of chip production decline. Although both are pursuing their own policies to change this, the TTC working group shows there is room for cooperation. Starting at the broadest level, the ambition should be to develop a coordinated transatlantic semiconductor policy that avoids the “costly duplication” European Commissioner Margrethe Vestager has recently warned against and that risks Europe falling further behind in semiconductor development.

RECOMMENDATIONS

1. Clear up misunderstandings. The primary issue here concerns the intention behind ongoing or proposed U.S. and EU policies to subsidize the industry within their respective remits, which has led to fears of a transatlantic semiconductor subsidy race. The rationale for these policies must be made clear. The TTC is well suited to this purpose.

2. Share more data on foreign investment screening across the Atlantic with respect to the semiconductor industry, particularly when it comes to Chinese investments. The TTC can be useful in this regard.

3. Jointly define what chips and manufacturing equipment should have restrictions placed upon them with respect to selling to China and what can be safely exported. This is likely being discussed in the TTC working group on export controls already. This common understanding should be brought into proceedings in the Wassenaar Arrangement or an informal partnership of Western chip-producing nations.

4. The United States should commit to multilateralism, first by taking a leadership role in the Wassenaar Arrangement and, second, by increasing consultations with partners and allies, building on the success of the TTC.

5. Develop a coordinated U.S.-EU subsidy and investment strategy covering the full gamut of chip production, an outcome both sides should desire given the benefits of avoiding duplication and the stakes of competition with China.

After 5G: Next-Generation Networks

The TTC working group on information and communications technology and services will already be working on supply chain concerns for 5G deployment. It will also likely explore ways to develop a common roadmap for 6G communication technologies. As the prior brief in this series noted, this is sensible: some of the most advanced initiatives on next-generation networks come from the United States or European Union.

CSIS conversations with industry representatives, government officials, and experts have shown that a particularly crucial conversation must be had on a transatlantic approach to Open Radio Access Networks, or Open RAN. Unlike RAN, which requires one vendor to produce the entire network stack, Open RAN (ORAN) would use a modular approach, wherein multiple vendors produce different components that are integrated into one network. At the moment, there may be misunderstandings between Brussels and Washington over the intent and security of ORAN, a technology that has brought innovation and may
increase efficiency. While ORAN is not a “silver bullet” to reduce the risk of using Chinese equipment, all telecom service operators interviewed by the research team believe ORAN is the future.

**RECOMMENDATIONS**

1. **Use the TTC to avoid misunderstandings.** There are some in the European Union who believe the U.S. government is indifferent to the negative effect that proposed federal support for ORAN would have on established European companies like Nokia and Ericsson—or even that it seeks to harm those companies in an unfair, China-like approach to state subsidization. Our discussions with U.S. stakeholders do not reveal any such intentions, and diplomacy can alleviate this anxiety.

2. **Increase cooperation on research and development (R&D) for next-generation networks and ORAN.** As a participant in a recent CSIS workshop observed, a more integrated transatlantic R&D effort would be beneficial. The Resilient and Intelligent NextG Systems (RINGS) initiative, a U.S. government-led project that also includes European companies, could be taken as a model. RINGS is promising but only managed to pool roughly $40 million. A more substantial joint investment in transatlantic R&D collaboration on 6G—along with Japan—is warranted to compete with China in this area.

3. **Encourage** the European Commission to provide a roadmap outlining their strategic vision for next-generation networks.

4. **Discuss policies and best practices in the TTC** that will help small and medium-sized enterprises participate in the future ORAN ecosystem.

5. **It will be crucial to keep the standards process** for 5G and 6G free from political influence, with decisions based instead on “superior performance.” The development of standards should also be informed by the deployment experience—in an iterative process.

6. **Work against the regionalization of standards for networks.** The ongoing dynamic that leads to regionalized standards will harm global economic growth and security.

**Digital Governance**

The transatlantic conversation on digital governance is taking place in a less public venue. It is essential to develop rules governing tech companies on data privacy, harmful content, and anti-competitive behavior that are consistent with democratic values. (The TTC statement also identifies algorithmic amplification, transparency, and intermediary responsibility as areas of shared concern.)

The European Union has unilaterally advanced regulation in this space: the Global Data Protection Regulation (GDPR) addresses the data privacy of European citizens, and the pending Digital Services Act (DSA) package addresses content- and competition-related concerns. On the U.S. side, however, domestic disagreements on how to approach these issues have so far slowed the development of similar federal legislation. This makes transatlantic collaboration difficult—and aspects of the EU regulatory approach are viewed by some as heavy-handed and sometimes discriminatory. An EU policymaker responsible for shepherding the Digital Markets Act (DMA)—the component of the DSA package that regulates anti-competitive behavior of online platforms—through the European Parliament indicated recently that he views the legislation as a tool to target U.S. companies. Rightly or wrongly, these suspicions create the risk of counterproductive blockages in wider negotiations.
However, given the importance of good digital governance for the future, the need for continued involvement and discussions to find a balance between protection and growth is vital. Neither side of the Atlantic can afford to get this regulatory balance wrong if they wish to avoid decline. Put bluntly, EU policy, despite the best of intentions, can harm the ability to innovate and gain commercial benefit from technology. This is in the interest of neither Europe nor the United States.

RECOMMENDATIONS

1. Consult on legislation and use the TTC to avoid misunderstandings. It is too late for the United States to influence the DSA package as the DMA is all but finalized: the most recent version has passed in committee in the European Parliament; it now awaits a vote in front of the entire Parliament in plenary and a final “trilogue” between the Parliament, European Commission, and European Council. The DSA is only one step behind and awaits a vote in committee in Parliament. The United States could still weigh in, however, on the Data Act, a proposal the Commission will make soon concerning data transfers between businesses, and between businesses and governments, and its extraterritorial application. The TTC is a reasonable venue for the United States to offer its input, and negotiators should likewise be open to accepting European input into the ongoing U.S. debate on tech governance.

2. Develop a transatlantic approach on content. There is widespread transatlantic concern about the misuse of information technologies to spread misinformation, influence elections, or perpetuate harms like harassment or bullying. An informed approach and transatlantic discussions can be particularly useful to tackle the implications any attempt at regulation can have on freedom of speech. It will also be vital to ensure rigorous transatlantic consultation and messaging on evolving state-sponsored disinformation on online platforms from actors like Russia and China.

3. Find a workable transatlantic solution for data privacy and transfers. After the Court of Justice of the European Union invalidated the U.S.-EU Privacy Shield, it thrust the Shield’s roughly 5,380 participants into a state of unproductive legal uncertainty and higher operating costs. A national U.S privacy law like the GDPR will probably be required for real resolution of this issue, but in the meantime, the Biden administration and Congress should show a degree of attentiveness to the European Union’s position by, respectively, continuing to explore possibilities to address select EU concerns via executive orders and administrative actions and by linking the great lost benefits of transatlantic data flows to broader debates about government surveillance.

4. Develop joint guidance on cloud security: The TTC working group on data governance and technology platforms is examining “common approaches on the role of cloud infrastructure and services.” Building on this work to ensure coherent approaches can help advance the benefits of cloud infrastructure to individuals and businesses.

Conclusion: Trust, Values, and the Strategic Consequences of Failure

The stakes—and opportunities—are high for the transatlantic community to get cooperation right on these issues. The opportunity for economic growth in building a strong Digital Atlantic is considerable, and failure will strengthen the hand of authoritarian regimes like China in tilting the development of rules for global internet and data governance to look more like their own repressive models. The close relationship between China’s government and major Chinese companies amplifies this challenge.
We do not underestimate the disagreements on how to manage risk, privacy, and competition within the transatlantic community, but we believe that— with the right mechanisms for consultation, coordination, and decisionmaking— like the TTC, mutual democratic values outweigh any differences. The European Union and United States should, at a minimum for all these issues, cease blindsiding the other with unilateral decisions with transatlantic implications, which unnecessarily set back the relationship.

To quote the first U.S. ambassador to France, speaking some 245 years ago, “we must, indeed, all hang together or, most assuredly, we shall all hang separately.” The United States and European Union have an opportunity now to build a strong digital future and defend their shared values at a time when democracy is being challenged. Focusing on these three areas—and in doing so, laying a foundation for a cohesive, innovative, and secure Digital Atlantic—is the best way to start.

James Andrew Lewis is senior vice president and director of the Strategic Technologies Program at the Center for Strategic and International Studies (CSIS) in Washington, D.C. Heather A. Conley is senior vice president for Europe, Eurasia, and the Arctic and director of the CSIS Europe, Russia, and Eurasia Program. Colin Wall is a research associate with the CSIS Europe, Russia, and Eurasia Program. Eugenia Lostri is an associate fellow with the CSIS Strategic Technologies Program.

This report is made possible with support from Microsoft.

This report is produced by the Center for Strategic and International Studies (CSIS), a private, tax-exempt institution focusing on international public policy issues. Its research is nonpartisan and nonproprietary. CSIS does not take specific policy positions. Accordingly, all views, positions, and conclusions expressed in this publication should be understood to be solely those of the author(s).

© 2021 by the Center for Strategic and International Studies. All rights reserved.