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Lessons from the TTC for Europe's Foreign Economic Policy, With and Without the U.S.

POLICY PAPER - MAY 2025

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Foreword

Europe is undergoing a major reassessment of its international positioning. The intensification of trade rivalries, the race for technological supremacy and the growing challenge to the rules of a globally open market require a new approach of economic foreign policies —beyond external trade and monetary policy management. Caught between China, the United States, and likely India in the near future, all unified strategic actors, Europe must decide a new course of action.

The project of "Europe's foreign economic policy" highlighted by Mario Draghi in his September 2024 report, is meant to bring together European efforts to ensure economic security for the Member States. This calls for a reduction of the vulnerabilities stemming from global trade and financial interdependencies, as well as from geopolitical risks. In practical terms, this means ensuring that Europe maintains access to the resources it needs without making dangerous compromises and regains margins of action for its defense and development. Member States have now the confirmation that the preservation of their economic interests requires an EU-level approach.

The transition to a more assertive strategy may appear difficult and calls primarily against dogmatism. Piling up normative requirements will be highly counter-productive, particularly in relations with our external partners and in view of the increasing distrust from European societies. If we intend to benefit from the "Brussels effect", tailored and flexible approaches are required to yield tangible results.

This is the key lesson learned from the Trade & Technology Council, a diplomatic channel established between the European Union and the United States to address urgent economic security issues. Indeed, the following note draws from this experience to advocate a return to pragmatism as Europe continues crafting the tools of its economic security.

Marie-Pierre de Bailliencourt,
Institut Montaigne's Managing Director

Executive Summary

Europe's economic security is increasingly under strain from the rise of techno-nationalism, the fragmentation of global trade and the weaponization of critical raw materials. Navigating this environment demands a clear foreign economic policy, one in which Europe's strategic position between the United States and China is the defining question. Transatlantic coordination on China, once essential, appears in doubt today. Yet Beijing's growing influence, its support for Russia, and its ability to exploit Western divisions are a key issue. In this shifting landscape, trusted partnerships, including with the U.S, are more vital than ever.

The EU-U.S. Trade and Technology Council (TTC), launched in 2021 as a tool for transatlantic cooperation, was a promising response to these issues. It intended to structure transatlantic cooperation on shared economic and technological goals. Less explicitly, it also aimed to foster a unified Western stance toward China—a country whose economic scale, technological ambitions, and assertive posture continue to challenge not only the foundations of Europe's industrial base, but also its global influence and security order. But the recent trade offensives launched by the Trump administration, its open disparagement of Europe and tilt towards Russia have cast doubt on the viability of such coordination. There are currently no credible signs of American openness to a meaningful partnership with the European Union; on the contrary, European overtures have been met with disregard.

A closer look at the now-dormant TTC offers valuable insights into how Europe's foreign economic policy could be strengthened. This note assesses what the TTC accomplished, where it fell short, and what these outcomes reveal about both the potential and the constraints of international cooperation in advancing European economic interests. While the TTC ultimately struggled to produce binding outcomes or establish lasting institutional alignment, it represented a meaningful experiment in bridging political-level dialogue with technical-level engagement. Its agenda revealed both the limits of existing transatlantic formats but

also the promise of structured, cross-sectoral cooperation to serve the EU's strategic interests.

Against this backdrop, this note argues that Europe must now act with greater independence and strategic purpose—drawing lessons from the TTC's shortcomings while integrating its more effective elements to strengthen its foreign economic policy framework. Central to this effort is the urgent development of a robust economic intelligence capacity. This will require enhancing internal capabilities within the European Commission. It also calls for improved coordination among Member States on critical technologies, as well as the promotion of tailored intelligence-sharing cooperation with economic security partners such as Canada, Japan, and the United Kingdom.

Transatlantic economic security cooperation should likewise be streamlined—shifting away from overburdened political formats toward sustained, pragmatic technical dialogues between regulators and agencies. A focused, interest-driven agenda remains possible —even without the TTC—particularly in areas where common interests can be pursued, such as semiconductor technology, export controls, LNG, and green hydrogen.

At the same time, Europe must diversify its global partnerships, accelerate trade negotiations, and deepen technological collaboration with existing FTA partners. Looking beyond the United States, Europe should move quickly to finalize trade agreements with countries such as Australia, India, and Indonesia, clarify its position on Mercosur, and pursue accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). It should also establish flexible "Clean Trade and Investment Partnerships" and prioritize securing access to semiconductor supply chains through strengthened ties with key Asian nations.

Regulation should be integrated more strategically in Europe's economic foreign policy, not simply as a narrative stressing the EU's normative power rhetorically, but as a tool to shape emerging low-carbon industrial markets. In particular, internationally aligned carbon footprint standards and other regulatory instruments should be leveraged to enhance Europe's competitiveness in green technologies.

Finally, the note calls for a recalibration of Europe's digital and AI regulatory strategies to achieve a more effective balance: protecting core democratic values within the EU while preserving the continent's capacity for innovation—currently at risk due to regulatory overreach. A stronger political commitment to enabling innovation would, in turn, reinforce the global relevance and attractiveness of Europe's digital regulatory model.

These measures, taken together, are essential for turning the EU's fragmented economic diplomacy into a more coherent and resilient framework—one capable of responding to external shocks, protecting critical sectors, and advancing European strategic autonomy in a rapidly shifting global environment.

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Introduction

What kind of foreign economic policy best serves European interests in an era defined by trade wars and techno-nationalism? At its core, the question hinges on how Europe positions itself between China and the United States. Is transatlantic coordination on China policy still a viable path forward? In principle, such coordination is essential to Europe's economic security, especially given the scale of China's economy, its breakthroughs—and, increasingly, its leadership—in technology across a growing number of strategic sectors. From mass-scale advanced manufacturing to dominance in key export markets, China's trajectory poses a structural challenge. Recent experience has shown not only China's skill in exploiting divisions within the EU and in the transatlantic alliance, but also the broader risks posed by circumvention of controls over technology transfers, and Beijing's critical support for Russia in the face of international sanctions. These dynamics only heighten the need for a transatlantic relationship built on trust, strategic clarity and close coordination. It was with this goal in mind that the EU launched a Trade and Technology Council (TTC) with the Biden administration, continuing and upgrading a strategic conversation that began in the final stretch of Donald Trump's first term.

Yet the idea of transatlantic coordination may seem almost out of place in the wake of "Liberation Day," marked by a fresh display of hostility from the Trump administration toward the European Union—as well as toward other allied partners. To date, there are no tangible signs of any American willingness to cooperate with its allies. Treasury Secretary Scott Bessent may have declared that the U.S. and allies can "approach China as a group" once they have reached a trade deal, but he has been an isolated voice in an ocean of hostile comments.[1] And there is mounting evidence pointing in the opposite direction. Björn Seibert, head of

[1] *"Bessent Sees a Deal With Allies, Then Group Approach on China", Bloomberg, 9 April 2025, https ://www.bloomberg.com/news/articles/2025-04-09/bessent-sees-a-deal-with-allies-then-group-approach-on-china.*

cabinet of Ursula von der Leyen and a key figure in EU–U.S. cooperation on China, and Maroš Šefčovič, the European Commissioner for Trade, were not even granted a meeting with National Security Advisor Mike Waltz during their visit to Washington on March 25. During that visit, a bold proposal to eliminate tariffs on all traded industrial goods was reportedly presented to the U.S. administration. As one European participant in the Trade and Technology Council notes pointedly: "With Biden, we had a China policy that sought to engage with allies. With Trump, we have neither a clear China policy nor any regard for allies."

European governments, including France, continue to adopt a posture of strategic patience to leave room for potential negotiation. The French President had proposed on April 4 a three week window before the announcement of major counter measures. Donald Trump's announcement on April 9 of a 90 day "pause" on most tariffs has launched a phase of negotiation.

In this context, Europe must begin by clearly defining its own interests with regard to China policy, before turning to the frameworks for international cooperation—including with the United States—that might help advance those interests. This is all the more relevant given that the Trump administration has been forced into reactive course corrections, adjusting to the unintended consequences of its own decisions. For example, it recently paused tariff hikes after recognizing the financial strain they were placing on U.S. Treasury bonds, Federal Reserve liquidity, and global banking systems—a stark reminder from the markets that an administration characterized by risk-taking and policy experimentation cannot afford to ignore economic reality. Of course, the transatlantic Trade and Technology Council, launched five years ago at Europe's initiative, is effectively defunct—even if its formal demise has yet to be declared. Rather than serving as a superstructure that constrains Europe's agency, the transatlantic relationship should not be viewed as an end in itself, but rather as an instrument—activated when relevant and realistic—to serve European priorities.

1 The TTC as a Tool for Advancing Europe's Economic Security Agenda

Five years ago, the TTC was explicitly conceived as a mechanism to overcome negotiation hurdles between both sides of the Atlantic and to lay the groundwork for new agreements on economic security, emerging technologies, data governance, managing technology transfers and decarbonization policies. Implicitly, it also served as a platform for aligning transatlantic approaches toward China. Today, China continues to pose an unprecedented challenge to Europe's economic security, from intellectual property and high-tech acquisitions to critical raw materials and, increasingly, the viability of entire segments of European industry. Beyond China, the TTC aimed to foster convergence on other issues seen as priorities by Europe—such as emissions reduction strategies and the regulation of emerging technologies—areas where progress is only possible through cooperation among major global players.

Yet, one challenge does not cancel out another. It would be a profound misstep to treat China policy merely as a lever to manage problems in transatlantic relations, or worse, as a means of retaliating against the United States through coordinated trade measures. A clear-headed European strategy must rest on two pillars.

First, European diplomacy must push the United States to recognize the risks posed to the alliance by its diplomatic disengagement from European security *vis-à-vis* Russia, coupled with an unprecedented level of commercial aggression toward the EU. Second, it remains critically urgent to assess where meaningful convergence is still possible in our respective China strategies. Despite the European Commission's sustained efforts, none of the challenges China poses to Europe's economic security have been resolved.

Indeed, while tensions with the U.S. have brutally surged in recent months, the China issue is clearly structural. Four major categories of economic security challenges continue to strain the EU-China relationship. On the trade front, the "second China shock" foretold by Ursula von der Leyen becomes all the more likely in the absence of a European response. U.S. tariffs on Chinese goods increasingly push Chinese exports to the EU as a market of last resort. The European Commission President's stated priority—monitoring "trade diversion caused by tariffs, especially in sectors already affected by global overcapacity"—signals a clear awareness of this risk.[2] Yet, only coordinated action with international partners can truly strengthen the EU's position in the face of this looming challenge.

In the realm of critical infrastructure, the parallels between Russian and certain Chinese actions are becoming increasingly apparent. Beijing's decision to showcase its ability to sever deep-sea submarine cables is one telling example, given that Chinese flag vessels have also likely been involved in hostile operations in the Baltic Sea. Europe's critical infrastructure—whether in cyberspace, outer space, energy, or transport—remains vulnerable to hybrid threats in an era of heightened geopolitical tension. This underscores the need for a shared defensive posture with the United States.

On the issue of technology transfers, China's ongoing support for Russia's war effort in Ukraine demands that European actors exercise extreme caution, avoiding any transactions that could feed into China's evolving civil-military integration. At the same time, Europe's pursuit of "open strategic autonomy"—often translated in French industrial circles as the goal of "de-ITARization"—does not negate the fact that dependency on U.S. defense components will persist for some time.[3] The EU's renewed focus on bolstering its defense industry will help reduce this over-reliance, but it will not eliminate it entirely.

[2] *Commission européenne. "Read-out of the Phone Call between President von Der Leyen and Chinese Premier Li Qiang." - 2025, ec.europa.eu/commission/presscorner/detail/en/read_25_1004.*

As for the risks of economic coercion, Europe overall continues to deepen its dependence on China, despite repeated calls to reduce supply chain vulnerabilities. While some major firms have begun to diversify their supply chains in an effort to hedge against geopolitical disruptions, the broader trend tells a different story. The push for a green transition, coupled with the EU's underdeveloped industrial policy, is in fact reinforcing Europe's reliance on Chinese components and technologies. This dimension of economic security goes well beyond traditional notions of national defense—it strikes at the core of Europe's competitiveness, the future of its industrial base and, ultimately, employment across the continent.

Addressing these challenges—or at the very least, mitigating their most damaging effects on Europe—requires a foreign economic policy grounded in partnerships and international coordination. For a long time, no partnership has served this function more effectively than the transatlantic relationship. However, in light of growing American trade aggressiveness, part of this agenda must now be pursued first and foremost with those partners who remain committed to the principles of free trade. The European Union has long engaged in trade and, at times, investment partnerships with third-party economies. Swift trade achievements could help chart an alternative course to the commercial confrontation initiated by the United States. Yet there has been little meaningful progress on this front in recent years. While the

[3] *The International Traffic in Arms Regulations (ITAR) is a set of U.S. government regulations administered by the Department of State's Directorate of Defense Trade Controls (DDTC). ITAR governs the export, re-export, and transfer of defense-related articles, services, and technical data listed on the United States Munitions List (USML). ITAR imposes restrictions not only on physical exports but also on "deemed exports"—i.e., when controlled technical data is disclosed to foreign nationals, even within the U.S. The regulation also applies to U.S. companies abroad and foreign entities working with ITAR-regulated items. Due to its extraterritorial reach, ITAR has implications for international collaboration, particularly in aerospace, defense, and high-tech industries. De-ITARisation is thus the process of designing, sourcing, or re-engineering products —especially in the defense, aerospace, and high-tech sectors—so that they are not subject to the restrictions of the ITAR. For more information, see Directorate of Defense Trade Controls. "The International Traffic in Arms Regulations (ITAR)." State.gov, www.pmddtc.state.gov/ddtc_public/ddtc_public?id=ddtc_kb_article_page&sys_id=24d528fddbfc930044f9ff621f961987.*

EU has announced the opening of trade negotiations with the United Arab Emirates, ongoing talks with India, Indonesia, and the Philippines show no signs of acceleration.[4] Nor is there any indication that the EU intends to join the CPTPP, of which the United Kingdom is already a member—despite the fact that accession appears more attainable than ever.[5] From a strategic standpoint, diversifying our trade partnerships is a practical and immediate way to reduce risky dependencies and regain flexibility. In this context, the Mercosur agreement— which France has opposed for domestic political reasons —will soon serve as a key test of the EU's ability to extend its trade reach and adjust to global power dynamics. The downside for a relatively small number of European and French agricultural producers, as well as concerns over enforceable standards, should weigh less than the potential commercial gains such an agreement could deliver. Beyond the urgency of securing quick results, there is also a pressing need to prevent Chinese overcapacity from entering Europe indirectly through third-party markets. In particular, rules of origin in several EU trade agreements must be revised: currently, none exist for Turkey, and only limited provisions are in place for South Africa and Morocco.

Through the Clean Industrial Deal, which envisions the creation of Clean Trade and Investment Partnerships, Europe is seeking to recalibrate its trade and investment strategy in response to a dual challenge. On the one hand, it must secure reliable access to the critical raw materials underpinning its industrial ambitions, particularly in the energy and defense sectors, including lithium, graphite, cobalt, and nickel. On the other hand, it must ensure viable markets for its industrial goods in a global landscape shaped by rising tariffs and growing regulatory

[4] *"EU and UAE Agree to Launch Free Trade Talks." Reuters, 10 Apr. 2025, www.reuters.com/world/eu-uae-agree-launch-free-trade-talks-2025-04-10/. European Commission. "EU Trade Agreements." European Commission, 2023, policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/negotiations-and-agreements_en.*

[5] *García Bercero, Ignacio. "The EU and Indo-Pacific Countries Should Head a Trump-Tariffs Response Force." Bruegel | the Brussels-Based Economic Think Tank, 3 Apr. 2025, www.bruegel.org/first-glance/eu-and-indo-pacific-countries-should-head-trump-tariffs-response-force. Accessed 16 Apr. 2025.*

fragmentation—especially around carbon emissions and environmental standards. These shifts are making international trade more difficult to navigate, and they weaken Europe's position in global value chains. It is therefore essential for the EU to multiply targeted partnerships focused specifically on critical materials and the emerging value chains of a carbon-neutral economy.

2 Lessons from the TTC

In this context, it is worth drawing lessons from the experience of the TTC. Initially a European initiative, the TTC delivered concrete benefits to the EU. It is equally important, however, to understand the roots of the difficulties it encountered.

Recent interviews conducted in Brussels with key stakeholders involved in the TTC highlight six areas of positive impact.

2.1. THE TTC HELPED STRENGTHEN EUROPE'S FOREIGN DIRECT INVESTMENT (FDI) SCREENING CAPACITY

When the TTC held its inaugural meeting in Pittsburgh in September 2021, the EU regulation on foreign direct investment (FDI) screening had been in force for less than a year. By facilitating regular exchanges between European and U.S. regulators, the TTC played a pivotal role in strengthening Europe's capabilities in this emerging area of economic security. This was especially valuable given that the United States remains, by far, the country whose FDI activities are subject to the largest number of screening procedures within the EU—underscoring both the depth of transatlantic economic ties and the fact that

investment screening, while crucial in the context of EU-China relations, is ultimately country-agnostic.[6] The European Commission strategically scheduled its coordination meetings with Member States ahead of the transatlantic working group consultations on FDI screening, thereby maximizing the momentum generated by the TTC.

Today, as Cyprus, Croatia, and Greece—the last three EU Member States without a screening mechanism—are expected to implement one by the end of the year, Europe no longer feels the same urgency to cooperate with the United States in this domain. Admittedly, the gap in economic intelligence capabilities still favors Washington, and European authorities may continue to request U.S. assistance in obtaining information on foreign companies during specific reviews. But these requests will remain occasional, and alternative avenues for international cooperation are increasingly viable.

When assessing transactions involving Chinese entities, partners such as Japan, South Korea, and Taiwan offer credible alternatives, capable of providing critical, otherwise unavailable intelligence. Likewise, the Five Eyes countries—which have developed robust capabilities through their cooperation with the U.S.—can also be leveraged to sharpen risk assessments linked to foreign investments.

2.2. THE TTC INITIATED AN UNPRECEDENTED LEVEL OF TRANSATLANTIC COOPERATION ON EXPORT CONTROLS

The current degree of EU-U.S. coordination on export controls is without precedent—spurred by sanctions on Russia and by the restrictive regime imposed by the U.S. in response to China's civil-military fusion

[6] *European Commission. "Cooperation on Screening of Foreign Direct Investments Strengthens EU Security." European Commission—2024 ec.europa.eu/commission/presscorner/detail/en/ip_24_5327.*

strategy. Just five years ago, such cooperation was so minimal that officials in Brussels described it as little more than "grabbing coffee on the sidelines of a Wassenaar meeting." When formal consultations began in 2018, the United States was initially reluctant to engage with the EU, given that export control authority in Europe lies with the Member States.

The TTC transformed this dynamic. It enabled not only structured information sharing on export licensing—coordinated by the European Commission—but also the launch of bilateral discussions on enforcement and the first steps toward regulatory alignment. Meanwhile, through its dedicated working group, the EU and the U.S. jointly introduced new items to the Wassenaar control list (e.g., military applications of marine toxins[7]). From a European perspective, the most valuable outcome of the TTC has been the alignment and coordination of dual-use export restrictions targeting Russia. While technical exchanges continue into the early months of the Trump administration, there is now a lack of political clarity regarding the U.S. position toward further sanctions, and even about maintaining a robust sanctions regime. Notably, Washington announced no new measures regarding Russia when the EU adopted its 16th sanctions package on February 24, 2025—exactly three years after Putin's full-scale invasion of Ukraine.[8]

Because export controls remain under the jurisdiction of EU Member States, the TTC's working group on this topic was the only one to include national representatives alongside the Commission. All decisions had to be approved by the Council of the EU via the Committee of Permanent Representatives (COREPER).

[7] *Bureau of Industry and Security. "Categroy 1—Special Materials and Related Equipment, Chemicals, 'Microorganisms,' and 'Toxins.'" Bis.doc.gov, 2023, www.bis.doc.gov/index.php/documents/regulations-docs/2332-category-1-materials-chemicals-microorganisms-and-toxins-4/file.*

[8] *European Commission. "EU Adopts 16th Package of Sanctions against Russia." Finance, 24 Feb. 2025, finance.ec.europa.eu/news/eu-adopts-16th-package-sanctions-against-russia-2025-02-24_en.*

From a European perspective, a foreign economic policy that underpins a reliable and effective export control regime hinges above all on robust economic intelligence. The challenge is significant: determining the end-users of exported technology requires bureaucratic capabilities that many EU states lack, as well as effective public–private cooperation in intelligence sharing. The Netherlands offers a compelling example. As U.S. pressure on ASML to scale back technological cooperation with Chinese firms in the semiconductor sector intensified following the 2023 U.S.–Japan–Netherlands agreement, Dutch investment in autonomous capabilities has enabled the government to rely on its own assessments, sometimes even more accurate than those from Washington, strengthening the position of the Netherlands during bilateral consultations.

2.3. THE LAUNCH OF SEMICONDUCTOR SUPPLY CHAIN COOPERATION HAS PROVEN VALUABLE FOR THE EUROPEAN COMMISSION

Within the TTC framework, cooperation on the semiconductor supply chain has been organized around two key mechanisms:

- An early warning system, designed to identify and mitigate potential disruptions—already proving valuable in monitoring markets for gallium and germanium.

- A transparency mechanism, aimed at facilitating the exchange of information regarding public subsidies to the sector.

This cooperation has enabled the European Commission to gain valuable insight into bottlenecks along the supply chain. As one European official noted, "We've learned more from the United States than from our own companies, because they have legal tools to compel the private sector to share this information."

These mechanisms were renewed for another three years in April 2024, with the aim of deepening coordination—potentially even aligning investments under the European Chips Act with those of its U.S. counterpart. In principle, this exchange of information should continue, at least at the technical level. Yet its future is increasingly uncertain, particularly if the new Trump administration deprioritizes transatlantic cooperation and takes a new approach to supporting semiconductor production on U.S. soil.

For Europe, the lesson is clear: the priority must be to significantly strengthen its own capacity to identify vulnerabilities across the semiconductor value chain, while pursuing diversified, resilient partnerships. Washington views dominance in AI chips as a strategic imperative and is placing intense pressure on Taiwan to relocate advanced manufacturing capacity to U.S. soil. In this context, Europe would be making a strategic miscalculation to lean too heavily on the transatlantic relationship for economic intelligence on technologies that underpin critical sectors—from healthcare to defense.

Greater investment in autonomous capabilities, along with a broader network of international partnerships, is essential. Planning for a second European Chips Act, expected in summer 2026, must reflect this shifting geopolitical and technological landscape.

2.4. STANDARDS HARMONIZATION

The TTC has yielded a tangible achievement in the energy sector with the adoption of a common standard for electric chargers serving heavy-duty vehicles (trucks and buses). It is based on the protocol developed by the Charging Interface Initiative (CharIN)—originally a consortium of German automakers.[9] The standardization of this segment of charging

[9] *CharIN. "CharIN – Empowering the next Level of E-Mobility." , www.charin.global/.*

infrastructure is widely regarded by participants as one of the TTC's most successful outcomes.

More broadly, TTC meetings have fostered a deeper mutual understanding of divergent regulatory approaches. For instance, in the automotive sector, U.S. standards tend to prioritize passenger safety, while European standards also emphasize pedestrian protection. In the digital data space, the study of European regulatory frameworks served as a reference point for the Biden administration as it began shaping its own federal-level approach. Now, with the Trump administration signaling an ambitious deregulatory agenda, there is as yet no clear U.S. policy regarding international standards or allied cooperation on this front. Meanwhile, the idea of using demand-side policies to counter China's market-distorting practices, which undermine fair competition, is gaining traction in both Japan and the European Union. This evolution raises a key question: what non-price criteria could industrialized economies jointly adopt to build a shared market for "trusted goods" in critical sectors such as telecommunications infrastructure (5G/6G) and energy? This agenda is expected to feature prominently under Canada's G7 presidency. Progress without the engagement of the U.S. may prove challenging—though not impossible.

2.5. A TEMPORARY EASING OF U.S. TENSIONS OVER DIGITAL PLATFORM REGULATION

In the early meetings of Working Group 5 on data governance, the atmosphere was often described as tense. American participants viewed the Digital Markets Act (DMA) and the Digital Services Act (DSA) primarily as trade barriers. However, the working group helped illuminate some shared interests that transcended these differences. Over time, U.S. representatives acknowledged that the EU regulations were driven by common goals—such as protecting children online and defending human rights activists. This recognition helped ease tensions

and gradually shifted U.S. perceptions of these legislative efforts. Yet with the arrival of the Trump administration, a new chapter has begun in the debate over platform regulation and artificial intelligence. The administration's ideologically rooted opposition to any form of regulation—including measures addressing the manipulation of information—suggests renewed friction ahead.

2.6. PRELIMINARY WORK TOWARD ALIGNMENT ON ENERGY POLICY: LNG, GREEN HYDROGEN, ELECTRIC CHARGING

Working Group 2 on climate and clean technologies focused largely on developing a shared methodology to assess the carbon footprint of traded goods, but it failed to reach any tangible outcome. While efforts were made to address sectors like steel and aluminum, little progress was achieved. These issues were instead absorbed into the Global Arrangement on Sustainable Steel and Aluminum (GASSA) framework. Additionally, the American side approached the topic through the lens of Chinese overcapacity, while European participants also prioritized decarbonization objectives. By contrast, in the areas of liquefied natural gas (LNG) and green hydrogen, Europe initially held high expectations for the TTC, seeing it as a valuable platform to promote convergence between buyer (Europe) and seller (the United States) on standards for these critical energy commodities. At a minimum, if the EU moves forward with integrating carbon footprint metrics into its certification process for LNG, a transatlantic consultation framework would become indispensable—if only because such rules would directly impact the competitiveness of American exporters in the European market. Achieving this, however, will require a far more conducive political climate than the one that has emerged in the first months of 2025.

3 The limits of the TTC

The TTC has faced obstacles and shortcomings that are just as notable as its achievements. Some stem from the nature and structural limitations of the process itself; others reveal diverging interests and asymmetric priorities—even under the Biden administration. As one European participant noted, "The TTC never assumed the role it was meant to play: a mechanism for regulatory convergence in the twin transitions—green and digital. On the contrary, the Inflation Reduction Act (IRA) represented the opposite of convergence with the EU." On industrial decarbonization, the U.S. approach largely centered on securing an exemption from the EU's Carbon Border Adjustment Mechanism (CBAM), despite the existence of comparable legislative proposals in the U.S. Congress —such as those introduced by Senators Sheldon Whitehouse (D) and Bill Cassidy (R). No serious dialogue ever materialized around potential methodological alignment. This reflects both a lack of political will on the American side and the conceptual gap between a European system grounded in carbon pricing and a U.S. model favoring regulatory incentives with minimal direct cost to industry.

Although the TTC was structured into ten specialized working groups, its scope was arguably too broad and its terms too vague. Frustration was particularly evident when more technical European participants —such as officials from DG CLIMA or DG GROW—found themselves across the table from a largely generalist U.S. delegation, often represented by the State Department. As one European official put it, "Each session produced politically correct statements, but little substantive progress." Moreover, although the TTC allowed for debate, it was not designed as a formal negotiation forum. It lacked the authority to conclude binding agreements, which only reinforced the high-level and generalist nature of many of its discussions. For instance, negotiations over the removal of tariffs on steel and aluminum were conducted in parallel under the GASSA—with little more success than within the TTC

framework itself. That said, U.S. interest in these discussions grew when it became clear that they could serve practical purposes for implementing the IRA, particularly in determining the carbon footprint thresholds for qualifying a product as "green." However, discussions around public procurement rules faced significant hurdles due to the dominant role of U.S. states versus the federal government—even assuming such discussions were ever genuinely welcomed by the American side.

On the European end, several Member States criticized the European Commission for not keeping the Council sufficiently informed—even though this approach sought to preserve confidentiality in order to maximize the chances of delivering concrete results before presenting them to national governments. The frequency of TTC "summits" created additional pressure to showcase results, sometimes of a more cosmetic nature than substantive progress. Finally, structural limitations also played a role. The Commission's relatively modest staffing, coupled with little systematic engagement of the private sector—especially with technical experts—was repeatedly highlighted. In contrast, the U.S. federal government possesses far greater resources, even if interagency coordination is not always seamless. Japan offers a striking contrast: its Ministry of Economy, Trade and Industry (METI) has long cultivated a deep relationship of trust with private actors, including in sensitive technological domains.

Ultimately, transatlantic coordination within the TTC did not prevent the Biden administration from unilaterally adopting its Framework for the Dissemination of Artificial Intelligence in January 2025.[10] This new policy introduced sweeping revisions to the Export Administration Regulations (EAR), tightening controls not only on advanced computing semiconductors but also on the export of AI models themselves. Despite the European Union as a whole potentially positioning itself as

[10] *National Archives. "Framework for Artificial Intelligence Diffusion." Federal Register, 15 Jan. 2025, www.federalregister.gov/documents/2025/01/15/2025-00636/framework-for-artificial-intelligence-diffusion.*

a natural strategic partner in shaping such measures, the U.S. opted for a fragmented approach. Washington divided Europe into two distinct categories. In the first tier, a select group of Western European countries—Germany, Belgium, Denmark, Spain, Finland, France, Ireland, Italy, the Netherlands, and Sweden—was grouped alongside key U.S. allies in East Asia. These countries continue to enjoy relatively smooth and privileged access to American technologies, particularly in high-performance computing. The second tier includes the rest of the EU, placed in an eclectic mix alongside Israel, India, and Singapore.[11] These nations now face tighter restrictions and more limited access to American computing power—most notably Nvidia's state-of-the-art GPUs, which are critical for training and deploying large-scale AI systems.

The U.S. decision to act unilaterally on AI governance, bypassing prior coordination through the TTC, is emblematic of a broader strategic shift: prioritizing cooperation with the most technologically advanced actors in the AI value chain, often referred to as "technology-holding countries". For some European officials, this is simply a reflection of American realism under the Biden administration. It saw the end goal of achieving and maintaining supremacy over China in artificial intelligence as outweighing diplomatic considerations such as upholding European unity.

Within Europe, a longstanding debate continues over how to balance regulation and innovation. What began with pharmaceutical research —where restrictive data governance has led many labs to relocate clinical trials outside the EU—has now expanded into other cutting-edge sectors such as autonomous vehicles and AI. In particular, the proliferation of compliance obligations during the training phases of AI systems is increasingly viewed as a brake on innovation, just as the global race for technological leadership accelerates. While dialogue on these issues was somewhat easier under the Biden administration, the TTC failed to

[11] *Barath Harithas. "The AI Diffusion Framework: Securing U.S. AI Leadership While Preempting Strategic Drift." Csis.org, 2025, www.csis.org/analysis/ai-diffusion-framework-securing-us-ai-leadership-while-preempting-strategic-drift.*

deliver concrete outcomes and to solve Europe's dilemma. Compounding this, the third EU-U.S. Data Privacy Framework, concluded in 2023, the key data transfer agreement between the EU and the U.S., is now under threat. The curtailing by the Trump administration of participation by some independent members of its Privacy and Civil Liberties Oversight Board (PCLOB) raises the possibility of another negative ruling by the European Court of Justice.[12] From the American perspective, political will to revisit such a deal is now virtually nonexistent. Meanwhile, the rapid advance toward General Artificial Intelligence—from Silicon Valley to China's DeepSeek—makes it even harder for Europe to maintain its ambition of regulatory leadership in this space.

As with semiconductors, the most plausible scenario under a renewed Trump administration is a return to unilateralism. The U.S. is likely to tighten export controls on semiconductor technologies, before exacting compliance with its extraterritorial laws from countries with significant nanoelectronics industries. Yet even as Europe grapples with its internal regulatory questions, there remains a strategic opportunity to build a foreign economic policy agenda centered on controlling the transfer of sensitive technologies. This would require updated control lists, modernized procedures, and robust risk assessments across the ten critical sectors identified by the European Commission—starting with AI, quantum technologies, biotechnology, and semiconductors.[13] Once these foundations are in place, Europe could pursue alignment with likeminded partners such as Japan, Canada, Australia, and the United Kingdom.

[12] *U.S. Privacy and Civil Liberties Oversight Board. "The Privacy and Civil Liberties Oversight Board." Pclob.gov, 2019, www.pclob.gov/.*

[13] *European Commission. "Commission Recommends Carrying out Risk Assessments on Four Critical Technology Areas: Advanced Semiconductors, Artificial Intelligence, Quantum, Biotechnologies." Defence Industry and Space, 3 Oct. 2023, defence-industry-space.ec.europa.eu/commission-recommends-carrying-out-risk-assessments-four-critical-technology-areas-advanced-2023-10-03_en. European Commission. Annex to the Commission Recommendation on Critical Technology Areas for the EU's Economic Security for Further Risk Assessment with Member States. 2023, defence-industry-space.ec.europa.eu/system/files/2023-10/C_2023_6689_1_EN_annexe_acte_autonome_part1_v9.pdf. Accessed 16 Apr. 2025.*

4 After the TTC

The Trump administration's hostility toward the European Union targets its two core strengths. The first regards the European Commission's exclusive competence over external trade, bolstered by the Single Market: this is the foundation of Europe's global influence. A second target is the EU's regulatory authority over digital platforms within its internal market. It has drawn explicit criticism from key U.S. figures, including Vice President Vance at the Paris AI Summit. Although the EU has not yet taken sweeping action against major American tech firms, this friction is likely to reemerge and escalate future trade tensions. If the first shot is not fired by Brussels, the conflict may just as easily be ignited from Washington. The U.S. already views European regulation—including decarbonization policies, whether regulatory or tariff-based such as the CBAM—as a form of protectionism.

The EU has sought to institutionalize its cooperation with the U.S. on economic security. The TTC was a European initiative, originally conceived within DG Trade, aimed at stabilizing and better managing transatlantic relations after the upheaval of the first Trump administration. It was designed to take advantage of the momentum created by the 2020 U.S. presidential election—regardless of the outcome. Had Trump been re-elected, the TTC could still have served to sustain joint efforts toward China, particularly concerning state capitalism-induced market distortions or China's practices around access to foreign technology. These efforts, in fact, had already begun under his first term.

Ultimately, it was the Biden administration that embraced the initiative, structured it around ten working groups, and used it to deepen transatlantic alignment on the economic security challenges posed by China. The TTC will perhaps be best remembered for having created the framework that enabled an unprecedented wave of sanctions following Russia's invasion of Ukraine in February 2022.

Transatlantic alignment on sanctions against Russia is now far from assured, and a second Trump administration shows little appetite for allied coordination. Should Europe seek to preserve key elements of the TTC even if the mechanism itself does not survive the agenda of the Trump administration?

Cooperation on regulatory issues related to clean technologies and industrial decarbonization still lacks a suitable institutional framework to advance crucial issues beyond the European Union. The OECD and the International Energy Agency have attempted to play that role in a minilateral format that is more technocratic than political. Their impact has been limited. In theory, the TTC had the potential to offer a more flexible, politically driven setting bringing together two major actors to advance shared methodologies for calculating the carbon footprint of industrial goods (steel, aluminum, etc.). Both the U.S. and the EU, as relatively clean producers and net importers of these materials, could have found common ground in facing China's carbon-intensive competition. But the lack of political will on the American side means this opportunity was missed—narrowing the scope for joint action ahead of the EU's CBAM implementation. As a result, Europe now finds itself defining and enforcing rules in isolation, without international alignment. Nevertheless, a clear domestic framework, provided it is not overly burdensome, remains the best basis for pursuing foreign policy coordination—and even alignment—with key partners.

From the European perspective, one of the most tangible benefits of the TTC has been the enhanced sharing of economic intelligence within its working groups. Without question, the TTC has helped make the European Commission better informed and more capable of coordinating the EU's economic security agenda. But with no stable institutional architecture to support transatlantic information exchange in the long term, Europe must now strengthen its own capabilities and diversify its sources of economic intelligence. All instruments in the economic security toolkit depend on this—from foreign investment screening

and export controls to public procurement instruments and supply chain risk reduction efforts. In this regard, U.S. hostility may paradoxically serve as a wake-up call, accelerating a process that has been far too slow and hindered by the EU's own bureaucratic constraints.

It is not out of the question that the U.S. administration may, in the coming years, seek some form of coordination with the European Union and Japan on economic aspects of its China policy. However, the signals thus far have been too contradictory to realistically base any long-term strategy on such a prospect.

This fundamental uncertainty underscores the urgent need for the EU to accelerate the construction of a coherent and proactive foreign economic policy—one capable of addressing the structural challenges Europe is currently facing. In his report on European competitiveness, Mario Draghi defines foreign economic policy as the coordination of "new preferential trade agreements paired with direct investments in resource-rich countries, the buildup of strategic reserves in key sectors, and the creation of industrial partnerships to secure the supply chains of critical technologies."[14] He emphasizes that the "market leverage needed to achieve these objectives" can only be created through coordinated action among EU Member States.

During four years, the TTC served as a vanguard for the construction of Europe's foreign economic policy. Its likely disappearance should not overshadow the fact that it illuminated concrete pathways to conduct foreign policy in service of Europe's economic security. Much like any foreign policy, it operated at both political and technical levels. Rather than striving for political alignment or engaging Member States in abstract discussions around the concept of "economic foreign policy," we believe the most effective approach lies in implementing concrete, operational processes between the European Union and its partners. This approach also allows for greater flexibility in adapting to the evolving agenda of the Trump administration.

[14] *Draghi, Mario. "The Draghi Report on EU Competitiveness." European Commission, Sept. 2024, commission.europa.eu/topics/eu-competitiveness/draghi-report_en.*

To this end, we propose the following recommendations:

Recommendation 1

Building the European economic security agenda on a strengthened foundation of economic intelligence.

- **Reinforce coordination among EU Member States** around the ten critical technologies identified by the Commission (AI, quantum, semiconductors, new energy technologies, etc.).
  - **Give the European Commission a role in centralizing and sharing strategic information from these activities** in order to improve risk assessment, support effective industrial policy decisions, and facilitate decisions aimed at enhancing supply chain resilience.
  - **Reflect on the issue of internal economic intelligence capabilities**, particularly within the European Commission, and the use of data gathered through FDI screening, export controls, supply chain analysis, and other economic security tools for intelligence purposes.

- **Establish targeted economic intelligence partnerships** with countries outside the EU, such as Canada, Japan, or the United Kingdom, tailored to the specific needs of the various European economic security tools.

Recommendation 2

Strengthen targeted transatlantic cooperation to better address the needs of the European economic security agenda.

- **Maintain targeted technical cooperation with the United States** in areas of mutual interest, such as LNG standards, green hydrogen, transparency on state aid in the semiconductor sector, and information sharing on export licensing.

- **Encourage more practical and specific 'bottom-up' cooperation between European and American technical and regulatory agencies** (e.g., DG GROW with the U.S. Department of Commerce, DG CLIMA/DG ENER with the U.S. Department of Energy), rather than broad biannual political dialogues. This kind of 'technical' dialogue delivers tangible outcomes, harmonizes the rules, and boosts European industrial resilience in the face of strategic competition. EU/U.S. summits can offer the political framework needed to steer this cooperation and finalize the resulting agreements.

- **Maintain the most effective operational mechanisms of the TTC**, such as the semiconductor supply chain alert system, the exchange of standards for electrical infrastructure, and cooperation on export controls.

Recommendation 3

Diversify strategic partnerships beyond the United States.

- **Finalize the ongoing trade agreement negotiations** (Australia, India, Indonesia, Philippines, Thailand) in light of the new international power dynamics.
- Send a clear message regarding the EU's intention to join the CPTPP.
- **Resolve ambiguity on the Mercosur agreement** by establishing a clear stance on verifying the implementation of its environmental and social clauses.
- **Deepen technological cooperation with countries already linked to the EU through free trade agreements** (Canada, South Korea, Japan, the UK, Singapore).
- **Develop flexible "Clean Trade and Investment Partnerships,"** including with resource-rich countries (African countries, South American countries, Australia, Indonesia).
- **Ensure priority access for Europe's strategic sectors (defense, energy, healthcare) to critical semiconductors during times of crisis**, by strengthening partnerships with key Asian countries (India, Japan, Malaysia, Singapore, South Korea, Taiwan, Vietnam) and promoting investments in this sector within Europe.

Recommendation 4

Consider the geopolitical leverage that can be gained from environmental standards to enhance the competitiveness of European companies.

- **Better align European green demand policies** (carbon border tax, green public procurement, conditions for access to subsidies) with a clear external strategy aimed at creating markets for clean and trustworthy products.

- **Make carbon-related issues a tool for international cooperation** by harmonizing European methodologies with those of partner countries (Japan, South Korea, Canada), particularly for key industrial products such as steel, aluminum, and batteries.

Recommendation 5

Shift the debate on digital platforms and artificial intelligence from regulation to innovation cooperation.

- **Work with European and American digital stakeholders to find a better balance between market needs, available capabilities, and protective regulations**.
  - Develop bilateral agreements with American companies operating in Europe on dedicated projects and create spaces for experimentation and correction during the AI model training phase.

- **Continue collaborating with international partners to develop standards for AI and digital platform regulation**, while striving to align them with European regulatory principles (Digital Markets Act, Digital Services Act, and AI Act).

- **Strengthen the protection of European users** against misleading content, opaque algorithmic choices, and the risks of manipulation on digital platforms, even if this may create tensions with the United States and China.

Acknowledgements

The authors would like to thank the key stakeholders with whom they spoke, as well as for the support they provided.

They also thank **Marie-Pierre de Bailliencourt**, **Rosalie Klein**, **Pierre Pinhas**, **Claire Lemoine**, **Nicolas Masson**, **Hippolyte Jouve**, and **Mélodie Serres** for their valuable advice, suggestions, and support throughout the project. They also thank **Matthieu Mercier** for his work on the publication's layout.

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Printed in France
Legal filing: May 2025
ISSN: 1771-6756

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Europe's economic security is under mounting pressure from the rise of techno-nationalism, the fragmentation of global trade, and the weaponization of critical raw materials. As the EU navigates the strategic rivalry between the United States and China, transatlantic coordination can no longer be taken for granted. This complicates the development of a coherent European foreign economic policy, and as a result reinforces the urgency of self-strengthening and diversifying partnerships.

Once launched as a promising vehicle for transatlantic coordination, the EU-U.S. Trade and Technology Council (TTC) had the ambition to provide a structure for a shared economic and technological agenda and to forge common ground on the China challenge. Today, with the TTC effectively dormant and many questions unresolved regarding the future EU policy of the United States, the limits of this format are obvious.

This note takes stock of what the TTC achieved, where it underdelivered, and—crucially—what lessons it offers as Europe seeks to build an effective economic foreign policy. Far from discarding the TTC experience or the possibility of transatlantic coordinated action in the future, this paper underlines how the TTC's most effective elements should be integrated into a diversified European foreign economic policy.

10 €
ISSN : 1771-6756
NAC2505-01