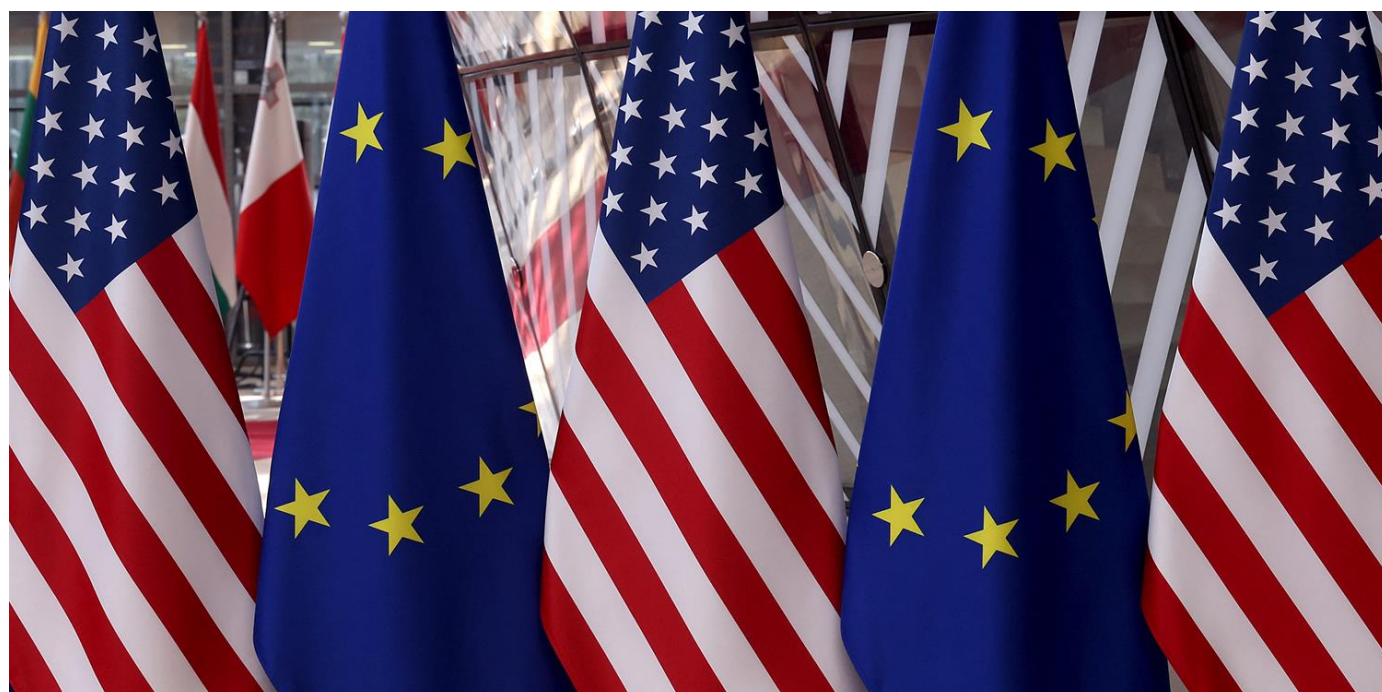


COMMENTARY

Beyond the Trade and Technology Council: National security concerns are changing how policymakers view the global economy



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The policymakers overseeing globalisation are facing a new range of national security and resilience pressures that are fundamentally reshaping how they interact with a globalised private sector. ✕

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The inaugural meeting of the EU-US Trade and Technology Council (TTC) on 28 September was marked by transatlantic drama over AUKUS (<https://www.epc.eu/en/Publications/EU-crash-course-in-geopolitics-navigating-the-transatlantic->

minefield~426030), the trilateral defence partnership between Australia, the UK and the US. But its first communique (https://ec.europa.eu/commission/presscorner/detail/en/STATEMENT_21_4951) met more muted reactions, as it is long on areas for discussion and future cooperation and short on concrete deliverables.

Whether its working groups deliver on its promise of reinvigorated transatlantic relationship or follow the ignominious fate of the Transatlantic Economic Council (TEC) will become clearer at its next meeting. However, in its language and topics of focus, the TTC (<https://www.epc.eu/en/publications/The-EU-US-Trade-and-Technology-Council~41c008>) is illustrative of a broader shift in the relationship between most governments and the global economic system, driven by the combined impact of COVID-19, the rise of great power competition and renewed domestic turn towards industrial policy (<https://www.epc.eu/en/publications/Updating-the-European-industrial-strategy-for-the-post-pandemic-world~3d1c88>).

The de-abstraction of the global economy

In past trade and economic discussions, governments have focused on setting framework conditions and then stepping back to allow the private sector to build supply chains and allocate resources as it saw fit. There was full confidence in the aggregate efficiency of their decentralised decision-making.

Previous ill-fated rounds of transatlantic negotiations – the TEC and the Transatlantic Trade and Investment Partnership (TTIP) – focused on regulatory alignment (perhaps the most symbolic dispute being over chlorinated chicken standards (<https://www.gmfus.org/news/rebuilding-strategy-transatlantic-economic-relationship>)). With the exception of relatively circumscribed areas, such as the military and security industrial establishment, as far as the policymakers who oversaw the global economy were concerned, the supply chains that resulted from such agreements and crisscrossed national boundaries in a finely segmented international division of labour were abstracted into aggregate economic data.

What is noteworthy in the TTC communique (https://ec.europa.eu/commission/presscorner/detail/en/STATEMENT_21_4951) is the attention to the concrete workings and geographical locations of specific supply chains and other private sector activities, and the implication that they may have to be actively managed to ensure “security and resilience”. The communique pledges to “increase transparency of supply and demand; map respective existing sectoral capabilities; exchange information on policy measures and research and development priorities, and cooperate on strategies to promote supply chain resilience and diversification.” ✕

This website uses cookies. By continuing to use this website you are giving consent to cookies being used. This mirrors domestic efforts in both the EU (https://ec.europa.eu/info/strategy/priorities-2019-2024/europe-fit-digital-age/european-industrial-strategy/depth-reviews-strategic-areas-europes-interests_en) and the US (<https://www.whitehouse.gov/briefing->

both [EU](https://www.epc.eu/en/publications/The-strategic-importance-of-Europe-37f244) (https://www.epc.eu/en/publications/The-strategic-importance-of-Europe-37f244) and US governments have historically been content to give the private sector free rein. But they now [pledge in the TTC](https://ec.europa.eu/commission/presscorner/detail/en/STATEMENT_21_4951) (https://ec.europa.eu/commission/presscorner/detail/en/STATEMENT_21_4951) to develop “both formal and informal cooperation mechanisms to share information regarding technical proposals in specified technology areas and seek opportunities to coordinate on international standards activities.” (Companies have already started to feel this shift [at the European level](https://www.contexte.com/article/pouvoirs/les-standards-lenjeu-de-pouvoir-tendance-a-bruxelles_134787.html?share_email=info%40contexte.com&share_date=1625067256.3073206&share_days=7&share_key=f799c37a85af7a5986306e9972c9a36d) (https://www.contexte.com/article/pouvoirs/les-standards-lenjeu-de-pouvoir-tendance-a-bruxelles_134787.html?share_email=info%40contexte.com&share_date=1625067256.3073206&share_days=7&share_key=f799c37a85af7a5986306e9972c9a36d)). Export controls and investment screening – the focus of two TTC working groups – are other important areas that require more intrusive monitoring of private sector activities. Although more traditional tools, they have [significantly grown](https://www.piie.com/publications/working-papers/export-controls-americas-other-national-security-threat) (https://www.piie.com/publications/working-papers/export-controls-americas-other-national-security-threat) in [importance](https://www.csis.org/blogs/strategic-technologies-blog/recent-developments-eu-foreign-investment-screening) (https://www.csis.org/blogs/strategic-technologies-blog/recent-developments-eu-foreign-investment-screening) over the past few years.

All in all, the contrasts between the TTIP’s and TEC’s approach and focus are marked. If nothing else, national security systems’ [‘hostile takeover](https://www.project-syndicate.org/commentary/geopolitics-is-trumping-economics-by-jean-pisani-ferry-2021-09?utm_source=twitter&utm_medium=organic-social&utm_campaign=page-posts-october21&utm_post-type=link&utm_format=16:9&utm_creative=link-image&utm_post-date=2021-10-04) (https://www.project-syndicate.org/commentary/geopolitics-is-trumping-economics-by-jean-pisani-ferry-2021-09?utm_source=twitter&utm_medium=organic-social&utm_campaign=page-posts-october21&utm_post-type=link&utm_format=16:9&utm_creative=link-image&utm_post-date=2021-10-04) of international economics is shifting how the global economy is conceptualised and monitored. In practice, the shift is likely to go further. Brian Dees, the US National Economic Council Director, [stated recently](https://www.atlanticcouncil.org/commentary/transcript/the-biden-white-house-plan-for-a-new-us-industrial-policy/) (https://www.atlanticcouncil.org/commentary/transcript/the-biden-white-house-plan-for-a-new-us-industrial-policy/), “Our private sector and public policy approach to domestic production prioritized low, short-term costs over security, sustainability, and resilience. [COVID-19] was the wake-up call.” Beyond questions of security and resilience, the demands of the green transition – which require the wholesale restructuring of entire economic sectors – may also start to require greater attention to the specific ways the global economy is structured.

Beyond the Trade and Technology Council

Whether the TTC will result in substantial joint initiatives remains to be seen. The EU and the US also have clearly differing geopolitical stances that could hamper substantial agreement. Case in point, contrast Jake Sullivan and Kurt M. Campbell’s [thoughts](https://www.foreignaffairs.com/articles/china/competition-with-china-without-catastrophe) (https://www.foreignaffairs.com/articles/china/competition-with-china-without-catastrophe) on Washington’s long-term technological competition with China against Sabine Weyand’s [recent defence](https://www.youtube.com/watch?v=OCEesvAbjaO&list=PLITvrj3vDtgptMDgU8e4PObrsPPsjJHE9&index=16&t=517s) (https://www.youtube.com/watch?v=OCEesvAbjaO&list=PLITvrj3vDtgptMDgU8e4PObrsPPsjJHE9&index=16&t=517s) of trade policy’s ability to tie China into an updated rules-based [order](#) **accept & close**

However, even if the TTC discussions do not yield bilateral action in these fields, the US is likely to continue unilateral action as well as its efforts to build similar partnerships in the Indo-Pacific (<https://www.reuters.com/world/asia-pacific/quad-countries-agree-secure-microchip-supply-chains-media-2021-09-18/>). China, meanwhile, has been forthright in its vision (<https://epc.eu/en/Publications/Chinas-grand-industrial-strategy-and-what-it-means-for-Europe~3ded84>) for supply chain and technological security.

The EU seeks to operationalise open strategic autonomy in the face of this growing power competition, not to mention future climate change-related disruptions to supply chains (<https://www.mckinsey.com/business-functions/sustainability/our-insights/could-climate-become-the-weak-link-in-your-supply-chain>), a disruptive and competitive green transition (https://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_ATA%282021%29696181) and likely future pandemics (<https://www.cgdev.org/blog/the-next-pandemic-could-come-soon-and-be-deadlier>). This goes beyond EU-US relations. At a recent EPC event (<https://youtu.be/SalhMuOc7M4?t=3060>), the Korean Trade Minister highlighted the need for the EU and Korea to establish a “dialogue channel” to “discuss and troubleshoot issues or problems arising in our supply chains”. Even if the Union continues its efforts to preserve the global rules-based and liberal market order, these pressures make escaping the trend of monitoring the global economy in much greater and disaggregated detail unlikely.

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