



*Recommendations of the Transatlantic Task Force*

Choices and Strategies for  
Transatlantic Relations for 2021  
and Beyond

TOGETHER OR  
ALONE?

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*Together or Alone? Choices and Strategies for Transatlantic Relations for 2021 and Beyond* is a project of the German Marshall Fund of the United States and the Bundeskanzler-Helmut-Schmidt-Stiftung. The Task Force is chaired by Dr. Karen Donfried, GMF president, and Ambassador Wolfgang Ischinger, chairman of the Munich Security Conference.

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## Executive Summary

In 2021, the United States and the nations of Europe will face challenges that threaten their way of life: a catastrophic pandemic, a deep economic recession, accelerating climate change, a rising China, growing technological competition, and emerging security threats.

These challenges test our ability to deliver on our promise to safeguard and enhance the lives of our people. They confront the transatlantic community at a time when many citizens on both sides of the Atlantic continue to question whether their governments are able to deliver for them. These are issues that transcend national borders. They cannot be successfully dealt with alone. They can only be resolved through concerted, cooperative international action.

This Transatlantic Task Force report recommends concrete policy initiatives the United States and Europe can take together to manage our pressing shared problems. We make these recommendations, not because they will be easy to implement, but because they represent practical options to help address the key challenges we face.

Political change is underway on both sides of the Atlantic. In 2021, the United States may have a new president. The United Kingdom will formally leave the European single market, complicating transatlantic relations. And Germany will hold a national election and have new leadership by the fall.

But the ability of Europe and the United States to work together in the face of shared challenges faces an even more daunting test: public disenchantment with each other. Many Europeans, disillusioned with the United States and its leadership, desire greater economic, technological, and military autonomy. In the United States, supporters of President Donald Trump share his view that the United States has long been taken advantage of by its European allies.

***In the face of existential challenges, neither the United States nor its European partners can effectively act alone.***

The transatlantic relationship has weathered storms in the past. For more than seven decades, Europe and the United States have stood side by side in the face of threats to their wellbeing: during the Cold War, following 9/11, and once more in the aftermath of the 2009-2010 financial crisis. Our successful cooperation has been based on common interests and a shared set of democratic values that have led to greater security and prosperity for our people. But past performance is no assurance of future success.

In the face of existential challenges, such as climate change, pandemics, and competition from China, neither the United States nor its European partners can effectively act alone. Rather, these problems offer us an oppor-

tunity to find new ways to work together to build a better future for our people and the world. Our publics support such cooperative effort. Roughly six-in-ten Americans and Europeans believe that when dealing with major international issues their nation should take into account other countries' interests, even if it means making compromises.<sup>1</sup> In so doing, we can set an example for the world, laying the foundation for much broader cooperation among like-minded democracies that ultimately will be necessary to cope with what today are truly global challenges. In the process, we can transform the transatlantic relationship, assert U.S.-European leadership, affirm our citizens' faith in our democratic values and each other, and demonstrate the ability of our democratic institutions to solve their people's problems.

### ***Meeting these new challenges will take an effort on the scale and duration of past alliance solidarity.***

We understand that some of the initiatives we propose lack bipartisan support in the United States and may not be embraced by the next administration. Nor will they appeal to all Europeans. But several of them build on ideas and efforts already proposed by U.S. President Donald Trump, former U.S. Vice President Joe Biden and some European leaders. None of them are a one-year exercise. Meeting these new challenges will take an effort on the scale and duration of past alliance solidarity. The problems are clear, and their shared nature is self-evident. Now is not the time for more reflection and muddling through. Both sides of the Atlantic are facing very real threats to our way of life and concrete action is required to deal with these issues and preserve the democratic order that Americans and Europeans built together over the past seven decades.

The following recommendations reflect the deliberations of the co-chairs and the 14 American and European task force members, supplemented by interviews by the executive director with more than 150 European and American experts from diverse fields and countries. They are the sole responsibility of the executive director and the co-chairs; individual recommendations do not necessarily reflect the views of all task force members nor those who were interviewed, who are listed in the appendix.

We highlight here some of the recommendations to provide an illustrative cross section. A full list of recommendations follows.

#### **Pandemic**

- **Create a Transatlantic Stockpile of Medical Supplies and Medicines:** Regularly report on transatlantic production capacity, output, domestic demand, and create a joint stockpile of medical supplies, equipment, and medicines to respond to inevitable future emergencies.
- **Ensure Equitable Access to Pandemic Treatment:** Build on efforts led by the World Health Organization and others to ensure equitable access to pandemic vaccines and therapies, including the creation of a *Global Fund to Fight Pandemics*, to finance research, production, and large-scale, rapid distribution of treatments for COVID-19 and future pandemics, especially in the developing world.

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<sup>1</sup> James Bell, Jacob Poushter, Moira Fagan, Nicholas Kent, and J.J. Moncus, "[International Cooperation Welcomed Across 14 Advanced Economies](#)," Pew Research Center, September 21, 2020.

## Economic Recovery

- **Coordinate Economic Recovery Efforts:** Focus new investment on a green recovery, avoid a premature withdrawal of economic stimulus, coordinate stimulus reductions and the unwinding of government positions in companies to avoid competitive frictions, deepen anti-trust policy cooperation, and coordinate the screening of foreign investment based on a shared understanding of what degree of government subsidy of foreign investors is permissible.
- **Create Green and Blue Supply Chains:** Negotiate a medical and environmental products trade agreement to address the twin crises of our time—the coronavirus pandemic and climate change—by limiting transatlantic export restraints and tariffs on medical supplies and equipment, and by removing barriers to trade in environmental goods and services to create more diverse and resilient supply chains open to all WTO members that have acceded to the commitments of this agreement.
- **Revive the World Trade Organization:** Reform the dispute-settlement mechanism and negotiate rules for state-owned enterprises, technology transfer, intellectual property, and digital trade.

## Climate

- **Strengthen Paris Climate Agreement Commitments:** The United States should not leave and, if it does leave, it should rejoin the Paris Climate Agreement and, along with Europe, make new commitments consistent with a goal of net-zero greenhouse gas emissions by 2050, with a timetable to achieve that ambition.
- **Boost Subnational Climate Cooperation:** U.S. and European cities and other subnational entities should further their local-level cooperation with non-state actors and the private sector, sharing experience and goals in decarbonizing their electrical grids through large-scale renewable power generation, energy storage, systems to manage distributed energy resources, improving energy efficiency in buildings, and maximizing public transportation and walkable and cycle-friendly living patterns.

## China

- **Pursue Reciprocity in Economic Relations with China:** Agree to reciprocity of opportunity as the organizing principle in relations with China in terms of market access, investment, and protection of intellectual property, among other things.
- **Create a Vice-Presidential-Level Transatlantic Working Group on China:** Form a permanent transatlantic body, chaired by the U.S. vice president and comparable officials in the European Union and European countries, to drive sharing intelligence, planning, and preparedness for the common economic, political, and strategic challenges posed by China.

## Technology

- **Jointly Support Emerging Technology R&D:** Provide greater financial and regulatory incentives for transatlantic science and technology partnerships, including pre-competitive collaboration on R&D for emerging technologies such as artificial intelligence, advanced battery storage, genomics and synthetic biology, quantum information systems, and robotics, and develop targeted tax incentives and investment schemes to promote closer linkages between U.S. and European regional technology clusters.
- **Lead International Standards Setting:** Reassert leadership in international standards-setting bodies and mutually develop and recognize each other's standards as they relate to emerging technologies.

## Security

- **Emphasize Defense Modernization:** The United States should commit to maintaining a robust military presence in Europe. NATO allies should invest in the capabilities and modernization necessary for meeting all threats to their future security, coordinating defense expenditures, and integrating defense procurement to the greatest extent possible in light of forthcoming pressures on defense budgets.
- **Relaunch Arms Control:** The United States and its NATO partners should work with Russia to extend the New Start nuclear arms reduction treaty until 2026, rejoin the Open Skies Agreement, and engage Russia in talks about non-strategic nuclear weapons and nuclear-capable missiles.

## Transatlantic Task Force Recommendations

### Pandemic

Ensure Equitable Access to Pandemic Treatment

Jointly Finance Vaccines for Future Pandemics

Create a Transatlantic Stockpile of Medical Supplies and Medicines

Halt Protectionism of Medical Equipment and Supplies

Strengthen the World Health Organization

Jointly Prepare for the Next Pandemic

### Economics

Coordinate Economic Recovery Efforts

Boost the Transatlantic Digital Economy

Create Green and Blue Transatlantic Supply Chains

Limit Unilateral Weaponization of Finance

Resolve Disputes Over Digital and Corporate Taxation

Revive the World Trade Organization

### Climate

Strengthen Paris Agreement Climate Commitments

Build Climate Resilience into Economic Recovery

Boost Subnational Climate Cooperation

Support Renewable Energy and Climate-Sensitive Agricultural R&D for Developing Nations

Encourage Climate Stress-testing of the Financial Sector

Develop Interoperable Green Technological Standards

## Transatlantic Task Force Recommendations

### China

Pursue Reciprocity in Economic Relations with China

Establish a Vice-Presidential-Level Transatlantic Working Group on China

Present a United Front on Human Rights

Counter Chinese Influence in the Developing World

Cooperate in Screening Chinese Influence

### Technology

Jointly Support Emerging Technology R&D

Lead International Standard Setting

Promote Transatlantic Technology Partnerships

Update Export Controls

Aid the Digital Buildout in the Developing World

Create Legal and Ethical Standards on Emerging Technologies

### Security

Emphasize Defense Modernization

Integrate Defense Procurement

Relaunch Arms Control

Develop a Joint Approach to Russia

Reengage with Iran

Jointly Combat Cyberattacks

Stabilize Europe's Neighborhood

## INTRODUCTION

In 2021 the United States and Europe face challenges that threaten our way of life and cannot be successfully dealt with alone. Only by working together will we successfully overcome these shared existential threats to our citizens' security and wellbeing and maximize the opportunities that lie ahead. Both past frustrations and current frictions stand in the way. They can only be overcome through concerted, successful problem solving.

This Task Force report recommends concrete new policy initiatives to address our most pressing challenges. In so doing, we can ensure a better future for our people and create a fresh transatlantic alliance of like-minded, problem-solving democracies that project U.S.-European global leadership, while defending national interests and reinvigorating our citizens' belief in democratic values and the efficacy of democratic governance.

The coronavirus pandemic and the ensuing economic collapse in Europe and the United States are the most immediate challenges facing our societies. These tragedies threaten the health and welfare of our people and test our ability to deliver on our promise to safeguard and enhance the lives of our people.

But these concerns are also emblematic of the common nature of many issues now confronting Europe and the United States: climate change that endangers humanity's survival, an economically ascendant China with its own political values and geo-strategic interests, new and diverse security threats, and accelerating technological competition that poses both boundless opportunity and potential dramatic change in our way of life. All these issues transcend national borders. They defy unilateral or purely domestic solutions. They can only be resolved through cooperative international action.

For more than seven decades Europe and the United States have worked together in the face of threats to our wellbeing. Our cooperation has been based on a shared set of democratic values and interests that have led to greater prosperity for our people, while demonstrating that we are each other's most essential partners and that the transatlantic relationship is one of the foundations of our strength, our security, and our mutual prosperity.

The current array of challenges we face offers an opportunity for new collaborative efforts. In the process, we need to update and broaden the goals, trajectory, and nature of the transatlantic relationship, grounding it in our belief in democracy, the rule of law, human rights, and a market economy. Only by working together in this way can we lay the foundation for the much broader multilateral cooperation that ultimately will be necessary to cope with what today are truly global problems that require global solutions.

The choices we make in the face of these shared crises will shape our future just as past decisions shaped the present. This is the lesson we learned in the wake of World War II, again at the end of the Cold War, after 9/11, and in the aftermath of the 2009-2010 financial crisis.

In 2021, as a new U.S. administration begins, the United States and its transatlantic partners will face another moment of decision. Will we confront our shared challenges together or alone? Whatever choice we make, the problems we face have been metastasizing for years. There is no returning to some earlier, untroubled status quo ante in our relationship. And the decisions we make, the strategies we pursue, and our success or failure will determine the future wellbeing of people on both sides of the Atlantic and around the world.

Our success in solving problems ultimately depends on the strength of our democracies. But our democracies are now being undermined by both internal disaffection and external disruption.

***The choices we make in the face of these shared crises will shape our future just as past decisions shaped the present.***

Support for democratic values and decisionmaking weakens when citizens deem their governments no longer relevant to their needs or competent to solve their problems. Recent challenges, such as the 2009-2010 financial crisis, have revealed the fragility of our democracies. Our inadequate response at the time fed the recent rise of populism on both sides of the Atlantic and contributed to the frustration that fed widespread demonstrations against racism and inequality in the United States and Europe in Spring 2020. Six-in-ten Americans and nearly half of Europeans say they are dissatisfied with the way democracy is working in their country.<sup>2</sup> Clearly, many of our people do not think their governments are delivering on the issues of vital concern facing their nation.

At the same time the United States and Europe face an insidious threat directed from abroad. Russia has conducted repeated disinformation on social media: during the coronavirus pandemic, the June 2016 Brexit referendum, the 2016 U.S. presidential election campaign, the public unrest in 2017 in Catalonia, and in France in 2017-2019. The Russian goal has been to sow public confusion, deepen polarization, and promote distrust in democracy and democratic institutions. Ominously, during the pandemic China took a page from the Russian playbook and upped its own disinformation campaign in both Europe and the United States.<sup>3</sup>

Both these internal and external challenges present European and U.S. democracies with an opportunity. We have long shared common values. We believe in the rule of law, the protection of human rights, the openness and efficacy of markets, and the obligation of society to provide both for the basic human needs of its citizens and the opportunity for them to improve their wellbeing. And when we competently address national problems, our publics express faith in governance. With regard to the early response to the coronavirus pandemic, for example, eight-in-ten Danes and Canadians and two-thirds of Germans and Italians thought their government had handled the situation well so far.<sup>4</sup>

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2 Richard Wike and Shannon Schumacher, "[Democratic Rights Popular Globally but Commitment to Them Not Always Strong](#)," Pew Research Center, February 27, 2020.

3 Jamie Fly, Laura Rosenberger, and David Salvo, "[The ASD Policy Blueprint for Countering Authoritarian Interference in Democracies](#)," German Marshall Fund of the United States, June 26, 2018.

4 "[COVID-19: Government Handling and Confidence in Health Authorities](#)," YouGov, March 17, 2020.

The United States and Europe have repeatedly demonstrated that together they can overcome adversity. During the Cold War we contained Soviet expansionism, while avoiding a nuclear confrontation. In the 1990s we cooperated to resolve the secessionist conflict in the Balkans. In 2001, in the wake of the 9/11 terrorist

### Transatlantic cooperation has never been effortless

In the post-World War II era Americans and Europeans sharply disagreed about the Vietnam and Iraq wars and clashed over the basing of nuclear missiles in Europe. In recent years the transatlantic trust deficit has grown, complicating efforts to work together on the looming challenges ahead. Only one-in-three Europeans now hold a favorable view of the United States.<sup>a</sup> That finding in part reflects the resentment many Europeans feel as a result of Trump administration actions, such as imposing tariffs on European products, withdrawing from the Paris climate agreement, pressing NATO allies to increase defense spending, announcing the pullout of U.S. troops from Germany, threatening to leave NATO, and preferring unilateralism in addressing the pandemic. What Europeans see as American isolationism, protectionism, and unilateralism has hobbled transatlantic problem-solving.

Future efforts by Europe and the United States to work together more closely will be further complicated by political developments on both sides of the Atlantic. In November 2020, the United States holds a presidential election and, depending on the outcome, Washington could have different priorities and different approaches to international cooperation. In 2020 the United Kingdom left the European Union; in 2021 it will leave the EU's Single Market. Although the United Kingdom will remain a member of NATO and will retain deep economic and cultural ties with the United States, after Brexit, transatlantic coordination on a range of issues will necessarily become more difficult. In the fall of 2021, German voters will go to the polls and Chancellor Angela Merkel, long a cornerstone of transatlantic stability, will step down. And in 2022 France will be gearing up for a presidential election. Moreover, continental Europe will continue to wrestle with its own longstanding centripetal and centrifugal impulses. In response to the pandemic, after initially pursuing national interests, member states of the European Union pulled together, launching an unprecedented common fiscal response. But future U.S.-European cooperation will be hampered if Brexit, anti-Americanism, and European Union dysfunction constrain the EU's 27 members from acting as one.

Transatlantic alienation is growing, attributable to diverging national interests, policy disagreements, and the prevailing discourse of American and European leaders. As Americans turn inward, Europeans talk openly about strategic and technological "autonomy" from the United States. There has been a breakdown in the continuity and predictability of mutually beneficial policy. And the "granular familiarity" between Americans and Europeans, which has been the hallmark of the transatlantic relationship, is ebbing as economic, cultural, educational, heritage, and tourist ties with other parts of the world grow. This has come at a cost: less public appreciation of a shared destiny and less commitment to transatlantic problem solving.

These are formidable differences. They will not be swept away by one U.S. presidential election or new European leadership. But these obstacles pale in comparison with the lasting damage to be done by climate change, the human toll of a mismanaged pandemic response, the cost of a failed economic recovery, the challenges posed by China and Russia, or the foregone benefits if we fail to maximize the opportunities afforded by emerging technologies. In the face of such issues, there is an inescapable logic to proactive transatlantic cooperation.

<sup>a</sup> Richard Wike, Janell Fetterolf, and Mara Mordecai, "[U.S. Image Plummets Internationally as Most Say Country Has Handled Coronavirus Badly](#)," Pew Research Center, September 15, 2020

attack on the United States, the North Atlantic Treaty Organization (NATO) allies jointly invoked their mutual defense commitments for the first time.

Today, public support again exists for targeted joint transatlantic problem solving. Overwhelming majorities of Americans say it is very important to cooperate with other countries in dealing with a range of global threats, including infectious diseases and climate change.<sup>5</sup> And a majority of the French and Germans support transatlantic cooperation in combating climate change.<sup>6</sup>

We can build on such public interest to renew our commitment to collaboration on other issues of vital concern to our people and, in the process, craft a new community of problem-solving democracies.

This will not be a one-year exercise. Meeting these new challenges will take a prolonged effort on the scale and duration of alliance solidarity last seen during the Cold War. It will require an early down payment in 2021 to lay the foundation for sustained future cooperation and is vitally needed to ensure ultimate success.

We cannot afford to fail. The substantive and political stakes are too high. Success will reinforce our influence, extend our global reach, share the burdens of security, technological innovation, economic revitalization, climate adaptation and mitigation, and promote and protect our values, reviving our publics' faith in their democracy's ability to solve problems.

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5 Jacob Poushter and Moira Fagan, "[Americans See Spread of Disease as Top International Threat, Along With Terrorism, Nuclear Weapons, Cyberattacks](#)," Pew Research Center, April 13, 2020.

6 "[Transatlantic Trends 2020–Transatlantic Opinion on Global Challenges before and after COVID-19](#)," German Marshall Fund of the United States (GMF), June 30, 2020.

## COPING WITH COVID-19 AND FUTURE PANDEMICS

The coronavirus pandemic has exposed the mutual vulnerability to and the lack of preparedness for the spread of catastrophic infectious diseases in Europe and the United States. Millions of people have been infected and hundreds of thousands have died. Around the world, countless more will perish before this disease is halted by the development of therapeutics and a vaccine.

Coping with the current health crisis has proven an unprecedented challenge. Numerous governments imposed stay-at-home orders and closed all nonessential workplaces, leading to the most severe economic downturn since the Great Depression. Among other nations, France, Germany, Poland, and Spain closed their borders; the European Union barred American travelers from entering its member states; and the United States banned travel to and from high risk regions.

The response in Europe and the United States has often been slow, inadequate, and nationalistic; Americans and Europeans have often worked at cross purposes, lacking any coordinated action. This was particularly evident as domestic demand grew for medical supplies. The European Commission initially imposed restrictions on protective face shields and visors and mouth-nose protection equipment that previously went to the United States.<sup>7</sup> The United States later announced it would leave the World Health Organization. It imposed controls on exports of personal protective and other medical equipment to the EU, including air-purifying respirators, ventilators, and surgical masks.

### ***The challenge facing governments on both sides of the Atlantic is how better to prepare for inevitable pandemics.***

While many of these trade measures were subsequently lifted, such protectionism threatened lives on both sides of the Atlantic and beyond.

Scientists believe that future pandemics are inevitable and will occur more frequently thanks to the growing inter-connectedness of the world.<sup>8</sup> The challenge facing governments on both sides of the Atlantic, and around the world, is how better to prepare for them. The transatlantic community is uniquely suited for such an endeavor.

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7 Chad P. Bown, "[How the G20 Can Strengthen Access to Vital Medical Supplies in the Fight Against COVID-19](#)," Peterson Institute for International Economics, April 15, 2020.

8 Shaena Montanari, "[Epidemiologists have been Warning of a Coronavirus Outbreak for Years and Say that Another Pandemic Will Happen Again](#)," Business Insider, March 25, 2020.

Nine of the world's ten largest pharmaceutical, biotechnology, and medical companies are either American or European.<sup>9</sup> And transatlantic nations host eight of the top ten biotechnology research universities.<sup>10</sup>

European and American governments, pharmaceutical companies, and scientists are actively pursuing a vaccine against the COVID-19 virus. The European Commission has funded several candidates and hosted a global summit to raise money for vaccine research.<sup>11</sup> U.S. pharmaceutical companies have partnered with their European counterparts in an effort to develop a vaccine.

But several billion dollars will be needed to develop a vaccine and many billions more to manufacture and distribute sufficient doses to vaccinate the world population.<sup>12</sup> There is no global agreement on how this will take place and who will pay for it. Nor is there agreement on the principles and rules for a fair international allocation of what will initially be a limited vaccine supply. To the contrary, the United States and some European governments initially pursued vaccine nationalism in their search for a cure.

The United States and Europe have a long history of collaboration in the face of global threats. They have worked together to contain Ebola outbreaks. They have the human, institutional, and financial resources necessary to meet the test of the current coronavirus pandemic and inevitable future pandemics. The breadth and depth of the COVID-19 experience suggests they would be better off facing crises of this magnitude together. As has become clear, they cannot rely on the supply of medical equipment, or a needed vaccine, from China or other international suppliers. To deal with the coronavirus and any future pandemics, Europe and the United States need to marshal their collective scientific and medical resources, and to develop resilient and diverse medical supply chains. Such action is needed now.

To that end, this Task Force recommends:

- **Ensure Equitable Access to Pandemic Treatment:** Build on ongoing efforts led by the World Health Organization and others to ensure equitable access to pandemic vaccines and therapies, including the creation of a *Global Fund to Fight Pandemics*, and to finance large-scale, rapid distribution of such treatments for COVID-19 and future pandemics, especially in the developing world.
- **Jointly Finance Vaccines for Future Pandemics:** The United States and Europe should encourage and incentivize the development of new vaccines for future pandemics through joint funding, regulatory harmonization, collaborative research and development, advance procurement agreements, and government funding of biomanufacturing infrastructure and supply chains. This should be orchestrated through transatlantic cooperation between universities, pharmaceutical and biotechnology companies, and government laboratories.

9 Matej Mikulic, "[Largest Pharmaceutical and Biotech Companies by Revenue 2019](#)," Statista, August 2, 2019.

10 "[Global Ranking of Academic Subjects 2019, Biotechnology](#)," Areppim, August 30, 2019.

11 "[COVID-19 Treatment and Vaccine Tracker](#)," Milken Institute, April 9, 2020.

12 Roxanne Khamsi, "[If a Coronavirus Vaccine Arrives, Can the World Make Enough?](#)," Nature, April 9, 2020.

- **Create a Transatlantic Stockpile of Medical Equipment and Medicines:** To better prepare for future pandemics, the United States and Europe should regularly report on transatlantic production capacity, output, domestic demand, stockpiles, and exports and imports of critical medical equipment and supplies. Such a system could be modeled after one already in use for agriculture to better prepare for global famines. It should include a joint stockpile of medical supplies, equipment, and medicines to better respond to inevitable emergencies and to sustain transatlantic supply chains.
- **Halt Protectionism of Medical Equipment and Supplies:** The United States and the European Union should agree to lift all export bans, tariffs, and non-tariff barriers, and buy national requirements on medical supplies and equipment. They should develop sourcing capabilities rooted in diverse and resilient transatlantic supply chains with the requisite commitments to sharing of supplies in times of crisis.
- **Strengthen the WHO:** The United States should not leave the World Health Organization; it should join with the governments of Europe to reform and strengthen the WHO's independence and finances.
- **Jointly Prepare for the Next Pandemic:** The United States and Europe should develop a pandemic doctrine and strategy that defines what constitutes a pandemic, explains protocols for early containment and mitigation options, and details how to manage the outbreak collectively if it spreads globally. They should create joint rapid-response medical teams that can cooperate with affected nations to quickly assess the extent of the threat and the needed response. In addition, Washington and Brussels should lead an effort for an enhanced global "responsibility to report"—an early-warning commitment not only for national governments, but for regional health authorities, research labs, and companies to report outbreaks of epidemic diseases.

## ECONOMIC REVIVAL AND TRANSFORMATION: JOBS, GROWTH, TRADE

The transatlantic market has fallen into a deep recession as a direct consequence of the economy-wide shutdowns necessitated by the coronavirus and of the dramatic falloff in world trade.

Experience with the economic downturn in the wake of the 2009-2010 financial crisis suggests that climbing out of this deep hole will prove a difficult, prolonged process. Over the next few years, domestic economic renewal will be an all-consuming priority for governments on both sides of the Atlantic.

The best fuel for reigniting growth will be renewed confidence based on a public sense of safety and hope for the future. This will require mitigating and eventually stopping the coronavirus pandemic. When consumers and business leaders no longer fear for their health and that of their communities, they will once again begin to spend, to invest, and to trade.

Recovery will also require a more resilient growth model built on a coordinated transatlantic effort to boost growth, jobs, and international commerce in a more sustainable and equitable fashion. Stimulus measures focused on renewable energy and low-carbon emission activities can generate more growth and jobs than traditional energy spending. The public favors such a course. A majority of Americans and Europeans already support prioritizing climate change in governments' economic recovery after the coronavirus.<sup>13</sup> So far, however, European Union and member states' green, climate-related spending accounts for just 20 percent of stimulus expenditures, while the United States has devoted only 1 percent to such outlays.<sup>14</sup>

Economic recovery and transformation will also require fiscal and monetary policy coordination and trade initiatives, with a focus on boosting key sectors of the future economy. The U.S. Federal Reserve and the European Central Bank have already made unprecedented efforts in the face of the crisis, going to great lengths to shore up financial markets. But government spending measures have largely supported business cash-flow, household income, and employment to provide immediate relief from the impact of the downturn.<sup>15</sup> There has been less focus on the future investment needed to fully restart the economy and reorient it toward a more sustainable, just growth path. And both the U.S. and European governments will need new sources of revenue to help pay for recovery.

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13 Hauke Engel, Alastair Hamilton, Solveigh Hieronimus, and Tomas Nauclér, with others, "[How a Post-Pandemic Stimulus Can Both Create Jobs and Help the Climate](#)," McKinsey and Company, May 27, 2020.

14 Kate Larsen, Primit Pal Chaudhuri, Jacob Funk Kirkegaard, John Larsen, Logan Wright, Alfredo Rivera, and Hannah Pitt, "[It's Not Easy Being Green: Stimulus Spending in the World's Major Economies](#)," Rhodium Group, September 2, 2020.

15 "[Tax and Fiscal Policy in Response to the Coronavirus Crisis: Strengthening Confidence and Resilience](#)," Organization for Economic Cooperation and Development (OECD), May 19, 2020.

In addition, the coronavirus pandemic lockdown measures have demonstrated the importance of digital technology and infrastructure in sustaining the economy. But Europe and the United States are ill-prepared for this future. One-in-seven American households<sup>16</sup> and one-in-ten European households<sup>17</sup> still lack broadband connection, excluding them from the digital economy. The rapidly changing digital landscape raises privacy issues. Consumer spending patterns, internet activity, and health records can all be mined for economic value. Industrial processes and services delivery are increasingly data based. But the U.S. and European governments have yet to agree on how best to regulate, tax, and protect the privacy of the information that fuels our digitally transformed economies.

Meanwhile, traditional trade, once a driver of the economy, has slowed dramatically, a victim of the economic crisis, but also a casualty of pandemic-related trade restrictions and recent trade disputes. Global supply chains, already under strain because of calls for local preference, have come under new scrutiny.

There is an urgent need to revitalize transatlantic and international commerce through bilateral and multilateral efforts. History teaches that this will not be possible without the joint leadership of the European Union and the United States, joined by the United Kingdom, Canada, and other transatlantic partners. They will be among the prime beneficiaries of any such effort because they share the world's largest market.

A sustainable economic recovery that also addresses the environmental and competitive challenges that lie ahead on both sides of the Atlantic will require continued monetary policy coordination, greater fiscal policy cooperation, a realignment of investment priorities, and closer collaboration on tax, competition, and foreign investment policy. It will involve transatlantic coordination in establishing technological standards, which shape the market for the commercialization of innovation. The United States and Europe will also need to lead the way in creating more diverse, resilient regional supply chains to cushion their economies from external shocks while reviving some of their domestic manufacturing base.

***In the future there needs to be a return to offensive trade-liberalization initiatives and an updating of trade rules.***

Moreover, in recent years defensive trade actions—tariffs and counter tariffs—have dominated the policy debate in the transatlantic market. A ruling by the Court of Justice of the European Union threatens the growing transatlantic digital economy by invalidating the U.S.-EU Privacy Shield that regulates transatlantic flows of personal data for commercial purposes. Since the failure of the Transatlantic Trade and Investment Partnership, efforts by Washington and Brussels to grow trade and investment through the reduction or elimination of tariffs and non-tariff barriers, as well as the harmonization of standards and regulations, have produced scant results. And the United States has increasingly turned to financial sanctions in pursuit of its foreign policy aims.

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<sup>16</sup> J. Clement, "[Number of U.S. Households with Broadband Internet Access 2000-2018](#)," Statista, August 25, 2020.

<sup>17</sup> Joseph Johnson, "[Internet Usage in Europe—Statistics & Facts](#)," Statista, February 10, 2020.

Meanwhile, on the multilateral level, the World Trade Organization is broken, both as a negotiating forum and as a dispute resolution mechanism. And the Organization for Economic Cooperation and Development has failed to resolve long-running disputes over digital and corporate taxation.

In the future there needs to be a return to offensive trade-liberalization initiatives and an updating of trade rules. Trade precaution—public concern about the adverse impact of trade on health and the environment—not classic protectionism, may prove the most significant inhibition to any effort to expand international commerce in the post-coronavirus world. Addressing the public’s precautionary worries in the wake of the pandemic will require raising standards and reducing discrepancies between them, ensuring that trade liberalization is fair, reciprocal, and a race to the top, not a race to the bottom. This will best be left up to domestic regulators, not trade negotiators, and thus must include them in any effort from the start. It will also require deeper engagement with both the European and U.S. publics who are wary that rules and regulations that they once felt were part of their culture or were their sovereign right to decide will not be bargained away in the interests of international economic efficiency.

Only a joint effort by the two custodians of the international trading system has a chance of allaying such concerns and boosting international commerce.

With that objective, the Task Force recommends both transatlantic and multilateral actions.

On the transatlantic level:

- **Coordinate Economic Recovery Efforts:** The United States and European governments should sustain their respective efforts to achieve a durable recovery of jobs and economic growth, avoiding a premature withdrawal of economic stimulus. They should closely coordinate stimulus reductions and the unwinding of government positions in companies in order to avoid competitive frictions. They should deepen anti-trust policy cooperation to avoid anti-competitive practices as businesses restructure. And they should coordinate the screening of foreign investment based on a shared understanding of what degree of government subsidy of foreign investors is permissible.
- **Boost the Transatlantic Digital Market:** The United States and Europe should put the digital economy at the heart of the future transatlantic marketplace in recognition of the recession-induced changes in economic behavior and the transformative opportunities offered by digital technologies. They should pursue comparable regulation and investment in information infrastructure and new technologies to build a deeply integrated transatlantic digital market. As a priority, given the broad similarity between California’s Consumer Privacy Act and the EU’s General Data Protection Regulation, they should renegotiate the now invalidated U.S.-EU Privacy Shield to ensure protection of their citizens’ data without unduly inhibiting the digital economy.
- **Create Green and Blue Transatlantic Supply Chains:** The United States and Europe should build greater diversity and resiliency in their regional supply chains for medical supplies and equipment, pharmaceuticals, telecommunications infrastructure, energy and grid resilience technologies, semiconductors,

advanced electronics, and key raw materials among other things. As a first step, they should launch negotiations for a medical and environmental products trade agreement. This accord could include limitations or elimination of export restraints and tariffs on medical supplies and equipment, removal of barriers to trade in environmental goods and services, as well as alignment of regulations to encourage recycling and water and energy conservation. This effort should be open to all WTO members that have acceded to its commitments.

- **Limit Unilateral Weaponization of Finance:** The European Union and the United States should agree to prior consultation on and limits to unilateral financial sanctions on third countries when such action will have an adverse impact on alliance partners.

On the multilateral level:

- **Resolve Disputes Over Digital and Corporate Taxation:** The United States and Europe should set a firm and achievable timetable to conclude deliberations in the Organization for Economic Cooperation and Development on the nature and degree of digital and international corporate taxation to avoid friction as recession-strapped governments look for new sources of revenue. They should also redouble efforts to combat money laundering and other corrupt financial transactions that undermine public faith in governance.
- **Revive the World Trade Organization:**
  - Empower the new director general and the secretariat with the right of initiative.
  - Reform the dispute settlement mechanism, with shorter deadlines for rulings and a higher standard of review to limit appeals.
  - Agree on acceptable defensive trade remedies and a process for resolving such disputes.
  - Create criteria for countries' graduation from developing nation status and its attendant benefits.
  - Launch more plurilateral agreements—accords between like-minded nations modeled on the preliminary accord between the EU, Japan, and the United States on subsidies—to negotiate rules for state-owned or affiliated enterprises, technology transfer and intellectual property, and digital trade, among other issues.
  - Initiate multilateral negotiations to reorient national agricultural subsidies to support more carbon-sequestration farming practices such as no-till planting, composting, methane capture, and tree planting.

## CLIMATE CHANGE: THE SHARED EXISTENTIAL CHALLENGE

The earth is warming at an unprecedented rate. Polar ice is melting, and sea levels are rising. Instances of extreme weather are becoming increasingly frequent and more severe. Droughts have multiplied, curtailing harvests. Heat waves have contributed to higher summer death tolls. And the frequency, intensity, and amount of heavy precipitation has increased, resulting in damaging storms and flooding.

Accelerating warming threatens the economy and human lives. Annual economic growth rates around the world could be two percentage points lower by 2060 thanks to rising sea levels, declining crop yields, and impaired labor productivity.<sup>18</sup> Between 2030 and 2050, climate change is expected to cause approximately 250,000 additional deaths worldwide per year, from malnutrition, malaria, diarrhea, and heat stress.<sup>19</sup> And by 2050 there could be tens of millions of climate refugees, within and between countries.<sup>20</sup>

These developments are due to the steady rise of global greenhouse-gas emissions. The United States and the European Union account for more than a third of annual global CO<sup>2</sup> emissions, the most common greenhouse gas. And the portion of such emissions attributable to the transatlantic economy are even higher when measured by consumption rather than by production, as much carbon-emitting production of many of the items Americans and Europeans consume has now been offshored to China and elsewhere.

The global community has no hope of stopping climate change without Europe and the United States, in conjunction with China, India, and other major emitters, drastically curtailing and eventually halting greenhouse-gas emissions.

To begin to address this challenge, in 2015, 195 nations, including the United States and members of the European Union, signed the Paris Agreement, pledging through non-binding “best efforts” to keep the global temperature rise this century to below 2° centigrade compared with pre-industrial levels, hopefully no more than 1.5°. Nevertheless, greenhouse-gas emissions hit an all-time record in 2019.<sup>21</sup>

In the Paris Agreement the United States pledged to cut its greenhouse-gas emissions by 26-28 percent by 2025 compared with levels in 2005. By 2019 it had reduced such emissions by about 12 percent. Meeting its Paris commitments would require roughly a 3 percent annual reduction in U.S. emissions over the next six years.<sup>22</sup> This is significantly faster than the 0.9 percent average annual reduction achieved since 2005.

18 [“The Economic Consequences of Climate Change,”](#) OECD, 2015.

19 [“Climate Change and Health,”](#) World Health Organization, February 1, 2018.

20 [“Migration, Environment, and Climate Change Division,”](#) International Organization for Migration, undated.

21 Chelsea Harvey and Nathaniel Gronewold, [“Greenhouse Gas Emissions to Set New Record this Year, but Rate of Growth Shrinks,”](#) Science, December 4, 2019.

22 Trevor Houser and Hannah Pitt, [“Preliminary U.S. Emissions Estimates for 2019,”](#) Rhodium Group, January 7, 2020.

Instead, Washington has gone backward. The U.S. government announced plans to withdraw from the Paris Agreement on November 4, 2020. Washington has repealed energy-efficiency requirements for lightbulbs, has weakened methane-emissions standards for oil and gas facilities, and has proposed curtailing standards for new coal-fired power plants. It has downgraded vehicle-emissions requirements from a planned 5 percent reduction per year to just 1.5 percent per year. And it has adopted a rule that would revoke the authority of California and 13 other states to set their own emissions standards for cars and trucks.

At the same time, at the subnational level, two-dozen U.S. states and hundreds of cities and companies with operations in the United States have made climate commitments, and all 50 states have some type of policy that could bring about emissions reduction. If these sub-federal commitments are fully implemented, such measures could enable the United States to come within striking distance of its Paris Agreement commitment, but the federal government will still need to come up with a comprehensive climate policy to help states achieve the necessary reductions in greenhouse gases.

***The global community has no hope of stopping climate change without Europe and the United States drastically curtailing and eventually halting greenhouse-gas emissions.***

In the Paris Agreement the European Union agreed to cut its emissions 40 percent<sup>23</sup> below 1990 levels by 2030, and it has subsequently upped its commitment to 55 percent<sup>24</sup>. But, as of 2019, policies in place put the EU on a path to curtail emissions by only 33 percent. While the EU's progress, and its ambitions in the European Commission's proposed Green Deal, exceed that in the United States, it is still not sufficient to hold global warming to below 2° centigrade.

As governments on both sides of the Atlantic move too slowly or even reverse course in combatting climate change, their publics are clearly concerned. A majority of Americans<sup>25</sup> believe climate change poses a direct threat to the United States and two-thirds<sup>26</sup> say the government is doing too little to reduce the effects of global warming. Nine-in-ten Europeans think climate change is a serious problem.<sup>27</sup> Since 2018, young people, whose future is most at risk, have demanded more urgent action from political leaders around the world. Moreover, pluralities of the French and Germans say global warming is the most important issue for the European Union to cooperate on with the United States.<sup>28</sup>

Such concern demonstrates public support in Europe and the United States for more concerted joint action on climate change. But experience since 2015 suggests that, while the Paris Agreement was necessary, it was not

23 [“Country Summary,”](#) Climate Action Tracker, September 22, 2020.

24 Alasdair Sandford and Danielle Olavarrio, [“State of the Union: What are the Key Takeaways from Ursula von der Leyen’s Speech,”](#) Euronews, September 17, 2020.

25 Ben Fox and Emily Swanson, [“Poll: Many in U.S. Support Trump Decision to Kill Iran General,”](#) Associated Press, January 24, 2020.

26 Alec Tyson and Brian Kennedy, [“Two-Thirds of Americans Think Government Should Do More on Climate,”](#) Pew Research Center, June 23, 2020.

27 [“Special Eurobarometer 490 Special Report on Climate Change,”](#) European Commission, April 2019.

28 [“Transatlantic Trends 2020–Transatlantic Opinion on Global Challenges before and after COVID-19,”](#) GMF.

sufficient to adequately slow global warming. Commitments to further cut carbon emissions are needed in the next few years if the world is to have any chance of holding the temperature rise to even 2° centigrade, let alone 1.5°. As two of the three largest emitters of greenhouse gases, if Europe and the United States do not lead the way on curbing carbon emissions, other major emitters, such as China and India, are unlikely to follow. The transatlantic community has a limited time to act before catastrophic climate change is unavoidable.

Faced with this urgency, the Task Force recommends:

- **Strengthen Paris Agreement Climate Commitments:** The United States should not leave and, if it does leave, it should rejoin the Paris Climate Agreement. Washington and its transatlantic partners should work out a joint approach to improving commitments under the Paris Agreement, with new international obligations in 2025 consistent with a goal of net-zero greenhouse-gas emissions by 2050 and a timetable to achieve that ambition.
- **Build Climate Resilience into Economic Recovery:** The United States and Europe should take the lead in a three-pronged effort to slow climate change. They should do so by (1) committing a significant portion of coronavirus-related economic recovery funding to investment in climate-change mitigation and adaptation, including more funding for research and development of carbon-emission-reducing technologies, (2) cutting and eventually eliminating subsidies for fossil fuels and (3) developing a common approach to the standard setting and taxation of carbon emissions, gradually increasing the effective domestic price of carbon over time, and agreeing to carbon border-price adjustments to accommodate such standards and taxes to avoid future transatlantic trade frictions, while forcing climate action in other countries.
- **Boost Subnational Climate Cooperation:** U.S. and European cities and other subnational entities should boost their local-level cooperation with non-state actors and the private sector, sharing experience and goals in decarbonizing their electrical grids through large-scale renewable power generation, energy storage, systems to manage distributed energy resources, improving energy efficiency in buildings, and maximizing public transportation and walkable and cycle-friendly living patterns.
- **Support Renewable Energy and Climate-Sensitive Agricultural R&D for Developing Nations:** The United States and Europe should lead a coalition of international financial institutions to encourage new lending practices and to increase foreign assistance to help developing nations achieve the Paris Agreement's goals. Washington and Brussels should offer emerging market economies more low-cost financing, through existing export financing facilities, in support of renewable energy generation projects as an alternative to new coal-based generation projects. They should press the major coal-financing countries—China, Japan, and South Korea—to halt coal investments around the world. And, as they did to develop miracle rice in the 1960s, they should finance research, development, and deployment of drought-resistant crops, water-conserving irrigation infrastructure, and regional water-conservation projects to help climate-threatened nations adapt to warming temperatures.
- **Encourage Climate Stress-testing of the Financial Sector:** Europe and the United States, through their central banks and financial regulatory agencies, working with the Financial Stability Board's Task Force

on Climate-Related Financial Disclosures, should ensure that banks, investment houses, and insurance companies calculate and disclose their climate-related risks and include climate-repricing scenarios in the stress tests they are now required to conduct, in order to make sure financial institutions are prepared for climate-change related losses.

- **Develop Interoperable Green Technological Standards:** The United States and Europe should work together to develop interoperable industry standards for green technologies, including batteries, solar panels, and windmills, to grow the market for these climate-friendly products.

## CHINA: THE COMMON COMPETITOR

China is a growing market, a source of investment capital and technology, an economic and technological competitor, a potential military and environmental disrupter, and a systemic rival for Europe and the United States that challenges transatlantic values and human rights norms.

In a little over two decades China has evolved from a relatively insignificant player in the global economy to become the third-largest trading partner of the United States and the second most significant one for Europe. Both the European Union and the United States run politically troubling merchandise trade deficits with China. And the disruption of commerce resulting from the coronavirus pandemic highlighted the downside of U.S. and European dependence on global supply chains involving China.

China has also evolved from a consumer to a producer of advanced technologies, thanks to massive subsidies and theft of intellectual property, with ambitions to become a major developer of emerging technologies, with competitiveness implications for U.S. and European firms.

At the same time, for the last two decades China has been the world's fastest-growing domestic market. European and U.S. firms have heavily invested there. But these companies have encountered multiple shared obstacles: direct and indirect market-access barriers; forced transfer of their technology or trade secrets in order to maintain market access; lack of transparency, predictability, and fairness in government regulation; and inadequate protection for intellectual property.

Meanwhile, China has become a major investor in the European and U.S. economies, with the vast majority of that capital flowing into mergers and acquisitions, not job-creating greenfield investment.<sup>29</sup> In the last few years, Chinese investment in Europe and the United States has plummeted, because of China's slower growth and Beijing's new controls on the export of capital. What continues to grow are research and development partnerships, threatening leakage of sensitive U.S. and European technologies and know-how.

Over the years, China has also transformed itself from a major recipient of foreign aid into a growing provider of investment and financial assistance to developing countries. Beijing's Belt and Road Initiative, a global infrastructure investment plan to build rail, road, and sea links stretching from China to Central Asia, Africa, and Europe, is President Xi Jinping's signature foreign-policy project. Much Chinese lending is on terms markedly more onerous than those of World Bank loans, and is tied to procurement from Chinese firms.<sup>30</sup> The debt burden created often outweighs the growth effects for some borrowers.

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29 "Pandemic and Politics: US-China Investments Hit Nine-Year Low," Rhodium Group, September 2020.

30 Scott A. Morris, "China in Africa: Testimony before the U.S.–China Economic and Security Review Commission," Center for Global Development, May 8, 2020.

Beijing's habitually poor record in protecting human rights has dramatically worsened in recent years. A million Uighurs have been detained in "reeducation camps" in Xinjiang, where their prison labor is often used to produce goods for export, including to satisfy the global demand for face masks during the coronavirus pandemic.<sup>31</sup> China has imposed a new national security law on Hong Kong that tightens controls on journalists, social media, and schools, claims extra-territorial reach, and effectively ends Beijing's 1997 promise of preserving "One Country, Two Systems" for Hong Kong until 2047.<sup>32</sup> A crackdown on domestic dissent has been coupled with new restrictions and uncertainty for Western non-governmental organizations and journalists operating in China.

***Transatlantic cooperation in dealing with China faces obstacles because European and U.S. interests frequently diverge.***

China is also becoming a major regional and global military power. While military outlays by the United States and its NATO allies have decreased since 2010, Chinese military spending is up 85 percent.<sup>33</sup> China has accelerated modernization of its military through reforms and spending on advanced technologies, with the goal of becoming a major maritime power. In the Asia-Pacific, Beijing has intensified pressure on Taiwan, turned atolls in the South China Sea into naval stations with docking and runways, and claimed jurisdiction over adjacent international waters. China has built its first overseas military base in Djibouti, in a bottleneck between the Red Sea and the Western Indian Ocean, and has established ports in Sri Lanka and Pakistan. Expansion of China's naval presence and capabilities could present a particular challenge for Europe, as the South China Sea and the Indian Ocean are passage ways for more than a third of European external trade in goods.<sup>34</sup>

China's unfair trade practices, its growing competitiveness in advanced technologies, patterns of Chinese investments in critical sectors across Europe and the United States, Beijing's record on human rights, its growing military capabilities, and Beijing's use of disinformation and propaganda to reshape global narratives, which has grown even more aggressive around its early suppression of information about the coronavirus, have all contributed to growing concern about China's influence. A majority of Americans and Europeans now hold an unfavorable view of China.<sup>35</sup> And two-thirds or more of the public in France, Germany, and the United States have a negative view of China's rising influence.<sup>36</sup> The United States has increased tariffs on Chinese products, while Europe has taken steps to counter China's unfair trade practices. And both have tightened screening of Chinese investment.

Transatlantic cooperation in dealing with China faces obstacles because European and U.S. interests frequently diverge. Europe's export dependence on the Chinese market is greater than that of the United States. Wash-

31 Jen Kirby, "[Concentration Camps and Forced Labor: China's Repression of the Uighurs, Explained](#)," Vox, September 25, 2020.

32 "[Hong Kong's National Security Law: 10 Things You Need to Know](#)," Amnesty International, July 17, 2020.

33 "[What Does China Really Spend on its Military?](#)," ChinaPower, 2020.

34 Julian Weber, "[China's Expansion in the Indian Ocean Calls for European Engagement](#)," Mercator Institute for China Studies, October 11, 2019.

35 Laura Silver, Kat Devlin, and Christine Huang, "[Attitudes toward China](#)," Pew Research Center, December 5, 2019.

36 GMF, "[Transatlantic Trends 2020—Transatlantic Opinion on Global Challenges before and after COVID-19](#)."

ington has security responsibilities in Asia that Europe does not. Before the coronavirus pandemic soured public views of China<sup>37</sup> on both sides of the Atlantic, some opinion surveys showed that Europeans' disapproval of China was largely driven by concern about Beijing's human rights abuses, while Americans' disapproval came from worry about economic competition from China. Americans and Europeans differ over priorities in dealing with China. A majority of French and Germans want their governments to get tougher on Beijing with regard to climate change, human rights, and cyber security.<sup>38</sup> Half or fewer of the U.S. public agrees. And European governments prefer to deal with China multilaterally, while the U.S. government has recently favored bilateralism.

Nevertheless, despite their differences, Europe and the United States need to cooperate with China in reducing greenhouse-gas emissions if the global community is to have any chance of slowing climate change, containing future pandemics, and reviving the global economy.

Closer transatlantic cooperation and coordination in dealing with China will require policies that take into account both these shared and divergent interests. The single most important thing the United States and Europe can do is to pursue a unified approach.

To that end the Task Force recommends:

- **Pursue Reciprocity in Economic Relations with China:** The United States and Europe should agree to reciprocity of opportunity as the organizing principle in their treatment of China in areas of common interest: market access, investment, protection of intellectual property, treatment of Western journalists, and the operation of Western non-governmental organizations in China. Such insistence on reciprocity must be backed by concerted action when it is not forthcoming.
- **Establish a Vice-Presidential Level Transatlantic Working Group on China:** Europe and the United States should establish an ongoing, high-level transatlantic working group, first proposed as simply a dialogue in 2020 by the European Union and agreed to by the United States, chaired by the U.S. vice president and comparable officials in the European Union and major European countries, as well as national ministers of defense, foreign affairs, trade, finance, and commerce, to share intelligence, planning, and preparedness for the common economic, political, and strategic challenges posed by China.
- **Present a United Front on Human Rights:** The United States and Europe should present a united front in dealing with Chinese threats to human rights. They can do so by developing parallel financial regulations that require full transparency about U.S. and European investment in China, prohibiting importation of products made with forced labor in Xinjiang and elsewhere, and agreeing in advance what actions they will take if China further erodes rights and freedoms in Hong Kong or threatens the integrity of Taiwan.

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37 Susi Dennison and Pawel Zerka, "[Together in Trauma: Europeans and the World after COVID-19](#)," European Council on Foreign Relations, June 2020

38 "[Relations with China](#)," GME, June 20, 2020.

- **Counter Chinese Influence in the Developing World:** Europe and the United States should work more closely to counter Chinese influence in third countries by providing political, economic, and technical assistance to develop alternative financing mechanisms for infrastructure projects so that they are less dependent on Chinese capital and less likely to incur debts for Belt and Road projects.
- **Cooperate in Screening Chinese Influence:** The United States and Europe should agree to comparable standards for screening Chinese investment and scrutinizing Chinese ties with Western universities and think tanks, for vetting of Confucius Institutes and Chinese researchers at European and U.S. universities, and for registration of Chinese media in Europe and the United States.

## TECHNOLOGICAL LEADERSHIP

Technological innovation fuels economic growth and has long been the foundation of national power and global influence. If the coronavirus pandemic is to be halted, if global warming is to be slowed, and if economic growth is to recover, technology will play a critical role. Technology offers the opportunity to protect and improve our world. But it also poses fundamental challenges.

Technological leadership—in the realm of national security, business competitiveness, and standard setting—has become an increasingly important objective for Europe and the United States: domestically, internationally, and within the transatlantic relationship. But as leaders in the creation of cutting-edge technologies, such as advanced communications, artificial intelligence, and synthetic biology, Europe and the United States are finding that the speed of innovation is outpacing the development of international rules for the use of these innovations.

The nations that best nurture entrepreneurs, invest in research and development, foster markets for advanced technologies, set new standards, and afford all their people access to new technologies, will lead the technology-driven world of the future.

Europe and the United States have long been technological rivals as well as partners. Competition has often limited cooperation. In the 1960s and 1970s, Europeans worried about U.S. dominance of nascent computer technologies. More recently Europeans have decried the rise of U.S. digital platforms, even while many of their consumers and small businesses have used these platforms extensively. At the same time Europeans hold their own in cutting-edge industries including life sciences, autos, nanotechnology, and telecommunications. And they have ambitions to create their own industrial digital platforms.

But the competitive dynamics are shifting. China has become a major player in the global technological game and promises to be an even greater force in the future. Neither Americans nor Europeans have the talent or the resources to prevail against such competition on their own.

China is already the world's top producer, exporter, and user of wind turbines, solar panels, and batteries.<sup>39</sup> It also accounts for 60 percent of global electric-vehicle sales.<sup>40</sup>

Most prominently in the recent transatlantic debate over technology, Beijing is rapidly deploying 5G telecommunications equipment, the backbone of the coming Internet of Things. It leads Europe and the United States

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39 "A New World—The Geopolitics of the Energy Transformation," Global Commission on the Geopolitics of Energy Transformation, 2019.

40 Trefor Moss, "China Slips in Its Rush to Embrace Electric Vehicles," The Wall Street Journal, September 26, 2019.

in the size of its 5G home market, its technology, and the ease of domestic rollout.<sup>41</sup> And, largely through subsidies, it is also the lowest-cost supplier. This poses a challenge for Europe and the United States. While Europe has two domestic producers of 5G technology: Ericsson and Nokia, the United States has none.

Similarly, China, Europe, and the United States are now emerging as the main competitors for global leadership in artificial intelligence (AI). In the race to extract information of economic, security, and national security value from the massive quantities of data now generated by the modern economy, the United States currently leads, China is rapidly catching up, and the European Union lags behind.<sup>42</sup>

China's large market, its global lead in investment in AI, pervasive surveillance technology, and disregard for privacy promises to afford it access to more data than is currently available in either the United States or Europe. Meanwhile, Americans and Europeans differ over how to protect the privacy of personal data. And neither society has addressed how to equitably share the economic benefits created by the new digital economy.

***In their technological rivalry with China, European and U.S. ambitions for technological leadership belie China's current advantages.***

The terrain for all future technological competition is set through standards setting and subsequent adoption of these technologies by users and developers, who then build other applications and services on top of these technologies or platforms. The foundational nature of standards setting cannot be underestimated.

The European Union sees itself as a "standard-setting superpower." The United States has relied on its past technological leadership to dictate standards. But China is using its market preeminence to establish new hardware and software norms, while attempting to globalize those norms by being more active in the international standards-setting bodies that were once the preserve of Europe and the United States.

As global technological competition has intensified, some Europeans have advocated "technological sovereignty" as a means of keeping pace with American and Chinese rivals. But sovereignty implies an ability to compete on an equal footing with China and the United States, built on a commensurate market, financial resources, and scientific talent.

In their technological rivalry with China, European and U.S. ambitions for technological leadership belie China's current advantages. European organizations account for about a fifth of global research and develop-

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41 Colin Blackman and Simon Forge, "[5G Deployment—State of Play in Europe, USA, and Asia](#)," European Parliament Committee on Industry, Research and Energy, April 2019.

42 Daniel Castro, Michael McLaughlin, and Eline Chivot, "[Who is Winning the AI Race: China, the EU, or the United States?](#)," Center for Data Innovation, August 19, 2019.

ment spending and U.S. organizations more than a quarter.<sup>43</sup> But if current trends remain unchanged, China's spending on research and development, which already exceeds that of any individual European nation, is on track to outpace the United States within the next decade.<sup>44</sup> Moreover, while transatlantic businesses do more R&D than government and that spending has steadily risen, most of that increase has gone toward applied research rather than basic research, the seed corn of invention.

The size and potential of China's market also poses a challenge for future U.S. and European technological leadership. China has nearly twice the combined population of the United States and the European Union. Its share of the world economy based on purchasing price is already comparable to that of either the United States or the European Union.<sup>45</sup> Scale matters for many emerging technologies—such as AI and genomic biology—that require huge quantities of data to realize their potential. Together the combined U.S. and European markets offer such scale. Alone they do not, but China does.

Collaboration is fundamental to successful scientific inquiry. Given the growing cost and complexity of technological innovation and the diffusion of scientific talent, even economies as large as the European Union and the United States cannot hope to be *primus inter pares* in all key technologies. But they can strive to be global leaders collectively through an allied technology strategy drawing on the deep roots of existing collaboration. Transatlantic technological sovereignty, grounded in Western values and interests but open to the world, is the best hope for Europe and the United States to develop the technologies needed to combat climate change, to overcome future pandemics, to restart economic growth, to defend their people, and to compete with China.

With these issues in mind, the Task Force recommends:

- **Jointly Support Emerging-Technology R&D:** Europe and the United States should jointly provide greater financial and regulatory incentives for transatlantic science and technology partnerships, including pre-competitive collaboration on R&D in artificial intelligence and data science, advanced battery storage, advanced semiconductors, genomics and synthetic biology, autonomous vehicles, smart-building technology, 5G and successor generations of telecommunications technology, quantum information systems, and robotics.
- **Lead International Standard Setting:** Europe and the United States should reassert their leadership in international standards-setting bodies, and mutually develop and recognize each other's standards as they relate to emerging technologies.
- **Promote Technology Partnerships:** The United States and Europe—recognizing that cutting-edge technologies tend to emerge as a product of regional technology ecosystems, such as Silicon Valley and Dublin,

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43 Daniel S. Hamilton and Joseph P. Quinlan, "[The Transatlantic Economy: Annual Survey of Jobs, Trade and Investment between the United States and Europe](#)," Foreign Policy Institute, Johns Hopkins University, 2020.

44 William Alan Reinsch, Jonathan Lesh, Lydia Murray, and John Hoffner, "[Taking Stock of Government Involvement in Research and Development](#)," Center for Strategic and International Studies, June 2020.

45 "[China, U.S., and EU are the largest economies in the World](#)," Eurostat, May 19, 2020.

made up of networks of technology firms, capital markets, and research universities—should develop targeted tax incentives and investment schemes to promote closer linkages between emerging U.S. and European technology clusters.

- **Update Export Controls:** The United States and Europe, building on recent reforms of U.S. law, should update the technology controls of the Wassenaar Arrangement, the multilateral export-control regime for conventional arms and dual-use technologies, with regard to trade with China, Russia, Iran, and others. The new arrangement should include items such as AI, robotics, 3D printing, quantum computing, semiconductor manufacturing equipment, surveillance equipment, and other emerging and foundational technologies with significant national security value.
- **Aid the Digital Buildout in the Developing World:** The United States and European governments, building on existing efforts, should create a digital development fund to help countries in Africa, Asia, and Latin America to buy Nokia or Ericsson broadband technology, so that Huawei does not become imbedded in those telecommunications markets with all of the attendant technological and data collection benefits accruing to Beijing, and provide technical assistance to develop the legal framework to ensure transparency in ownership and protection of privacy.
- **Create Legal and Ethical Standards on Emerging Technologies:** Europe and the United States should jointly develop ethical and legal standards on artificial intelligence, synthetic biology, and other new technologies that promise great advances in health, energy, and food production, but also raise questions about consumer safety, ecological stability, privacy, and weaponization. This collaboration should include a common approach to risk assessment and management. Such standard setting should involve multiple stakeholders including government regulators, private business, and representatives of environmental, consumer, faith, and civil and human rights groups.

## SECURITY IN A SHARED THREAT ENVIRONMENT

The transatlantic security relationship was forged in wars, both hot and cold, expanded its geographic scope after the fall of the Berlin Wall, and tested in the 1990s and early 2000s by conflicts in the Balkans, Iraq, and Afghanistan. The North Atlantic Treaty Organization (NATO) has kept the peace and ensured stability on a continent that had experienced major wars in the previous century. For seven decades the United States has been resolute in defense of Europe's security and Europe has proven to be the United States' indispensable ally.

The alliance is once again challenged externally. A re-assertive Russia occupied Georgian territory in 2008, illegally annexed Ukraine's Crimea in 2014, effectively occupies the Donbas region of Ukraine in violation of international law, uses disinformation campaigns to disrupt democratic processes and destabilize political systems on both sides of the Atlantic, and is developing new weaponry that threatens Europe. China has dramatically boosted its military spending in the last decade, while extending effective control over the South China Sea, a key passageway for global commerce. Iran has attempted to develop nuclear weapons and missiles to deliver them. Terrorist organizations are actively destabilizing countries in the Sahel. The Libyan civil war threatens new refugee flows to Europe as does the ongoing unrest in Syria. Cyberattacks have become a growing threat to European and U.S. information-based infrastructure.

In the face of these challenges, the security alliance has responded. After a half century of focusing on deterring Soviet aggression in Europe, in 2001, after the September 11 attacks on the United States, NATO members invoked Article 5 commitments for the first time, committing tens of thousands of allied forces to suppress terrorism in Afghanistan. More recently, individual European nations and the United States have joined in anti-terrorism efforts in Africa. And there has been meaningful progress on burden sharing. Defense spending by European nations and Canada increased in real terms in 2019, marking the fifth consecutive year of growth.

But NATO also faces internal challenges. Tensions have escalated in the Eastern Mediterranean between NATO members Greece and Turkey. Turkey and France are supporting different sides in the Libyan civil war.

Favorable views of NATO in France and Germany have dropped significantly in the last decade.<sup>46</sup> Majorities in France, Spain, Germany, and Italy do not support coming to the defense of a NATO ally if they are attacked by Russia, rejecting a founding principle of the alliance.<sup>47</sup> President Donald Trump has voiced unwillingness to come to Europe's defense and announced a reduction in U.S. troop strength in Germany. The United States has imposed unilateral economic sanctions on commerce with Russia and Iran, harming European companies. American demands that Europeans spend more on defense are not supported by many Europeans.<sup>48</sup>

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46 Moira Fagan and Jacob Poushter, "[NATO Seen Favorably Across Member States](#)," Pew Research Center, February 9, 2020.

47 Ibid.

48 Jacob Poushter and Mara Mordecai, "[Americans and Germans Differ in Their Views of Each Other and the World](#)," Pew Research Center, March 9, 2020.

And more military spending may prove difficult as government revenue shrinks thanks to the coronavirus recession. In the wake of the 2009-2010 financial crisis, the last major economic downturn, overall European defense spending fell by 11 percent.<sup>49</sup>

In addition, the transatlantic security alliance faces a new, insidious challenge: cyber espionage and sabotage. In the first half of 2020, Chinese and Russian government-backed hackers attempted to steal U.S. and European research related to COVID-19 vaccine development.<sup>50</sup> Russian hackers exploited a software bug that could allow them to take remote control of U.S. servers. A hacking group associated with the Russian Federal Security Service compromised the networks of energy, water, and power companies in Germany. And Russia has employed online disinformation to further alternative interpretations of its aggression in Crimea and Donbas, in an effort to paralyze Western responses.

***NATO's European members, as well as the EU,  
need to assume greater responsibility for the security  
of Europe and its neighborhood.***

Europe also faces security concerns on its periphery, threats that are not directly shared by the United States. These challenges shape policy preferences and interests among European leaders and publics. Armed conflict, terrorism, and political instability in the Middle East and North Africa have destabilizing consequences for Europe, as seen after 2015, when large numbers of refugees arriving in the EU fueled public support for far-right populist parties and leaders. An unstable Europe has never been in the U.S. interest.

The United States is unlikely to continue to provide the same degree of support as it has in the past against threats facing Europe. The relative economic strength of the United States is waning, and U.S. security and economic interests in Asia demand increasing attention. NATO's European members, as well as the EU, need to assume greater responsibility for the security of Europe and its neighborhood.

After the end of the Cold War the transatlantic alliance had to redefine its mission and role. It now needs to do so again.

The Task Force recommends:

- **Emphasize Defense Modernization:** The United States and its NATO allies should invest in the capabilities, forces, readiness levels, modernization, infrastructure, and command structures required for meeting all threats to their future security. These investments will ensure NATO provides deterrence and defense against Russia and crisis response and capacity building in NATO's South. In this context, the United States should commit to allies and acknowledge the importance of maintaining a robust and credible U.S. military presence in Europe. NATO allies should also coordinate defense expenditures, particularly in light of

<sup>49</sup> Dr. Christian Mölling, Torben Schütz, and Sophia Becker, "[Deterrence and Defense in Times of COVID-19](#)," German Council on Foreign Relations, April 9, 2020.

<sup>50</sup> "[Significant Cyber Incidents](#)," Center for Strategic and International Studies, 2020.

forthcoming pressures on defense budgets, to ensure priority is given to major new equipment, including related research and development, which will determine the scale and pace of modernization.

- **Integrate Defense Procurement:** The United States, the European Union, and non-EU NATO members should agree on greater access for European defense companies to the U.S. arms market and reciprocal participation by NATO members that are not EU members in the EU-sponsored military capability programs: Permanent Structured Cooperation (PESCO) and the European Defence Fund.
- **Relaunch Arms Control:** The United States and its NATO partners should work with Russia to extend the New Start nuclear arms reduction treaty until 2026. The United States should also rejoin the Open Skies Agreement. And the United States and its transatlantic partners should engage Russia in talks about non-strategic nuclear weapons and nuclear-capable missiles.
- **Develop a Joint Approach to Russia:** The United States and its NATO partners should establish the parameters, goals, and timing of any mutual reengagement with Russia and articulate clearly the preconditions needed from Moscow to justify that effort. A mechanism for achieving this goal could be an annual joint assessment of Russia policy by the NATO secretary general and the EU high representative for foreign affairs and security policy.
- **Reengage with Iran:** The United States should rejoin the Joint Comprehensive Plan of Action if Iran comes into full compliance with the original agreement. In doing so, the United States should work with France, the United Kingdom, Germany, the European Union, Russia, and China to reinforce the architecture of the deal and to then use it as a foundation for further work to address all areas of concern. Simultaneously, talks should begin with Tehran on missiles, counterterrorism, deconfliction, human rights, and a prisoner swap.
- **Jointly Combat Cyberattacks:** The United States and its NATO allies should develop new doctrines and technologies to combat the rising number of cyberattacks, with specific emphasis on cyber defensive and offensive operations, and cooperate in countering malign foreign interference in their democracies to build resilience based on the work of NATO's Cooperative Cyber Defense Center of Excellence in Estonia.
- **Stabilize Europe's Neighborhood:** The United States should support European governments as they take the lead in security and humanitarian efforts to stabilize North Africa and the Sahel and to increase Europe's role in the Middle East to end conflicts, and they should begin allied strategic planning on how to manage destabilizing immigrant flows from Africa and the Middle East.

## APPENDIX

The following is a list of the experts interviewed by the executive director in preparation of this task force report. The interviewees gave freely of their time and their input is much appreciated. The recommendations in this task force report are solely the responsibility of the co-chairs and the executive director and should not be attributed to any of the interviewees.

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|---|--|
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| Fraser Cameron, Director, EU Asia Centre  |  |

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The Bundeskanzler-Helmut-Schmidt-Stiftung (BKHS) is a non-partisan foundation under German federal law committed to preserving the memory of former German Chancellor Helmut Schmidt and his historic political achievements for the freedom of Germany, the integration of Europe, and international understanding and cooperation. Established in 2017 by the German Bundestag, BKHS provides analysis and convenes public lectures and discussions on issues that were critical to Schmidt's thinking and that continue to be of great relevance today, within three program areas: 1. European and international politics, 2. Global markets and social justice, and 3. Democracy and society. In Schmidt's hometown Hamburg, BKHS offers exhibitions and guided tours in the Helmut Schmidt Forum, maintains the Helmut Schmidt Archives that houses the private documents of Helmut Schmidt and his wife Loki Schmidt; and, through guided tours, offers the general public access to Helmut and Loki Schmidts' former private home.

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The German Marshall Fund of the United States (GMF) is a non-partisan policy organization committed to the idea that the United States and Europe are stronger together. GMF champions the principles of democracy, human rights, and international cooperation, which have served as the bedrock of peace and prosperity since the end of World War II, but are under increasing strain. GMF works on issues critical to transatlantic interests in the 21st century, including the future of democracy, security and defense, geopolitics and the rise of China, and technology and innovation. By drawing on and fostering a community of people with diverse life experiences and political perspectives, GMF pursues its mission by driving the policy debate through cutting-edge analysis and convening, fortifying civil society, and cultivating the next generation of leaders on both sides of the Atlantic. Founded in 1972 through a gift from Germany as a tribute to the Marshall Plan, GMF is headquartered in Washington, DC, with offices in Berlin, Brussels, Ankara, Belgrade, Bucharest, Paris, and Warsaw.