Re-launching Transatlantic Partnership 2020
The Digital Dimension

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Accelerating digital transformation on both sides of the Atlantic and around the world has unquestionably become the single most powerful underlying driver of change across our societies and economies. No community, no sector, no sphere of human endeavour is immune, and there is no opting out. Moreover, we are just at the beginning of the real-world digital revolution.

There can therefore be no decisive progress toward a fully functioning XXIst century partnership between the United States and Europe (of the sort first envisioned by TPN 25 years ago) without a common - or at least interoperable - “digital transformation” policy framework.

In view of this inescapable reality, the two central questions for Transatlantic partners at the political level have now become: (1) how can we create, commit to and engage on a Transatlantic “digital transformation” agenda leading to eventual joint action where called for, and (2) what should be this agenda’s priority issue areas. To this end we endorse:

• For the economic dimension, the broader TPN recommendation and procedural prescription to re-launch our efforts to create a Transatlantic Economic Partnership by 2020, within which must feature a forward-looking Digital Dialogue focused on our common interests and concerns in economy-wide digital transformation;
• For the political and security dimensions, an updating of the 1995 New Transatlantic Agenda to take account of the growing impacts of digital technologies on our future common interests in these areas.
• Five Priorities for a XXIst century Transatlantic Digital Transformation Agenda:

| PRIORITY ONE | The future of work |
| PRIORITY TWO | The need to deliver in a timely manner common policies in the interest of citizens and consumers |
| PRIORITY THREE | The need to clarify and address the expanding sphere of data policy |
| PRIORITY FOUR | The need for common third country trade and investment policies adapted to our digitally transforming world |
| PRIORITY FIVE | The need for shared global leadership to ensure a balance between individual freedoms and human rights and the responsibility of the state to protect its citizens |
This recommendation has been produced at the request of the Transatlantic Policy Network (TPN) within the framework of TPN’s broader effort to set out a political agenda and action plan for Transatlantic Partnership with horizon 2020. It will now serve as one of four substantive contributions to this effort, alongside inputs focused on the political, economic and security dimensions of future Transatlantic partnership. Unsurprisingly, each of those three analyses likewise reflects the growing impact of digital technologies and capabilities.

By “Transatlantic Partners” we mean the European Union (EU) and the United States of America. This is particularly important on the European side, where the EU institutions are in the midst of a broad political and legislative push to create a continental-scale Digital Single Market (DSM), while also actively engaged in a range of digitally-focused research and development programmes and a number of longer-term, digitally-focused, foresight processes. These EU-anchored processes offer the United States a continental-scale partner uniquely empowered and positioned to engage on the forward-looking Transatlantic digital partnership agenda set out below.

Much of the current digital policy agenda for Transatlantic partners is well-recognised on both sides of the Atlantic. The unique contribution of this EIF recommendation lies in its reflection of the views of EIF’s multi-stakeholder membership, which notably includes some 80 Members of European Parliament. In order to assemble this reflection we have pursued an interactive method wherein every EIF member has had the opportunity to register views as we proceed.

Four recent, complementary and noteworthy analyses and sets of recommendations on the transatlantic policy dimension of the digital revolution have also been taken into account:

- Building a Transatlantic Digital Marketplace: 20 Steps Toward 2020; The Atlantic Council (April 2016)
- Governing Cyberspace: A Road Map for Transatlantic Leadership; Carnegie Europe (2016)
- Transatlantic Digital Economy and Data Protection: State of Play and Future Implications for the EU’s External Policies; Requested by the European Parliament’s Committee on Foreign Affairs, Published by the Policy Department of the Directorate-General for External Policies of the European Parliament, authored by a team from the German Marshall Fund of the United States (July 2016)

Each of these contributions has a particular focus (and some have EIF members as active participants). Taken together their composite recommendations constitute a vital current resource for policy makers on both sides of the Atlantic, which this EIF contribution makes no attempt to replicate. Rather, our purpose is to propose and provoke the putting in place of a political framework and process through which transatlantic partners agree and commit at the political level to addressing such common interests and issues over the coming decade, leading to eventual joint action where called for.
This recommendation should also be seen as a “stand-alone” reflection of the views of EIF’s broad multi-stakeholder membership on Transatlantic digital policy priorities at the outset of a new US congress and administration in 2017, with European elections in 2019 on the horizon, and in view of the ever more powerful and pervasive foreseeable impact of these technologies throughout our societies over the coming decade and beyond.

Why put “digital transformation” at the heart of Transatlantic partnership?

Accelerating digital transformation on both sides of the Atlantic and around the world has unquestionably become the single most powerful underlying driver of change across our societies and economies. No community, no sector, no sphere of human endeavour is immune, and there is no opting out. Indeed, it is no exaggeration to affirm that the future of our ‘western’ democracies – and therefore our Transatlantic Partnership - may well depend on common strategies and policies to transform the very foundations of our economic prosperity, social cohesion, collective security and governance through the pervasive uptake of digital tools and technologies.

It therefore follows – indeed has become self-evident - that there can be no decisive progress toward a fully functioning XXIst century partnership between the United States and Europe (of the sort first envisioned by TPN 25 years ago) without a common - or at least interoperable - “digital transformation” policy framework.

This task takes on ever greater urgency in view of “the technology avalanche dead ahead,” as we phrased it in EIF 2030, observing that we were “just at the beginning of the real-world digital revolution.” Today even a partial list of evolving, emerging and interacting technologies comprising this avalanche includes:

- artificial intelligence
- enhanced/virtual reality
- swarm intelligence
- robots/drones
- machine learning
- 5G wireless infrastructure
- manufacturing (Industry 4.0 / “makers”)
- internet of Things
- quantum computing
- blockchain
- neural networks
- new space (“internet in the sky”)
- from latency to immediacy
- voice activation
- miniaturisation
- cognition as a service

Moreover, as has been stressed many times by many parties in many venues on both sides of the Atlantic (and beyond), if Transatlantic partners do not institutionalise our dialogue and cooperation to set the principles and standards we wish to see govern the digitally transformed world of tomorrow, others will. Doing so will also create the essential foundation for greater transatlantic market integration in the digital age. But we need first and above all to recognise – right now - that the technology itself knows no borders, and time is running out on our opportunity to jointly lead.
This being the inescapable reality, the two central questions for Transatlantic partners at the political level have now become: (1) how to create, commit to and engage on a “digital transformation” agenda, leading to eventual joint action where called for, and (2) what should be this agenda’s priority issue areas.

How can we create, commit to and engage on a transatlantic “digital transformation” agenda, with eventual joint action where called for?

There is growing recognition (and frustration) among both digital supply-side communities and downstream, demand-side stakeholders on both sides of the Atlantic that our sporadic on-going efforts to remove specific actual or foreseeable barriers to what is increasingly a digitally-driven Transatlantic partnership across the full breadth of our common interests lack a common political commitment to and framework for engagement and joint action of sufficient strength and scope to deliver effective outcomes. In order to address this fundamental, mission-critical weakness we would do well first to go back to the future.

Formalised EU/US cooperation remains to this day based on the Transatlantic Declaration of 1990, followed in 1995 (with the decisive support of TPN) by the New Transatlantic Agenda (NTA) based on a Framework for Action. Recall also – and crucially for our present purposes - that the NTA was the very first commitment undertaken by the European Union under the new Common Foreign and Security Policy (CFSP) provisions of the 1993 Maastricht Treaty.

However, the only NTA reference in 1995 to what has become our shared digital future is this pro-forma sentence: “To allow our people to take full advantage of newly developed information technology and services we will work toward the realisation of a Transatlantic Information Society.” At the same time, on the economic front the outlook for progress on digital issues through the TTIP process currently appears uncertain at best.

No wonder then that to this day our evolving Transatlantic digital dialogue lacks the core political commitment, priority issues framework and agreement on engagement and joint actions necessary to deliver outcomes in view of our foreseeable and expanding agenda of common interests in global digital transformation over the next decade.

The first and most important question confronting us therefore becomes how to create the missing political commitment and framework to pursue a new, visionary, XXIst century Transatlantic Digital Transformation Agenda able to bring new energy and commitment to a Transatlantic Partnership fit for global leadership in the digital age. To this end, we endorse:

- For the economic dimension, the broader TPN recommendation and procedural prescription to re-launch our efforts to create a Transatlantic Economic Partnership by 2020, within which must feature a forward-looking Digital Dialogue focused on our common interests and concerns in economy-wide digital transformation;
- For the political and security dimensions, an updating of the 1995 New Transatlantic Agenda to take account of the growing impacts of digital technologies on our future common interests in these areas.
Taken together, these two partnership processes should address, further define and commit to on-going dialogue and common action where called for across the following five priority themes.

Priorities for a XXIst century Transatlantic Digital Transformation Agenda: Five not-so-easy pieces

As noted in our Foreword and in the preceding section, we do not lack for detailed, prescriptive recommendations on Transatlantic digital issues and possible actions for inclusion in our 2020 partnership agenda, but we do lack a coherent, comprehensive political framework committing Transatlantic partners to engagement leading to joint action where politically possible and appropriate, structured around a short-list of major issue priorities, within which any specific issue of agreed common interest and concern can find its place and process.

Within the twin processes of NTA renewal and re-launch of Transatlantic Economic Partnership, the following 5 priorities are recommended to structure and focus our digital policy engagement. Given past experience and the current direction of various policies on either side, none will be easy. All the more reason to engage first at the political level to better understand where our future common interests will lie.

PRIORITY ONE
The future of work

• Intensifying political pressure on both sides of the Atlantic to both preserve jobs and stimulate job creation is increasingly seen in the context of the changing nature of work in the digital age and the long-term threat to employment itself from digital technologies – notably but not exclusively artificial intelligence and robotics.

• This political pressure is compounded by the concomitant need to maintain global competitiveness in the very technologies and their widespread downstream application which call into question the future of work in all sectors of our economies.

• This priority therefore engages the full range of transatlantic actors and interests on both the supply and demand sides of digital transformation.

• Failure to recognise and address the work-related consequences of digitally-driven transformation while simultaneously supporting and facilitating its development threatens to undermine public and political support for trade and market integration on both sides of the Atlantic, and indeed global trade more broadly.

• Current political concern is focused largely on the future of work in manufacturing sectors (about 20% of the US and European economies), but research and commentary increasingly also address the longer term work-related impacts of these technologies on service-sector employment (over 75% of the economy on both sides). These concerns have led to a much wider and growing popular and political focus in two areas:

• At the micro-economic level, the character of jobs in the future and the skills necessary to perform them. This focus leads particularly to reconsideration of strategies and policies for education, training and entrepreneurship.
• At the macro-economic level, the future fiscal basis and labour market structures able to sustain our western social and governance systems. This focus has notably led to spreading consideration of a basic universal income, and taxation of the technology replacing human labour.

**CONTEXT**

In 2009 (EIF 2025) we observed that the digital world would “bear little resemblance to the 19th century industrial bedrock upon which Otto von Bismarck constructed the world’s first social security systems.” In our 2014 sequel (EIF 2030) we went farther, asking:

Is the internet making us poor? Is software ‘eating the world’? Are we destined to revert to the sort of ‘hourglass’ economy which characterised most of human history before 20th century industrial society? ... This debate can be expected to increasingly dominate economic theory, policy and politics...

... As indeed it has and is. The future of manufacturing jobs in our advanced economies remains the primary current focus (although the share of manufacturing jobs is falling everywhere around the world, including China). On the US side some 7 million manufacturing jobs have disappeared over the past 35 years. A similar trend can be seen in Europe.

Why is this happening, and what needs to be done about it? More to the political point, is this due largely to global trade – as is easily and increasingly asserted – or to job-killing digital technologies? This is no idle political question.

Some available data argue strongly for the preponderant job-eliminating impact of productivity-enhancing digital technologies. According to the US Federal Reserve for example, US factories today manufacture twice as much as they did in 1984 with one-third fewer workers. By the same token, some recent – and widely reported - analysis assigns up to 85% of manufacturing job losses in our economies to productivity gains from digital transformation. Indeed, this narrative seems lately to have become the conventional wisdom.

On the other hand, the data also show that overall productivity growth has stalled on both sides of the Atlantic over the past decade, hardly consistent with the narrative of widespread job-killing, technology-driven, productivity gains. A number of different explanations for this reality have been offered.

For example, one emerging narrative seeks to square this circle, arguing that: (1) our stagnating productivity gains have inevitably led to loss of competitiveness in internationally traded goods sectors, and thus indeed to the loss of jobs to trade competition; (2) such job losses must therefore be seen as the result of too little investment in digital manufacturing technologies, leading to loss of manufacturing jobs to international competition; (3) more productivity-enhancing investment in digital technologies is thus vital to restore our competitiveness in internationally traded goods sectors at home and abroad thereby creating net domestic employment growth, provided that international trade agreements allow for a level playing field.
In short, the first narrative portrays a technology–driven manufacturing revolution well underway, having already led to job transformation and elimination. The second asserts that this revolution actually has yet to take place in our manufacturing sectors, but is a necessary condition for creating net new manufacturing employment given an open trading environment. However, both stress the unavoidable need to harness and adapt to the productivity-enhancing character of digital technologies.

The basis for EU political engagement with the United States on the future of work
The European Institutions have now created a broad platform for political engagement around this priority which can serve as the basis for putting in place more structured and permanent engagement with US counterparts. Growing numbers of business and civil-society interests (from both sides) are likewise contributing their thinking and experience.

- On the 16th of March 2017 the European Parliament by a large majority adopted a Resolution (the outcome from a parliamentary cross-party working group established in 2014), setting out a wide-ranging and arresting political agenda in view of the rapid evolution of so-called artificial intelligence (“AI”) and robotics, finding that the development of robotics and artificial intelligence raises legal and ethical issues that require a prompt intervention at EU level. This agenda can in itself serve to kick-start a rich transatlantic political dialogue around the future of work.

- At the same time, the European Commission has led the creation of a public-private partnership now involving some 250 organisations to support the research and development of AI/robotics in Europe. Participants span research, academia, manufacturing, systems integration and end users.

- In June 2016 the European Commission set out a wide-ranging programme to improve digital skills in Europe, stressing that “in the future all jobs will require digital skills.”

Priority Two
The need to deliver in a timely manner common policies in the interest of citizens and consumers
In today’s political climate of scepticism over the benefits of traditional trade per se, as well as consumer concerns arising from electronic commerce and online presence more broadly, transatlantic partners would do well in our search for digital policy and regulatory compatibility to focus on areas clearly in the interest of citizens and consumers on both sides. Moreover, because traditional legislative pathways are self-evidently not able to keep up with the pace of digital innovation meriting regulatory attention, newer “soft-law” models may offer effective alternatives.

In this context it is likewise important to recognise that the consumer interest may itself increasingly challenge long-established policy and regulatory frameworks – as can clearly be seen in the so-called “collaborative economy”.

The basis for EU political engagement with the United States on consumer and citizen priorities
The exercise of European Union treaty competence for consumer protection has a long history. Today, the EU’s Digital Single Market programme emphasises the need for a “high level of consumer and personal data protection, irrespective of nationality or place of residence.” The effort now is now turning notably toward the enforcement in the virtual world of existing commercial standards fully accepted in the real world.
**PRIORITY THREE**

The need to clarify and address the expanding sphere of data policy

In EIF’s 2014 Digital World in 2030, we tried to articulate an underlying paradigm able to capture the common revolutionary character and power of digital transformation in any context. We called it “The Knowing Society”. Our ineluctable conclusion was that...

...the boundaries of ‘data policy’ are expanding” in a world where the collection of data, access to data, ownership of data and exploitation of data will drive our economies and societies.”

And indeed, on the economic side we have since then evolved toward what is now widely referred to as the “data economy”, while on the societal side we confront a broad spectrum of data-driven phenomena – for better, or for worse.

The conclusion for Transatlantic partners is clear: as the sphere of “data policy” expands, we need a clarifying political commitment to structure and enhance our political and regulatory dialogue. All other digitally-responsive policy goals – job creation, a transatlantic (not just digital) market, innovation across all sectors, personal privacy, cyber-security in all its permutations, social and public services, artificial intelligence, the internet of things - lie downstream from this priority policy focus on data. If we do not commit to seeking policy and regulatory compatibility within this expanding data sphere, we won’t achieve it downstream where it matters.

**The basis for EU political engagement with the United States on data policies**

European legislation and proposed legislation on data protection and data privacy have been and remain the primary focus of Transatlantic engagement on data issues, and will remain central within this priority.

However, EU data policy consideration is now broadening following adoption in January 2017 of a European Commission Communication, Building a European Data Economy (as of this writing subject to a public consultation), addressing:

- Issues on free flow of data/data localisation
- Legal issues in the context of new data technologies, including: access to and transfer of non-personal machine-generated data; data liability; portability of non-personal data
- Interoperability and standards

This Communication itself builds on a wider strategic initiative launched in November 2013, focused on nurturing a coherent European data ecosystem across the whole economy.

**PRIORITY FOUR**

The need for common third country trade and investment policies adapted to our digitally transforming world

The European Union currently has some 50 bilateral trade agreements in force or under negotiation with 3rd countries, the US some two dozen. Both are of course also WTO contracting parties, OECD members, and G20 participants. As digital transformation accelerates around the world, the digital dimension of these 3rd country relations is taking on new importance and urgency. A common approach
by transatlantic partners – ideally based on a transatlantic model - can lead to benefits for both, notably for example in future trade and investment relations with China.

In this regard, the digitally-focused provisions (in their present texts) of both the Transatlantic Trade and Investment Partnership (TTIP), and the Trans-Pacific Partnership (TTP) offer highly relevant references for consideration by Transatlantic partners.

The basis for EU political engagement with the United States on third-country agreements
Third country trade and investment policy is an exclusive treaty competence of the European Union, acting on behalf of its member states. In early 2016 the European Commission launched a “New Trade Strategy”, in which a primary objective is to “update trade policy to take account of the new economic realities such as global value chains, the digital economy and the importance of services;”

Most recently the EU’s recently concluded a “Comprehensive Economic and Trade Agreement (CETA)” with Canada offers a reference for the practical implementation of a digital dimension in a wide-ranging agreement between OECD members.

PRIORITY FIVE

The need for shared global leadership to ensure a balance between individual freedoms and human rights and the responsibility of the state to protect its citizens
In EIF’s 2009 Digital World in 2025 we observed that...

...finding this balance looks like becoming a primary differentiating feature between open, democratic societies on the one hand, and on the other those states which attempt to control the internet not to protect their citizens, but to protect themselves from their citizens... The world’s democracies will find it increasingly difficult to ignore the need for policies to shape future political and economic relations with such states.

Five years later we observed that finding such a balance had likewise become a difficult issue between Transatlantic partners themselves (particularly governmental access to data collected by commercial operators). If a primary objective of Transatlantic partnership in the digital age remains to promote and protect our shared values at home and around the world, we cannot avoid this nexus of issues. A primary focus for such common effort must continue to be the evolving multilateral, multi-stakeholder ‘internet governance’ architecture.

More recently political concern rises on both sides of the Atlantic over apparent attempts by clandestine parties to subvert our democratic process and institutions themselves, enabled by digital tools and global connectivity, and the invention of “news”. Legislators on both sides – whatever their political affiliations, appear to be at risk from these new realities, while pressure grows on digital services providers to help combat them.

Moreover, counteracting such threats would seem to demand joint Transatlantic counter-measures going beyond civil society, engaging intelligence services, law enforcement agencies and military capabilities, and thus also joint political oversight in some manner.
The basis for EU political engagement with the United States on human rights in the digital age


Within this framework, eleven sets of Guidelines have been adopted to guide EU policy and action, including in May 2014 “EU Human Rights Guidelines on Freedom of Expression Online and Offline.” In this strongly-worded statement, EU member-state foreign ministers stressed that “with these Guidelines, the EU reaffirms its determination to promote, in its external human rights policy, the freedoms of opinion and expression as rights to be exercised by everyone everywhere, based on the principles of equality, non-discrimination and universality. Through its external policy instruments, the EU intends to help address and prevent violations of these rights in a timely, consistent and coherent manner.”

These Guidelines notably stress the importance of protecting journalists in their work, and extend the community of journalists to include “citizen journalists, bloggers, social media activists and human rights defenders, who use new media to reach a mass audience.”

Meanwhile, in November 2016 the European Parliament adopted by large majority a Resolution calling for action to combat “propaganda pressure” from third countries, most notably Russia, as well as non-state actors, notably violent jihadi terrorist groups. “Hostile propaganda against the EU and its member states seeks to distort truth, provoke doubt, divide the EU and its North American partners, paralyse the decision-making process, discredit the EU institutions and incite fear and uncertainty among EU citizens,” reads the text.

These threats are today digitally enabled. To counter-act them, MEPs call for investing in awareness raising, education, online and local media, investigative journalism and information literacy which would empower citizens to analyse media content critically. They also call for deepening cooperation between the EU and NATO for strategic communications.
The European Union and the United States should:

- Aim to re-launch their efforts to create a Transatlantic Economic Partnership by 2020

- Establish a bilateral working group focused on the Transatlantic Economic Partnership 2020, comprised of European Commission and U.S. government officials—including regulators—to assess the lessons learned from the TTIP negotiators, to sort out the implications for transatlantic commerce of the UK exit from the EU and make recommendations about how to proceed with transatlantic negotiations. Just as the U.S. and Japan have established an economic dialogue led by U.S. vice president Mike Pence and Japanese deputy prime minister Taro Aso, the U.S.-EU bilateral working group should be chaired by comparable high-level EU and U.S. leaders.

- Engage members of the U.S. Congress and the EU Parliament in these deliberations on an ongoing basis through the designation of individual members from the relevant committees as rapporteurs who would be charged with participating in the new transatlantic assessment dialogue, reporting back to their respective legislative committees with public reports. Complementing this effort appropriate EU and U.S. legislative committees should invite their counterparts to testify on issues of joint interest with a transatlantic impact.

- The Transatlantic Business, Labor, Consumer and Environmental Dialogues should conduct their own assessment of the TTIP negotiations and make recommendations to the Transatlantic Economic Partnership 2020 dialogue.

- Create a Digital Dialogue with business, labor and consumer representatives, to make recommendations regarding what both Europe and the United States should do to deal with the challenges and opportunities posed by the emerging digital economy.

- Organize a consortium of European and American think tanks to make joint recommendations, based on experience on both sides of the Atlantic, on how to best prepare Americans and Europeans to cope with the challenges posed by the rapidly accelerating pace of change in their respective societies, this effort should look at educational and retraining needs and the social safety net, including a universal income.