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Next Steps for U.S. Digital Leadership:

Advancing Digital Governance with the
Pacific and Europe

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Executive Summary

Building on a strong domestic agenda, the Administration's international objectives include ensuring a worker-centric trade policy, rebuilding partnerships with allies, and developing a strategy to address China's growing technology challenge. Leading on global digital governance must be a key component of this agenda.

This report focuses on next steps to creating a U.S. led global digital governance agenda. As the longer-term process of negotiating a multilateral digital agreement under the World Trade Organization evolves, the U.S. should focus on nearer-term goals in the Pacific and Europe.

A new digital agenda starts with the need to identify policies that are worker-centric. The Administration and Congress are working on a new trade agreement model to put workers at the center, and this focus needs to be part of digital agreements. This includes language covering digital inclusion and access to technology, especially to underserved communities, a focus on small- and medium-sized enterprises (SMEs) and protections for online users.

Second, the U.S. should negotiate a Pacific Digital Agreement to reestablish U.S. engagement in Asia, building on existing regional agreements, which include open and democratic values. This agreement should include a group of five or six key countries in the region, incorporate new worker-centric language, together with existing high standard language from DEPA, DEA and the U.S.-Japan Agreement, and create new norms on ethical AI, facial recognition, and technologies of the future.

Finally, the U.S. should build a coalition of like-minded, technology-democracies to develop a high standard digital governance agenda advancing open and democratic values. The U.S.-EU Tech and Trade Council is a good first step toward this goal. Building this coalition is the most critical element in countering China's harmful approaches to tech and data governance, and the U.S. has no stronger partner in these values than the EU. However, the two sides will also need to work through digital policy friction, including privacy, taxation, and regulatory approaches like the Digital Markets Act (DMA).

About the American Leadership Initiative

The American Leadership Initiative (ALI) is working with elected officials and other stakeholders to develop a 21st century vision and policy agenda for American global leadership, based on American interests and shared values. ALI's policy work is focused on five pillars: advancing inclusive and sustainable growth at home and abroad, pursuing smart trade policies, leading on climate, meeting the China challenge, and promoting democracy, human rights, and rule of law.

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Introduction

The Biden-Harris Administration is off to a promising start reinvigorating U.S. alliances to build a more solid foundation for global digital governance. In April, during Japanese Prime Minister Yoshihide Suga's visit to the White House, the U.S. and Japan pledged to advance secure and open 5G networks, invest in 5G and next-generation mobile networks, and launch a Global Digital Connectivity Partnership in third-country markets. In June, the U.S. and EU made progress on addressing certain key trade frictions, announcing the formation of the U.S-EU Tech and Trade Council. Discussions among key officials in the Administration and Congress indicate interest in renewed U.S. leadership on digital governance in the Indo-Pacific. In the wake of the COVID-19 pandemic, which accelerated the pace of digital transformation in economies around the world, there is increasingly widespread recognition of the importance of securing America's digital future.

This paper lays out the next steps in a U.S. roadmap for a global digital governance agenda, which will spur economic recovery and support good jobs, promote democracy, and counter China's technology challenge. It builds on ALI's report, released in February, "A Global Digital Strategy for America," which outlined a series of domestic and global digital policies the U.S. should pursue to prepare for the post-pandemic economy. Taken together, these policies will enable the U.S. to create a more accessible and robust American economy, establish digital governance to protect democracy, support inclusive economic growth in developing countries, and position the U.S. as a global digital leader.

Domestically, the U.S. experience during COVID-19 demonstrated that digital connectivity and skills are must-haves for Americans and will be key to its economic recovery. In addition to ensuring inclusive access to digital training and technology, facilitating access to digital global markets will help spur economic growth. Whether it's small businesses using digital platforms to offer their goods and services globally, or larger companies using digital technology to improve manufacturing and services, digital governance rules, and improved access to global digital markets will create jobs and advance the post-pandemic recovery.

This report also continues to highlight the importance of America establishing a global digital governance agenda to counter the challenge posed by China. Beijing is accelerating its development of digital technologies and standards globally, spreading autocratic values of censorship and surveillance when it exports its technology. ALI's

February report stressed the importance of working with allies to create a global governance agenda, based on shared values, which would allow businesses, civil society, and citizens access to an internet that is open, democratic, and secure.

In its early days, the Biden-Harris Administration has, appropriately, focused on tackling the COVID-19 pandemic by rolling out vaccines to millions of U.S. adults and addressing the pandemic's economic disruption by dispersing stimulus and other types of assistance to millions of Americans. As part of this focus, the Administration and Congress are pursuing some of the ALI's recommendations, including funding for universal broadband, and subsidizing community college and expanding internship opportunities.

Globally, the Administration's objectives include ensuring a worker-centric trade policy, rebuilding partnerships with allies, and developing a strategy to address China's growing technology challenge. Protecting the digital economy and leading on global digital governance must be key components of this agenda.

This report focuses on the next steps to creating that global digital governance agenda. As the longer-term process of negotiating a multilateral digital agreement under the World Trade Organization evolves, the U.S. should focus on nearer-term goals. These start with the need to develop a digital agenda that is worker-centric and then moving forward on two recommendations from ALI's Global Digital Strategy report: first, that the U.S. negotiate a Pacific Digital Agreement which would reestablish its engagement in Asia, building on existing regional agreements which include open and democratic values; and second, that the U.S. build a coalition of like-minded, technology-democracies to develop a high-standard digital governance agenda advancing open and democratic values.

We hope that this report provides a roadmap for the Administration and Congress to create a global digital governance agenda, use digital technologies to facilitate American economic recovery, create a more inclusive and growing economy at home and abroad, and a safer, more democratic world.

Building A Worker-Centric Digital Agenda

The global pandemic accelerated the shift towards a global digital economy, as people worked, studied, shopped, and had medical appointments online. This shift also helped many individuals and small businesses expand their services locally and globally.

This shift also highlighted a significant digital divide, both in the U.S. and globally, leaving people without access to broadband, digital equipment, and training further behind and threatening to exacerbate economic inequality.

The Administration and Congress are working on a new trade agreement model which will put workers at the center of the conversation, and this needs to be extended to digital agreements. ALI is launching a separate, comprehensive project to develop a worker-centric digital agenda. This section gives a brief overview of the elements a worker-centric digital agreement might include.

When considering the goals of a digital agreement, it is important to think about access to equipment, not just to markets. Even though increasing access to technology is accomplished through domestic policies and legislation, it is important that countries commit to enacting such measures as part of any digital agreement.

The Digital Economic Partnership Agreement (DEPA) between Singapore, Chile, and New Zealand has the most explicit language in any pact covering digital inclusion and access. It acknowledges the importance of digital inclusion to “ensure that all people and businesses have what they need to participate in, contribute to, and benefit from the digital economy.”¹ It goes on to discuss expanding and facilitating digital-economy opportunities by removing barriers and improving access for “Indigenous Peoples ... women, rural populations, and low socio-economic groups.”²

Both DEPA and the Digital Economic Agreement (DEA) between Australia and Singapore includes language acknowledging the importance of small and medium enterprises (SMEs) and their commitment to address the need for digital access and its benefits for them. This includes a dialog to promote information sharing and capacity building among small businesses and a commitment to expand access to open government data to generate new business opportunities, especially for SMEs.

When considering the goals of a digital agreement, it is important to think about access to equipment, not just to markets.

In 2019, New Zealand adopted a set of principles called “Trade for All,” which seeks to maximize the benefits of trade for the various New Zealand communities. The first principle specifies, “An open conversation with the public and key stakeholders around the future direction of New Zealand’s trade policy.”³ The U.S. should include similar language as it

develops worker-centric agreements. DEA includes provisions regarding stakeholder engagement, including for SMEs and underserved communities. While its language doesn’t explicitly include workers as a stakeholder group, a worker-centric agreement should certainly explicitly include it.

A worker-centric digital agreement should also be values-based, including protections for digital users. In addition to privacy language, which is foundational in digital agreements, other recent digital pacts, such as the U.S.-Japan Digital Agreement and the DEA, include sections covering safety on the internet, mandating those countries adopt legislation to guard against fraudulent, misleading or deceptive activities causing harm to consumers online.

ALI’s follow-up paper will delve more deeply into developing the elements of a worker-centric digital trade policy which would maximize the benefits that workers and consumers obtain from the new global economy, while minimizing their losses.

Advancing A Pacific Digital Agreement

A Key Component of U.S. Asia Strategy

The future of digital governance has incredible traction in the Asia-Pacific. Officials there have noted that the region is anxious to welcome the U.S. back; they believe that the Biden-Harris Administration should launch a regional initiative to show that it is re-engaging in Asia. First, the United States already has a digital agreement with Japan that sets high standards, similar to those in the U.S.-Mexico-Canada Agreement (USMCA). In addition, the digital provisions in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), an 11-country free trade pact which went into effect in late 2018, are already widely accepted norms in the United States, with most already part of the USMCA and the U.S.-Japan Digital Trade Agreement. Other nations, like Singapore and Australia, which have their own high-standard digital

agreement that covers areas like artificial intelligence (AI), financial technology (fintech), and electronic payments, are actively discussing with the Biden-Harris Administration the possibility of digital agreements.

As part of a broader Indo-Pacific strategy, the U.S. should work with the region in economic and trade terms – not just in the defense and security arena. Without a strategy for formal economic engagement in the Indo-Pacific, the United States will face reduced influence in the development of standards for trade, investment, and technology.

Moreover, there is widespread recognition across the U.S. political spectrum of the strategic importance of economically engaging in the region as a counterpoint to China's expanding technological influence. China's role in developing both the region's 5G infrastructure and its broader digital ecosystems has grown as its Digital Silk Road initiative has expanded.⁴ This venture, aimed at investing in other countries' telecommunications networks, AI capabilities, cloud computing, e-commerce and mobile payment systems, surveillance technology, and other high-tech areas, brings with it China's autocratic standards and digital governance.⁵

Advancing U.S. digital governance, which promotes democracy, rule of law, and transparency in the region, is a key part of a global strategy to counter China, as well as to expand U.S. markets to support U.S. workers.

Regional Agreements

A series of recently-concluded digital agreements contain the building blocks for the U.S. to accomplish an ambitious sectoral agreement with partners in Asia.

Pacts to build from are:

- **Comprehensive and Progressive Agreement for Trans-Pacific Partnership** (CPTPP, signed March 2018, entered into force Dec. 2018): With the Digital 2 Dozen as its basis, at the time it was concluded CPTPP had the most advanced trade language to enable the future digital economy.⁶ CPTPP remains the agreement with the largest number of parties committing to digital standards.
- **U.S.-Mexico-Canada Agreement** (USMCA, signed Nov. 2018, entered into force July 2020): USMCA built on CPTPP by defining liability of intermediary service providers, a provision that some U.S. legislators have criticized and warned

against including in any new trade agreements. USMCA also breaks ground by both ensuring that non-sensitive government data be publicly available and by establishing a process to minimize local data storage requirements, opening opportunities for financial data to flow more freely across borders.⁷

- **U.S.-Japan Digital Trade Agreement** (signed Oct. 2019, entered into force Jan. 2020): With language similar to CPTPP and USMCA, the U.S.-Japan Digital Trade Agreement includes nondiscriminatory-treatment provisions, and commits to prohibiting or limiting data-localization barriers, restrictions on cross-border data flows, and transfer of source code or algorithms as conditions of market access.
- **Digital Economic Partnership Agreement** (DEPA, signed June 2020, with digital signatures, entered into force Jan. 2021): Chile, New Zealand, and Singapore created a “first of its kind,” flexible, scalable agreement for like-minded partners to build out digital principles and standards that promote efficiency, trust, and interoperability.⁸ It contains over 16 modules, including Digital Inclusion, Small and Medium Enterprises Cooperation, Business and Trade Facilitation, Treatment of Digital Products and Related Issues, Data Issues, Business and Consumer Trust, Digital Identities, and Emerging Trends and Technologies.

Though DEPA is not enforceable in the same manner as a traditional trade agreement, it is a useful model and can serve as rubric for handling thornier digital issues. Its unique module structure can be a way to bring less digitally-advanced countries into the agreement, signing up to an initial set of modules and phasing in the rest.

- **Singapore-Australia Digital Economy Agreement** (DEA, signed Aug. 2020, entered into force Dec. 2020): Negotiated in record time, the DEA goes further than CPTPP, including new commitments on e-invoicing and e-payment frameworks, improved enforcement and compliance provisions around online consumer protection, enhanced transparency, and greater cooperation in online safety.⁹
- **Regional Comprehensive Economic Partnership** (RCEP, signed Nov. 2020, target date for entry to force is Jan. 2022): While RCEP does contain an extensive digital trade chapter, including China’s first commitment to binding rules on data flows and localization, it permits member-states to continue imposing regulatory restrictions provided that they are applied evenly to both foreign and domestic concerns. Importantly, the agreement’s dispute settlement mechanism does not apply to the digital chapter.¹⁰

Areas Ripe for U.S. Leadership

AI is not covered by current U.S. digital trade agreements and is ripe for inclusion in a future pact. Chinese President Xi Jinping has announced that he wants China to be the global AI leader by 2030, and he is using it to tighten the country's domestic monitoring and social control – especially on the Uighurs.¹¹ China is also exporting its AI technology to other autocratic regimes, giving them the tools to monitor their populations. A wide range of countries, including Egypt, Ethiopia, Zambia, Kenya, Uganda, Mauritius, Serbia, Malaysia, Sri Lanka, Ecuador, Bolivia, and Venezuela have already bought Chinese surveillance equipment to monitor their populations. The long-term consequences of China having this technology in countries across the globe is chilling. The U.S. needs to move quickly to work with other democracies to set worker-centric standards for AI, ensuring that the technology is not used in ways that violate people's human rights and essential freedoms.

While language on cybersecurity in DEA and DEPA primarily focuses on cooperation, the USMCA and the U.S.-Japan Digital Agreement are more robust, addressing the importance of a risk-based approach to cybersecurity regulation. This is another area where the U.S. could introduce a stronger regulatory framework into a new digital agreement.

Fintech and electronic payments are sectors where China has leapt ahead with its own system. DEPA promotes transparency and a level playing field in this nascent sphere, which has the potential to enable SME growth. Ensuring that a future U.S.-Pacific digital agreement contains provisions on e-invoicing, express shipments, and the interoperability of electronic payments would support a worker-centric digital agenda.¹² Several U.S. agreements, including USMCA and the U.S.-Japan Digital Agreement prohibit governments requiring divulging of source-code and algorithms – a necessary bulwark against China's aggressive push to require such disclosures as a condition of market entry.

Furthermore, the growing number of decisions being made by algorithms, which already drive news content and advertising and could be used for decisions on credit and other consumer benefits – or broader policy issues. For example, a think tank in Canada reported on its government's experimental use of artificial intelligence in decisions around immigration and refugee status.¹³ This trend only increases the urgency of having an agreement which sets robust norms around algorithms' use.

Final Considerations

With a number of new countries, including Canada, the U.K. and Korea, expressing their interest in joining DEPA. DEPA is a logical starting point from which the U.S. can build a Pacific Digital Agreement.¹⁴ While Australia is not in DEPA, it has a high-standard digital pact with Singapore, the DEA, and the U.S. already has a high-standard digital agreement with Japan, making both logical partners. The U.S. should craft an accord with this group of countries, using their existing commitments, together with new ones on AI and facial recognition, to create a new, enforceable, digital agreement. Other countries could then join over time, and it could serve as a template for future pacts.

The new agreement should emphasize digital inclusion and accessibility for SMEs, as DEPA does, as well as provisions regarding stakeholder inclusion. Given that the CPTPP countries are signatories to a digital chapter, some may choose to eventually join the new agreement, and it is important to include a mechanism that would allow less digitally-sophisticated nations to phase in certain commitments.

Given the Administration's emphasis on the Indo-Pacific and the Quad, the question has arisen of whether India should be a partner in such an agreement. India, however, has recently promulgated data-localization requirements which pose significant barriers, according to the USTR's 2021 "National Trade Estimates" report.¹⁵ Trying to include India as a partner would slow negotiations for a Pacific digital agreement. That said, in the spring, the Quad leaders, representing Australia, India, Japan, and the U.S., affirmed their shared vision for a free and open Indo-Pacific and committed to launch a critical- and emerging-technology working group to facilitate cooperation on international standards and innovative technologies. This is an excellent forum and agenda to continue building consensus with India on digital policy.

President Biden should bring a proposal for a Pacific Digital Agreement to APEC.

With Trade Promotion Authority having expired on July 1, and with no immediate prospects for renewal, it would be difficult for a digital agreement to pass through Congress. However, the U.S.-Japan Digital Agreement was completed as an Executive Agreement and did not need Congressional approval. Unfortunately, the administration officials negotiating the U.S.-Japan pact did not consult with Congress, engendering ill will from members. A new digital executive agreement should be negotiated in close consultation with key lawmakers and congressional committees, to ensure it has

political support. Such an agreement should also draw bipartisan support, given its importance for countering China's regional influence.

As President Biden and his team plan for his participation in APEC and the East Asian Summit, a proposal for a regional digital agreement should be an initiative that the U.S. brings to the table. Such a proposal would send a well-received signal that the U.S. is eager to reengage in the region and codify shared values of transparency and democracy.

U.S.-EU Relations & Global Digital Governance

A New Opportunity

Biden's first overseas trip in June, to the G-7 summit, yielded a new tone in U.S.-EU relations after several uneasy years. This visit also included the first U.S.-EU summit since 2014. "[T]he United States and Europe laid the foundation for the world economy after World War II and now have to work together to write the rules of the road for the next generation, particularly in the areas of economics and emerging technologies," a senior Administration official told reporters at the time.¹⁶ The Biden-Harris Administration's approach, together with the shared history and values between the U.S. and EU, offers reasons for cautious optimism that the two can develop the foundation for a new technology and digital policy. Nonetheless obstacles and

differences in approach remain, which the two will need to overcome.

The Administration's approach, together with U.S. and EU shared history and values, offers cautious optimism.

Building a coalition of like-minded technology-democracies to advance more open and democratic values in technology and digital policy is the most critical element in countering China's harmful

approaches to tech and data governance. By 2030, China is poised to become the leading global spender on research & development.¹⁷ China has used the lack of U.S. global engagement over the past several years to put itself in leadership positions in key technology standard-setting organizations, pushing them to align with China's interests. It has also accelerated deployment of several key technologies, including AI and 5G. And China's government has used a wide array of subsidies to promote

investment in its domestic technology companies, subsidizing their exports and allowing them to greatly expand their global market share at artificially low costs – all while helping spread its autocratic internet standards.

To this end, the U.S.-EU Trade and Technology Council (TTC), announced following the U.S.-EU summit, is a necessary step toward building a broader digital governance framework. The Administration described the TTC’s major goals as, “to grow the bilateral trade and investment relationship; to avoid new unnecessary technical barriers to trade; to coordinate, seek common ground, and strengthen global cooperation on technology, digital issues, and supply chains; to support collaborative research and exchanges; to cooperate on compatible and international standards development; to facilitate regulatory policy and enforcement cooperation and, where possible, convergence; to promote innovation and leadership by U.S. and European firms; and to strengthen other areas of cooperation.”¹⁸

The TTC will establish 10 working groups, on the following issues:

- Technology standards cooperation (including on AI and Internet of Things, among other emerging technologies)
- Climate and green tech
- ICT security and competitiveness
- Data governance and technology platforms
- Misuse of technology threatening security and human rights
- Export controls
- Investment screening
- Promotion of SME access to, and use of, digital technologies
- Global trade challenges
- Reviewing and strengthening critical supply chains

The establishment of a U.S.-EU Joint Technology Competition Policy Dialogue was also announced. While such trans-Atlantic collaboration mechanisms are an important step towards countering China’s technology practices as well as boosting U.S. and EU technology and digital cooperation, much detail remains to be resolved regarding these discussions.

If the TTC’s working groups become focused and work towards concrete results, it has the potential to become the cornerstone for a “Tech 10,” a concept advanced by the Administration, ALI, and others: a coalition of like-minded technology-democracies working to promote more open and democratic values in tech policy and data governance.

Digital Friction

While the TTC has a broad and ambitious agenda, its success will hinge on its ability to show tangible and concrete, if modest, progress, while also building momentum to tackle tougher issues. As the U.S. and EU find their footing on areas of common interest, significant gaps remain on digital policy and data governance.

Driven partly by the fear of its tech sector falling behind, and partly by its own regulatory norms, the EU has pursued a separate digital and technological path, enacting a regulatory structure intended to protect and nurture its technology sector.¹⁹ The EU's Digital Markets Act (DMA) and Digital Services Act, legislative proposals that seek to regulate large online platforms, illustrate this approach.²⁰ The DMA would prohibit a narrowly-targeted set of companies – “digital gatekeepers” – from engaging in certain practices, including combining data collected from two different services belonging to the same company, promoting their own products through self-preferencing methods, and pre-installing some services.²¹ Some view the direction the EU is headed with this and other regulation as protectionist.

While some in the U.S. Congress also have concerns regarding large internet companies' anti-competitive practices, the Biden-Harris Administration has already called out the DMA as anti-American.²² The proposal is expected to be implemented in 2023, leaving time to adjust it. This will be a test of the U.S.-EU Joint Technology Competition Policy Dialogue, along with the TTC, and an indication of whether the two sides can maintain positive momentum.

Digital taxes have also been a tension point, but recent events are encouraging and provide reason for optimism. Just before the June G-7 summit, U.S. Trade Representative Katherine Tai announced the conclusion of the one-year investigations of Digital Service Taxes (DSTs) adopted by Austria, India, Italy, Spain, Turkey, and the United Kingdom, imposing additional tariffs on certain goods from these countries but immediately suspending them for 180 days to provide additional time to complete negotiations at the Organisation for Economic Co-operation and Development (OECD) and in the G-20 processes.²³

The OECD talks have advanced since Treasury Secretary Janet Yellen and her team took the reins and the G-7 communique announced a dual approach: Instead of taxing gross revenues, as France did, the G-7 deal will levy profits of the largest, most successful businesses globally (Pillar One), and will enact a new 15 percent minimum effective corporate tax rate in each country in which a business operates (Pillar Two).²⁴ On July 1, 130 countries announced that they reached agreement on that 15 percent rate.²⁵

The Biden-Harris administration's interest in not creating disparities in national tax rates in part drove this agreement. It could also ameliorate a long-standing European grievance over U.S. companies earning revenue from services in EU markets while headquartering in countries with low corporate tax rates.

Ultimately, the U.S. may have to accept some level of tax on its companies' e-commerce activities as a trade-off for avoiding even higher taxes in many countries, and to minimize compliance challenges stemming from different DSTs around the globe.

Privacy has been a third friction point. The EU's General Data Protection Regulation has tremendously influenced global legal norms for privacy and data protection. U.S. companies and those from other jurisdictions started building compliance mechanisms even before it took effect in 2018. In July 2020, in what is called the Schrems II decision, the EU Court of Justice struck down the existing Privacy Shield agreement between the U.S. and EU. It ruled U.S. personal data protection was not "essentially equivalent" to the European legal order.

The two sides are in talks about an enhanced Privacy Shield which would comply with the ruling, efforts which Commerce Secretary Gina Raimondo and EU Justice Commissioner Didier Reynders announced in March were "intensifying."²⁶ While the U.S. and EU affirmed during the recent summit their plan to keep working together to strengthen legal certainty in trans-Atlantic data flows, both sides were quiet on specifics. The Schrems II decision specifically requires limits on U.S. surveillance of EU citizens, something with which the U.S. has been reluctant to agree. That mandate will make it more difficult to forge an agreement without greater limitations on U.S. surveillance powers and effective remedies for EU citizens.²⁷ The EU has also suggested that the new privacy pact be ratified by the U.S. Congress, for fear that if it is merely an executive agreement a future Administration could easily cancel it. Unfortunately, this seems unlikely given the current tensions in Congress.

At home, a U.S. federal privacy regime has never been more urgent, as the number of Americans conducting critical work – from school to business to medicine – online has increased enormously over the pandemic. Certain vulnerable U.S. communities have been skeptical about using digital tools to address the crisis due to heightened concerns that personal information collected online could be used to violate their civil rights. U.S. privacy law must incorporate measures to protect civil rights and ensure that health and other personal information collected to address the Covid-19 crisis be used for only that purpose. Reps. Jan Schakowsky (D-Ill.) and Gus M. Bilirakis

(R-Fla.) and Sen. Richard Blumenthal (D-Conn.), chairs or ranking members of relevant subcommittees in their chambers, agreed publicly in May that it's past time to overcome the national impasse on federal privacy legislation.²⁸ Other members like Rep. Suzan DelBene (D-Wash.) are also advancing federal privacy legislation.

There are still other, broader obstacles to U.S.-EU engagement on digital governance. Distrust in the U.S. political system has some European voices favoring a hedge against a possible return of an “America First” president in 2025, and some EU member states have drawn closer to China as a result.²⁹ Moreover, the EU has traditionally been more reluctant to openly challenge China's trade practices, preferring to let the U.S. take the lead – and bear the brunt of any retaliation.

While there is still a long road ahead, there is cause for cautious optimism. European Commission Executive Vice-President Vladis Dombrovskis said recently: “[W]hatever challenges the EU and U.S. face, there is no stronger values-based alliance in the world.”³⁰ The recent European parliament vote to pause the ratification of the EU-China investment pact, in response to Beijing's treatment of its Uighur population, affirmed shared U.S.-EU values and could mean closer future alignment on dealing with China's harmful policies. Despite disagreements over how to manage both digital and technology policies and the social and economic consequences of technological change, both sides' shared principles on democracy, governance, rule of law, and human rights provide a foundation for cooperation. Both parties must realize that their shared values must rise above technical differences. Each side must be willing to make allowances while finding tangible areas of agreement on the issues – and understand that they are stronger standing together against China's autocratic internet practices, while collaborating to write democratic and transparent digital rules for the 21st century.

Conclusion

President Joe Biden's first speech to a joint session of Congress in April strongly emphasized standing up to unfair foreign trade practices and modernizing the U.S. industrial base to compete with China. Setting an affirmative agenda for global digital governance and codifying the rules of the road for the digital economy are important next steps for the Administration, to advance U.S. and global post-pandemic economic recovery, counter China's technology challenge, and ensure that America writes the digital rules for the 21st century.

COVID-19 has accelerated the pace of digitization across all parts of the global economy, and the U.S. should not cede digital leadership to China. It is time for the U.S. to move forward and advance global digital governance with EU and key partners in Asia, on two parallel tracks.

Such a deal would incorporate new worker-centric language together with existing high-standard language from DEPA, DEA, and the U.S.-Japan Agreement, and create new norms

on ethical use of AI, facial recognition, and technologies of the future. Indeed, recent reports indicate the National Security Council is working with relevant agencies to move forward on such an initiative.

Second, the U.S. and the EU should offer a vision and actionable roadmap for data governance and secure supply chains globally. Establishing the U.S.-EU Technology Council is a great starting point, which could be built on later to create a Tech 10.

The Administration must seize the moment for global digital leadership to ensure a better future for its citizens and ensure a digital future based on democratic values.

The U.S. should negotiate a Pacific digital pact with five or six countries already party to existing digital agreements.

End Notes

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