



INSTITUTE FOR
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iit compact #12 ▪ Oliver Ziegler

Trump 2.0, Tech and the Transatlantic Tragedy

The re-election of Donald Trump is an imposition for science. While the president-elect is gradually putting together a leadership team that is recognisably based more on loyalty than competence, scientists and political decision-makers on both sides of the Atlantic fear the impact of his second term in office on EU-US cooperation in the area of technology and innovation policy.

Trump 2.0 – an imposition

Within the US Republican Party, there is certainly a diversity of opinion on technology issues and much depends on which views and voices ultimately prevail. The nomination for the head of the “White House Office of Science and Technology Policy” (OSTP) is still pending (the position remained vacant for a long time under Trump 1.0) and Big Tech in the form of the new American Oligarchs around Elon Musk are also shaping the debate. As Germany and Europe need to position themselves in view of the coming four Trump years, a brief outline of possible areas of transatlantic conflict as well as existing cooperation structures between Europe and the USA might be worthwhile.

The institutional framework

Institutionally, the coordination of individual measures between the USA and the EU has been carried out (more or less successfully) since 2021 by the “EU-US Trade and Technology Council” (TTC), the most important forum for political coordination on key trade, economic and technology issues.¹ To date, the body has pursued the overarching aim to “foster interoperability and support our common democratic values and the protection of human rights, while also promoting innovation”.² Under a Trump 2.0 administration, the future of the TTC with its thematically changing working groups – from clean tech and platform governance to 6G telecommunications standards – is more than uncertain, although some EU representatives, such as the EU Chair of the Transatlantic Labor Dialogue (TLD), Brando Benifei (MEP), are hopeful that it will continue to exist in some new format.³

EU “Digital Services Act” and antitrust proceedings

A central topic in the TTC was and is Europe’s quite revolutionary “Digital Services Act” of 2022, which, together with the “Digital Markets Act”, aims to create a “safer digital space”. The focus on transparency and the impairment of monopolistic practices was certainly welcomed by the Biden administration; there is broad agreement within the still-US government that Apple, Google, Meta and co. are stifling competition. Accordingly, the US Federal Trade Commission (FTC) blocked mergers in Silicon Valley on antitrust grounds and the Department of Justice filed monopoly lawsuits against some tech giants, as recently in the Google/Chrome case.⁴ Under Donald Trump, this implicit trans-

atlantic consensus on the regulation of large US tech companies is passé. Trump is convinced that American companies are being discriminated against by an invasive EU Commission and will fight back. Unsurprisingly, top big tech executives rushed to congratulate the MAGA leader on his victory. One unknown factor in the scenario remains US Vice President-elect J.D. Vance, a prominent supporter of antitrust proceedings to date. Trump-buddy Elon Musk, on the other hand, wants to see the dedicated FTC chief Lina Khan fired as soon as possible.

AI safety

The topic of AI safety, also intensively discussed in the TTC,⁵ is another expected area of conflict. Trump has already announced his intention to repeal the “extremely left-wing” AI executive order of October 2023 with which President Biden introduced safety standards for the development of AI. While the EU Commission is pushing to regulate and limit possible negative effects of the technology on society and democratic institutions, a much more business-friendly course is emerging in the US. The future of the “AI Safety Institute”, newly established by the US Congress, which cooperates closely with the “EU AI Office”, is also uncertain, as is the future of the voluntary code of conduct for AI development at G7 level (Hiroshima Process) initiated in May 2023 or the UN initiative for global AI regulation (UN Global Digital Compact).

Clean Tech and the US “Inflation Reduction Act” (IRA)

Donald Trump will also break with the EU’s previously common climate and energy policy line. It is likely that Biden’s \$369 billion green subsidy package for energy and climate programmes under the “Inflation Reduction Act” (IRA) will be unwound, at least in part. While the IRA has caused significant growth in the domestic clean tech industry and created thousands of jobs, many of them in traditionally Republican “red states”, Trump is certain to cancel tax credits for electric vehicles (E.V.) and further restrict access to subsidies for so-called “foreign entities of concern” (FEOC) as part of his protectionist “America First” agenda. It will be interesting to see how the conflict of interest between Trump’s planned import tariffs of up to 60 % on Chinese goods (including lithium-ion batteries) and the economic interests of Tesla and SpaceX CEO Elon Musk will be resolved.⁶ More broadly, with the likely US withdrawal from federal climate action – including key components of the green economy agenda cham-

1 See https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/stronger-europe-world/eu-us-trade-and-technology-council_en

2 See <https://www.commerce.gov/news/press-releases/2024/04/us-eu-joint-statement-trade-and-technology-council>

3 See https://sciencebusiness.net/news/trump-victory-triggers-uncertainty-over-transatlantic-relations-ai?utm_source=ActiveCampaign&utm_medium=email&utm_content=Horizon%20Europe%20cuts%20avoided%20as%20Parliament%20strikes%202025%20spending%20deal&utm_campaign=Funding%20Newswire%3A%20Edition%2030

4 See <https://storage.courtlistener.com/recap/gov.uscourts.dcd.223205/gov.uscourts.dcd.223205.1062.0.pdf>

5 See <https://digital-strategy.ec.europa.eu/en/library/ai-public-good-eu-us-research-alliance-ai-public-good>

6 See, e.g. <https://amp.theguardian.com.cdn.ampproject.org/c/s/amp.theguardian.com/technology/2024/nov/22/elon-musk-tesla-china-us-relationship-trump-xi-jinping>

pioned by President Biden – the focus of these activities will shift to sub-national actors such as states, municipalities and businesses. California, for example, already announced providing rebates to eligible residents in case the incoming Trump administration ends the \$7.500 federal E.V. tax credit.⁷

Microelectronics and the US “Chips and Science Act”

So far, the TTC has also provided a suitable platform for microelectronics, at least for regular transatlantic dialogue on the two US and EU “Chips Acts” and on the challenges posed by bilateral agreements between the US and individual (including European) countries such as the Netherlands on export restrictions for chip manufacturing technologies. In view of Trump’s announced “America First” policy – during the election campaign, Trump had threatened tariffs of up to 20 per cent on all European products – the surprising investment freeze by US chip manufacturer Intel in Magdeburg (Germany) and Poland in September 2024 reads like a harbinger of the intensifying transatlantic competition between business locations. Even more so, as Trump is expected by many to continue Biden’s \$50 billion “Chips and Science Act” of 2022, despite his fierce criticism of the semiconductor subsidy programme and his critical stance on the Taiwan issue. One of the main reasons for this is likely to be broad bipartisan support in the US Congress.

International scientific co-operation

Beyond the specific technology issues, the announced efficiency measures in the administration under Musk’s new Department of Government Efficiency (DODGE), as well as visa restrictions and strict security precautions, will have a painful impact on American science and global cooperation in the fields of climate, health and other politically sensitive areas. The de-risking of international scientific relations, which is already being pursued by the National Science Foundation (NSF) and is expected to increase, will certainly greatly reduce the proportion of non-Western students and scientists at US universities and research institutes. This is likely to affect US tech companies, as international talent applies to US universities primarily with the aim of gaining access to the American tech sector.

Tragedy or opportunity?

Donald Trump’s election poses major challenges for Germany and Europe’s technology and innovation policy. Similar to the classic tragedy, the question of survival will arise for the strained transatlantic technology partnership. Nevertheless, the Trump

shock also represents an opportunity for Europe’s innovation and industrial policy. On the one hand, transatlantic coordination of political measures within the framework of an institutional body continues to be desirable in the future, particularly in view of the technological rivalry with China. On the other hand, the EU must **significantly strengthen** its ability for **strategic autonomy** in the new geopolitical competitive environment. This includes, among other things:

- i) A reorientation of public **spending on research and innovation (R&I)** and **public procurement**, for example for AI applications. In general, the EU is facing a critical investment gap. For example, the annual R&D budget of Tech giant **Amazon** is more than four times as high as the €100 billion EU research framework programme Horizon Europe.⁸ In terms of private spending on AI and IT, Western Europe lags behind the US by an average gap of 45–70 per cent across industries.⁹ In addition, the lack of coordination within the EU is hampering the development of world-leading research and technology infrastructures, which in turn limits R&I capacities. The current discussions on the future of the 10th EU Research Framework Programme aim to address these points.¹⁰
- ii) Strengthening strategic autonomy also includes completing the European internal market for services, which remains partly fragmented, as well as a functioning Capital Markets Union (CMU) to finance the green transition. Mario Draghi’s recent competition report sets the direction here.¹¹
- iii) As the conditions for clean tech companies in the USA are expected to deteriorate under a Trump administration, Europe should actively fill this gap and specifically promote green technologies with a concrete competitive advantage, in particular batteries, wind turbines and electric vehicles.¹²

7 <https://www.nytimes.com/2024/11/25/climate/newsom-trump-electric-vehicle-tax-credits.html>

8 See <https://op.europa.eu/en/publication-detail/-/publication/b3baec75-fdd0-11ed-a05c-01aa75ed71a1/language-en>

9 See <https://www.mckinsey.com/capabilities/quantumblack/our-insights/time-to-place-our-bets-europes-ai-opportunity>

10 See in particular the recently published so-called “Heitor Report”: <https://op.europa.eu/en/publication-detail/-/publication/2f9fc221-86bb-11ef-a67d-01aa75ed71a1/language-en>

11 See https://commission.europa.eu/topics/strengthening-european-competitiveness/eu-competitiveness-looking-ahead_en#paragraph_47059

12 See <https://www.bruegel.org/analysis/cleantech-manufacturing-where-does-europe-really-stand-0>

- iv) If new, restrictive visa rules in the USA make it more difficult to recruit foreign talent and students, the EU should be very open to these talents, provided the necessary precautions are taken. It is also becoming apparent that in the expected “anti-science” climate under a Trump 2.0 administration, many US scientists will seek (at least temporary) residence on the old continent. Europe should welcome them. At the same time, the strong rivalry between the USA and China could offer the opportunity for increased, strategic US-EU scientific cooperation (keyword: “friendshoring”), e. g. through exchange programmes, particularly in the natural sciences. Europe should also seize this opportunity.
- v) Finally, in future dealings with the US, Germany and the EU should promote stronger **cooperation on the above-mentioned topics with US subnational actors and the private sector**, thereby building on the experiences and networks under Trump 1.0. This approach could open up new avenues for transatlantic cooperation.

The Institute for Innovation and Technology (iit) will continuously examine these and other transatlantic developments as part of its “Transatlantic Technology and Innovation Policy” programme and provide our clients with detailed industry analyses in an advisory capacity.



Geo-Tech Politics

Global connections, local dependencies,
diverging interests

Editor

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