TRANSLANTIC COOPERATION AND THE DIGITAL ECONOMY: THE IMPACT OF THE NEW STRATEGIC AGENDA “A EUROPE FIT FOR THE DIGITAL AGE”

BY

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THESIS

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ABSTRACT

The history of the transatlantic relationship between Europe and the United States can be traced back to 1945. The end of World War II marks the beginning of a globally influential relationship. However, this relationship has also been characterized by an amplitude of tensions. More specifically, these tensions are deeply engrained in the overall structure of the partnership. The US played a significant role in rebuilding Europe after the war. Not only did the US support European economic advancement but also European integration. Over the course of the next few decades, the relationship changed. Guided by US hegemony, Europe became increasingly more integrated and more connected. The transatlantic relationship changed from a relationship between the US and Europe to a relationship with a supranational organization. Despite the bumpy overall structure of the relationship, the United States and the European Union created a valuable partnership. It blossomed through cooperation in terms of security and economics. The transatlantic partners became deeply entangled and managed to grow their global influence through cooperation.

Recent developments relating to shifting geopolitics and the emergence of China challenge the transatlantic relationship. Additionally, the rise of the digital economy makes traditional cooperation efforts more complex. The European Union’s proposal of a new strategic agenda addresses the challenges of today’s world and seeks to enable the EU to become a valuable player internationally. This thesis investigates the impact of the new strategic agenda on transatlantic cooperation by analyzing its ability to redefine and strengthen the relationship between the United States and Europe. I argue that the digital economy is a key point in the current relationship, and that stronger cooperation in this policy area will allow the transatlantic
partners to reclaim their global leadership position while addressing the rapid rise of China in the global economy.
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To the Class of 2020

Always remember: We are all in this together
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CHAPTER 1: INTRODUCTION

While Europe and North America have decades of common history, a large-scale transatlantic relationship had not been a particular feature until relatively recently. The discovery of the Americas as well as colonial periods first connected the two continents. Additionally, the US and certain European countries, such as the United Kingdom and Germany, had strong bilateral ties throughout history. Yet, these relations did not entail a formal and fundamental bond. Consequently, these linkages loosened following two world wars and the Great Depression. A more formalized partnership was only initiated at the end of World War II. While previous relationships were mostly between the US and individual European countries, this was the first partnership between the United States and a more comprehensive entity (Quinlan, 2003).

The Marshall Plan formalized the transatlantic relationship. In fact, the Marshall Plan as well as the North Atlantic Treaty Organization (NATO) are frequently referred to as the heart and foundation of the transatlantic relationship as it is known today. The Marshall Plan greatly supported economic cohesion. Additionally, it was a driving factor in increased European integration, which led to the formation of the European Coal and Steel Community as well as the European Community. These eventually developed into the European Union. Further, it initiated cooperation in terms of economics and security relations. Additionally, the closer cooperation helped establish multilateral institutions with significant global influence such as the World Bank, International Monetary Fund (IMF) and the World Trade Organization (WTO) (Quinlan, 2003; Mitchell, 2018; Hanhimäki et al., 2012).

Transatlantic cooperation has been a central feature of international relations since the end of World War II. Additionally, the end of the war was rather impactful for the evolution of
the relationship between the US and Europe. There have always been relations between the US and other Western European countries. Therefore, the end of the war and the fall of Germany created a significant security threat as it pit the former allies – particularly the United States and Western Europe against the USSR and Eastern Europe – against one another. Supporting European integration provided the solution for this security threat. This created a bilateral relationship between the US as a country and the nations of Western Europe. Further, the extent of this relationship changed throughout history as Europe became more integrated and institutionalized (Bindi, 2019; Quinlan, 2003).

The term ‘transatlantic relations’ as it is used throughout this thesis, refers to the relationship that was initiated after the end of World War II. Hanhimäki et al. refer to the United States as a European power (2012, p.2). The creation of the Marshall Plan and NATO deeply entangled the US in European affairs. The United States can be depicted as the savior of post-war Europe. Consequently, the US has been Europe’s most influential partner ever since. However, this also shows that the definition has been complicated since the beginning. Flaws can be seen as a part of the definition of the transatlantic relationship. The position of the US as Europe’s savior put the nation on a pedestal. It has been the single most influential driver in Europe’s return to an economic power. Additionally, the US supported European integration and peace while also offering the means for protection from the imposing threat of the Soviet Union. US hegemony and leadership made the United States the more influential partner. Consequently, flaws and tensions caused by inequality between the two partners within this relationship originated in the beginning stages of the partnership and are part of the definition of transatlantic relations (Bindi, 2019; Hanhimäki et al., 2012; Lagadec, 2012, Quinlan, 2003).
Economic or political developments on either side of the Atlantic have been causing tensions within the transatlantic relationship. Additionally, the current shift in geopolitics and the rise of China further impacts relations between the US and the EU. The transatlantic partnership is in a transition phase. On the one hand, the developments relating to the digital economy offer unique opportunities for the global economy and transatlantic cooperation. However, on the other hand, the rise of the digital economy as well as recent political developments also strain transatlantic relations. The notion of a perceived common threat – initially from the Soviet Union, and more recently from China - has been a central element that strengthened transatlantic relations as these alliances are formed with a specific goal in mind. However, the current relationship between a country and a supranational organization is more tense than ever before, and the digital economy is a point of rupture in that strain.

This thesis investigates the impact of the digital economy on transatlantic relations. More specifically, it analyzes the impact of the new strategic agenda “A Europe Fit For the Digital Age” on transatlantic cooperation. This thesis creates a connection between the digital economy and the potential cooperative relationship between the US and EU by centering it around the following research question: How will the new Commission agenda impact transatlantic cooperation and consequently create a stronger bond to counter geopolitical power shifts in the face of the new economy? Further, the following sub-questions will direct the discussion throughout a variety of chapters: Is the European Union just a policy maker or does it have the ability to become a competitive player in the digital economy? Is the European Union innovative enough to keep up with the challenges of the twenty-first century as posed by its transatlantic partner? Based on these questions, the argument guiding the discussion will be based on the beneficial impact of transatlantic cooperation. In particular, I argue that uniting efforts relating to the digital economy
has the ability to become the new purpose guiding the transatlantic relationship. Successful cooperation brings immense economic benefits for both parties and has the ability to lead the transatlantic partners to a position of power globally, which will help redefine and strengthen their relationship.

In order to support the arguments and claims presented, this work draws on and revises existing scholarship. However, due to the novelty and timeliness of the topic, it will also be imperative to move beyond this by drawing new connections between existing sources. Therefore, this thesis intends to look at the history of transatlantic relations and compares it to the current state of them. Additionally, it discusses the value of the transatlantic relationship and the role of security and economics. Foreign direct investment is one of the major connectors between the two economies. It intertwines both sides of the Atlantic and helps strengthen this bond. Focusing on the transatlantic economy will help explain some of the recent disputes that challenged the historical and current state of transatlantic relations. Further, focusing on the overall value of the relationship as well as the differences between the transatlantic partners allows for arguments relating to future cooperation efforts. As digitalization has become globally omnipresent, it is important to discuss the digital economy and its rise in political importance in relation to the transatlantic happenings connected to it.

Chapter 2 provides a comprehensive overview of transatlantic history. The end of World War II in 1945 marked the beginning of a more formalized transatlantic relationship as we know it today. An overview of the relationship throughout history offers insight into the overall shape of the partnership. Further, it provides insight into the historical development and points of tangency. Getting a comprehensive picture is imperative to make estimates about the strength and future of the transatlantic relationship between the US and the European Union.
Chapter 3 investigates the value of transatlantic relations. More specifically, it covers the security and economic relationship between the US and the European Union. Additionally, shifting geopolitics and the rise of China are introduced as a significant challenge to the transatlantic relationship. Cooperation in terms of security has been crucial throughout the development of transatlantic relations. Further, the US and the European Union have deeply entangled economies. Contrasting value-adding issues such as trade and security with the challenge of a rising China provides arguments for the significance of transatlantic cooperation.

Chapter 4 introduces the digital economy. The new economy has been rising rapidly. It greatly impacts both sides of the Atlantic. Digitalization significantly challenges today’s world and poses complex questions for all parties involved. The introduction of the digital economy is followed by an analysis of the transatlantic digital economy, in particular. The chapter explains how transatlantic cooperation in the digital economy provides opportunities to counter the growth of the Chinese digital economy, which greatly contributed to China’s rapid growth.

Chapter 5 analyzes the European Commission’s new strategic agenda. Making Europe fit for the digital age is a significant component of the new decade. It may allow the EU to become more competitive in terms of the digital economy. Additionally, the new agenda proposes opportunities for a more precise regulatory framework. Developing an agenda relating to the new economy allows the European Union to rise beyond its current international position and become a more valuable player globally.

Chapter 6 offers a discussion of the research. In this chapter, I use the various individual components discussed in previous chapters to create new connections between them. More specifically, I use these points to argue for an increased emphasis on the digital economy, with a
particular stress on convergence of policies and cooperation between transatlantic actors to strengthen their global leadership position.

Finally, Chapter 7 provides a summary of the arguments introduced by connecting the discussion to the initial claim that transatlantic cooperation with respect to the digital economy has the ability to serve as the new purpose guiding the transatlantic relationship. Despite being valuable allies throughout many decades, recent issues, events, and movements distanced the transatlantic partners. Additionally, the shift in geopolitics challenged their position on the world stage. Following the discussion and connection of individual pieces of research, I offer potential implications of the new Commission agenda for the future of transatlantic cooperation. Lastly, Chapter 7 acknowledges the limits of this research project by addressing recent challenges that have the potential of impacting the overarching argument. While these developments are beyond the scope of this thesis, they may be worth exploring in the future.
CHAPTER 2: HISTORY OF TRANSATLANTIC RELATIONS: 1945 – NOW

The transatlantic relationship between the European Union as well as its predecessors and the United States of America has been a significant component of international relations since the twentieth century. More specifically, the end of World War II initiated the beginning of something that would soon become the most prestigious relationship in the world. The relationship between Europe and the US has always been close, yet also often troubled. While the relationship deepened and became more integrated over the years, it has also been shaped by constant ups and downs. Therefore, it is crucial to investigate the ‘normal’ within transatlantic relations and whether it refers to “tensions or unity, conflict or community” (Hanhimäki et al., 2012, p.1). In order to be able to define the overall structure of transatlantic relations and to make assumptions about the future, it is imperative to consider the historical development up until now as indicated in Figure 1 below (Bindi, 2019; Hanhimäki et al. 2012).

World War II left Europe in ruins. The weakened state of the European economic situation naturally cleared the path for America on its way to become a dominant leader on the world stage. The US was mostly untouched by the aftermath that followed the war. Additionally, the American economy was thriving. In fact, the US produced roughly half of the world’s industrial goods by the end of World War II. The US became a natural leader globally, possibly only challenged by the emergence of the Soviet Union. Consequently, the US had to adjust its protectionist policies to ensure its continued leadership position and promote the international development of Europe. The emergence of the US as a leader for rules and regulations relating to the world’s commercial and financial relations was set in stone with the Bretton Woods agreement. The United States became a central power in the world’s economic system, which
also affected its relationship with the rest of the world and Europe, in particular (Hanhimäki et al. 2012).

Figure 1: The history of transatlantic relations
Oftentimes, the Marshall Plan, officially known as the European Recovery Program, is described as the heart and fundamental basis of the transatlantic relationship in the twentieth century. Post-World War II Europe was in a rocky shape. Not only was the economic situation problematic but also cooperation between European countries was almost non-existent. In order to rebuild the European economy, the United States used its position of power and created the Marshall Plan to stimulate the recovery process and, perhaps even more importantly, to encourage cooperation between European communities. The US-initiated Marshall Plan was meant to create a shared set of values and goals within Europe and can be described as the first supporter of the European integration process (Cowles and Egan, 2012; Hanhimäki et al. 2012; Quinlan, 2003; see also GMF US, 2017).

The intervention of the US in Europe helped protect it from the imposing threat of the Soviet Union. The United States and the Soviet Union were the two predominant world powers after World War II. The United States’ protectionist behavior towards central Europe soon became a central element in the transatlantic relationship and helped shape as well as strengthen this valuable bond. However, as the Cold War continued, and hence the threat of the Soviet Union became an omnipresent issue, European countries demanded a greater but also deeper commitment from their American allies. In order to remain its role as a world leader but also to meet Europe’s demand for greater protection, the US agreed to permanently provide Europe with military sources. This marked the beginning of the North Atlantic Treaty Organization (NATO). The continued threat of the Soviet Union as well as the European preoccupations caused by the Korean War caused fear and motivated central Europe to increase defense efforts. However, Europe was still shaken up from World War II, lacked the necessary troops and was unable to defend itself effectively. Hence, it chose to rely on the United States for security, which led to an
official alliance, which aimed to provide collective defense mechanisms under the leadership of US Army General Eisenhower (Cowles and Egan, 2012; Duffield, 2001; Hanhimäki et al. 2012; Lagadec, 2012).

While the United States provided significant protection to central European countries, it was also committed to help the continent become a united whole again, and hence encouraged integration. The US government believed that integration would strengthen the transatlantic relationship as it would lower the likelihood of (armed) conflicts between European countries and consequently supported the Schuman declaration that proposed the creation of a first supranational community, the European Coal and Steel Community (ECSC), in 1950. This declaration is often depicted as the first step towards supranationalism and what would later become the European Union. Additionally, this was taken a step further with the creation of the European Economic Community (EEC). With the support of the US, Europe managed to become more integrated, which allowed the continent to gradually improve its economic strength ("The Schuman Declaration", 2020; Hanhimäki et al. 2012).

A majority of the time between the end of World War II and the mid-1950s was shaped by the formation of a strong bond between the United States and Europe. However, the newly developed relationship also experienced its first ruptures. The Suez Canal crisis challenged both sides of the Atlantic and depicted a first divergence within the transatlantic relationship. An Anglo-French force countered the US position and created a tangible bump in the transatlantic relationship. It first showed that both partners in this relationship might have different priorities or alliances when it comes to extra-regional challenges. These potentially pre-existing alliances may be bigger than the transatlantic partnership itself and connected to the intrinsic values of the countries in question (Hanhimäki et al. 2012; Quinlan, 2003).
The following decades were shaped by tensions, challenges and distance. In the late 1950s, the decolonization process started, which reduced the influence of European countries globally. At the same time, however, both the United States and the Soviet Union started to gain significant power. Frequently, the US would step in to take on previously European-influenced areas of strategic significance. While the United States was increasing its global power and influence, Europe was focusing on regional development issues, such as the strengthening of the EEC. Hence, this caused continued transatlantic ruptures, especially when dealing with ‘out of area’ crises as both counterparts had quite differing priorities. Yet, another conflict heavily impacted this era. As the United States and the Soviet Union were competing for global influence, both were increasing their nuclear arms sources. This race-like behavior escalated rather quickly as all participants wanted to be the most powerful players. The nuclear arms race became problematic fast, especially since Europe was caught in the crossfire. European countries heavily relied on their American security umbrella, yet their position in the middle made them an easy target. This also caused some troubles within the transatlantic relationship as European countries started to question the effectiveness of solely relying on America’s protection (Cowles and Egan, 2012; Hanhimäki et al. 2012; Quinlan, 2003).

Europe was affected by the Soviet Union’s missile launch Sputnik and started to raise questions regarding the value of American dependence. This was further emphasized by the strengthening of the EEC. The need for more independence internationally became a prevalent side effect of Europe’s integration process. Newly elected US president John F. Kennedy hoped to redefine the transatlantic relationship by shifting the focus away from just a military cooperation to a more comprehensive transatlantic partnership. However, his hopes were not fulfilled as the transatlantic relationship again focused heavily on military aspects. The new US
presidency as well as the developments in Europe regarding the EEC caused a divergence between the two parties. Europe was slowly becoming more integrated and developing new economic and political assertiveness. As Europe followed its path towards more independence, the transatlantic relationship was characterized by tensions (Hanhimäki et al. 2012).

The United States used to be one of the biggest supporters of European economic recovery and integration. However, this was challenged as Europe managed to increase its self-confidence. The 1960s provided a few challenges for US hegemony. On the one hand, French president de Gaulle openly started to address his concerns regarding the US influence in Europe. While he never questioned America’s NATO support in Europe in face of the Soviet threat, he found the increasing US dominance on the continent rather problematic. His worries challenged the transatlantic relationship, however, were limited in scope as the Soviet threat required American aid. On the other hand, Europe became a significant competitor. Its newfound self-confidence due to integration gave Europe significant leeway economically. Originally, the US encouraged integration as it would open up greater opportunities for American exports. However, Europe’s economic recovery and integration process also made the continent more protectionist of itself. In the beginning, European countries, such as Germany and France imported American chicken as it was much cheaper than local poultry. However, the supranational body within Europe was protectionist of its freshly recovered economy. The EEC did not approve of this import industry and imposed tariffs on American poultry. As a response, the United States increased its tariffs on light trucks such as Volkswagen buses, French brandy, and dextrin. By 1963, this situation had fully developed into a ‘chicken war’ that caused retaliatory responses and continued serious ruptures within the transatlantic relationship (Cowles and Egan; 2012; Hanhimäki et al. 2012; Kennedy, 2018).
President John F. Kennedy believed that European integration was a necessary component of a successful transatlantic relationship. However, as the 1960s showed, as Europe’s economy recovered and the continent found its own voice again, transatlantic relations became more complicated. The transatlantic relationship was challenged by a divergence of opinions as well as the dislike for US hegemony. Yet, despite the ups and downs throughout this decade, the transatlantic ties were still strong and adaptable enough to include new developments. There was an on-going need for a functioning transatlantic partnership to counter the Soviet threat. In addition, even though some parts of the relationship were challenged by divergence, the overall transatlantic partnership did not suffer significantly, in fact, some areas such as investments even improved (Cowles and Egan, 2012; Hanhimäki et al. 2012).

Despite the continued commitment to the transatlantic relationship, the US and Europe were more distanced than ever before. In the following years, both parties started to focus on their own side of the Atlantic. In fact, Europe finally developed a new sense of Europeanness. This shift in perspective was especially present after the first enlargement of the European Communities. Europe’s main focus throughout this time period was the creation of a new, improved, and most importantly, recovered Europe. Hence, their respective priorities shifted away from the transatlantic relationship to more pressing internal issues. This caused significant distance between the US and Europe, which became particularly problematic as new out-of-area challenges arose. An example of this is the Arab-Israeli war in 1973. Europeans finally developed a united front, which was quite different from the American perspective. This caused a serious split within the transatlantic partnership as Europeans started to openly disagree with US hegemony. Yet, despite the severe transatlantic tensions, the allies were required to stick
together throughout this crisis to counter the threat of the Soviet Union (Cowles and Egan, 2012; Hanhimäki et al. 2012).

The challenges within the transatlantic relationship also carried over to the next decade. The US had always promoted the European integration process, yet as the 1980s arrived, the tables turned, and the American government feared a major upset in transatlantic relations. The European Community became more united and developed the Single European Act in 1986. This also improved Europe’s international market power and made it comparable to other big players such as the US and Japan. This project had the potential to significantly challenge US hegemony and cause problematic ruptures in the transatlantic partnership. However, despite the previously feared upset, there was no major transatlantic clash (Cowles and Egan, 2012; Hanhimäki et al. 2012).

By the end of the 1980s, the transatlantic relationship was back in full swing and the US and Europe created a united front against the threat of the Soviet Union. Additionally, the US government again acknowledged the importance of a well-integrated Europe and valued the benefits connected to economic relations. However, with the fall of the Berlin Wall in 1989 one of the major components of the transatlantic relationship disappeared. Originally, the transatlantic relationship was created to help protect US allies from the threat of the Soviet Union. The end of the cold war challenged this alliance. While the US and Europe established a profound relationship over the years, it was still mostly driven by the need for NATO protection (Cowles and Egan, 2012; Hanhimäki et al. 2012). Therefore, this decade concluded with major challenges moving forward: was there still a demand for a transatlantic alliance in a post-cold war environment or was an entirely new form of cooperation needed?
The lift of the Iron Curtain and the reunification of Germany came with a variety of challenges. There was a lot of uncertainty about the future of the transatlantic relationship in both the US and Europe. On the one hand, these changes opened up opportunities for Europe to become more integrated, economically and politically. On the other hand, however, the reunification of Europe post-Soviet Union also came with uncertainty and unpredictability. The main reason for NATO protection, namely the imposing threat of the Soviet Union, had disappeared. Yet, neither the US nor Europe pushed for the end of NATO. Security was still a top priority of Europe, and hence the continued strengthening of the transatlantic relationship. Despite uncertainties on both sides of the Atlantic due to the emergence of a new international world order, there was desire for continuity with regards to the transatlantic partnership in order to stabilize international relations while Europe redefines itself internally (Hanhimäki et al. 2012; Ilgen, 2006; Ling, 2018).

The end of the Cold War gave Europe the opportunity to widen and deepen integration. In 1992, the European Community decided to create a more complete and formalized entity, the European Union. While agreements between countries existed before, this removed a majority of concerns relating to potentially new arising rivalries. Additionally, this new union formalized monetary matters and created a three-pillar guideline for Europe. The Maastricht Treaty formalized these developments and laid down the foundation for the new supranational unit by specifically introducing the European communities, a Common Foreign and Security policy as well as police and judicial cooperation. However, while Europe celebrated this major accomplishment, the US appeared rather unfazed. Despite continuous support for increased European integration leading up to this major event in new European history, the US government only acknowledged the success of the initiative but did not believe that this would entail any
significant changes on their end. In fact, the US government believed that US hegemony in the world was still unchallenged. While this was mostly true at the time, as the US was the most powerful global player and a significant military force, the newly established European Union also had the potential to become a significant political and economic power moving forward. Stronger integration and collaboration among European countries allowed them to become more economically competitive globally. Additionally, creating a common market significantly increased Europe’s resources and capabilities (Cowles and Egan, 2012; Hanhimäki et al. 2012).

The formation of the European Union in the mid-1990s was a significant step in Europe’s recovery process following the low after World War II. However, there were still many glitches. The EU had yet to act as a real super-state politically and unite all voices. Oftentimes, political decision-making processes were incoherent and decentralized. For example, the beginning stages of the European Union lacked influential, supranational decision-making entities. While these bodies existed, countries would still greatly rely on their respective national institutions. This incoherence was a major factor in decreasing the EU’s value internationally. US hegemony was still omnipresent, due to the absence of a clear structure within the EU. While the European Union’s economic market significantly grew in size, the US remained the more influential partner within the transatlantic relationship. In fact, the European Union “lacked ‘a phone number’ that an American president could call” (Hanhimäki et al. 2012, p.137) and hence there was little change in the balance of power within the transatlantic relationship (Hanhimäki et al. 2012).

The mid-1990s were shaped by enlargement within the European Union and prosperous economic development relating to the transatlantic partnership. The EU and US became dominant players in the world economy, mainly due to the increasing strength in transatlantic
relations. Despite little change with regards to the power dynamics within the partnership, their shared efforts became more impactful with continued European integration. By 1996, the European Union and the US had become each other’s most significant trading partner. Additionally, foreign direct investment (FDI) received a greater role in the transatlantic economy. Both economic markets – the US and the common European market – were thriving and expressed interest to further the integration by creating a more complete transatlantic marketplace. While the transatlantic trade was increasingly booming over the following years, the US and Europe did not manage to fully eliminate all industrial tariffs. While the two transatlantic partners developed closer economic relations, the overall relationship continued to be challenged by complications relating to the distribution of power (Hanhimäki et al. 2012; Quinlan, 2003).

As Europe increasingly became more integrated internally, it also started to develop more independence from its former guide, the US. This caused significant tensions within the transatlantic partnership. The relationship was mostly driven by US hegemony in the past, however, as the EU became more competitive, it also started to voice its own issues and concerns. Numerous disputes dealt with a divergence in opinions related to agricultural products. More precisely, the newly established World Trade Organization (WTO) ruled over 32 transatlantic disputes in the late 1990s alone. This clearly shows how Americans and Europeans slowly started to develop a divergence in opinions (Hanhimäki et al. 2012).

However, Europe’s dependence on NATO and consequently the US was still omnipresent. A series of conflicts in former Yugoslavia as well as the Kosovo crisis increased the demand for military forces to protect the European Union. Even though the Maastricht Treaty included a Common Foreign and Security Policy (CFSP), the European Union was unable to
effectively protect its borders and provide efficient security as the decision-making processes connected to it were quite complex. The rather young European Union was made up of quite differing countries with complex historical backgrounds. Decision-making within the CFSP required unanimity among the members, which significantly delayed decisions (Hanhimäki et al. 2012).

The need for functioning transatlantic security relations strengthened the partnership, while diverging opinions on international terrorism, the environment, and trade challenged it. Following the terrorist attacks of 9/11, the European Union and its members stood with the US. However, the transatlantic partners had diverging opinions on how to counter this terrorist attack. While the US preferred retaliatory methods, the European Union trusted in intelligence gathering as a means to counter terrorists. Also, environmental topics such as the ratification of the Kyoto protocol in the 1990s created ruptures within the transatlantic alliance. Again, a divergence of opinions was the main factor challenging transatlantic relations as the US put its economy first (Bindi, 2019; Hanhimäki et al. 2012).

The decade surrounding the creation of the European Union was quite challenging for transatlantic relations. Yet, despite many ups and downs, they exited the decade as powerful partners. The necessity of NATO in Europe made the US a significant player in European affairs and helped strengthen the relationship. However, the friendly bickering between the two economic powerhouses would soon result in more severe ruptures. The beginning of the new century was marked by drastic shocks to the well-established system. The happenings of 9/11 in 2001 not only led to – what some would call – the first war of the new century but also raised bigger questions regarding convergence between the US and Europe. While the European Union was determined to support its biggest ally, it soon became clear that the two transatlantic partners
had relatively opposing viewpoints on a variety of topics. For the first time since the initiation of 
the transatlantic relationship the scope of the transatlantic divergences became present as 
Europeans and Americans do not share the same world view with respect to international 
relations and politics. In fact, some might even argue that “Americans are from Mars and 
Europeans are from Venus” (Kagan, 2002 in Hanhimäki et al. 2012, p.156).

The aftermath of 9/11 as well as the American counterterrorist actions resulted in an all-
time low of the transatlantic partnership. Europeans did not agree with President Bush’s way of 
approaching international politics and started to develop negative attitudes towards US 
hegemony and transatlantic relations. Many feared the end of transatlantic relations and did not 
see a positive NATO future for Europe. Yet, following some leadership changes in Europe 
(Angela Merkel of Germany and Nicholas Sarkozy of France replacing their US-critical 
predecessors), the transatlantic relationship started to gradually improve during Bush’s second 
term. The shared threat still required close transatlantic cooperation. Despite the US and EU’s 
struggle to converge their opinions on how to adequately deal with terrorist attacks, they still 
agreed that they were united in their fear. Both sides of the Atlantic were shaken by ongoing 
terrorist attacks associated with Al-Qaeda and other extremist movements. The shared 
connotation of ‘Islamophobia’ led to a gradual improvement in the transatlantic partnership as it 
brought them closer together to counter the rise of ‘the other’ (Cowles and Egan, 2012; 

The strength of the transatlantic relationship soon became a minor matter, however, as 
the world was hit by the global financial crisis in 2008. The United States, the EU and Japan 
were quickly heading towards the most severe recession since World War II. These happenings 
also indicated the globalized stage of the world at this time. Economies around the globe were
affected and the US increasingly lost its immense economic influence. US unemployment was rising, while economic growth rates stagnated. Previously deemed ‘Third World’ countries started to emerge, while the most prestigious economic leader lost part of its hegemony. The US lost its economic superpower yet was still the most important powerhouse with respect to military forces. However, to add to the ups and downs of this time, the US was also at a crossroad. The newly elected President Barack Obama was about to take over his office and shape the future of the United States. Oftentimes referred to as the ‘most European minded president’ (Krastev, 2019) due to his preference for soft power, Obama promised to end the Iraq war and restructure the transatlantic relationship. Yet, despite described as the most European-minded American, he was also the first president to not really be interested in Europe (Hanhimäki et al. 2012).

The transatlantic relationship has been shaped by constant highs and lows since its beginnings after World War II. This also continued under Obama. The transatlantic partnership was still ridden by a variety of struggles relating to security questions and out-of-area challenges. As the European Union became even more integrated and fully functional, it developed increasing levels of independence, both politically and economically. This challenged US hegemony and made the EU a more coherent competitor on the world stage. The most severe change in the dynamics of the transatlantic partnership, however, was the booming economic growth of emerging countries. The transatlantic economy was characterized by high unemployment rates and the debt crisis. While the US and Europe focused on rebuilding their respective economies after the financial crisis of the mid-2000s and straightening out their differences, countries like China and India became more influential globally. These emerging
economies were blessed by immense growth rates, despite the economic challenges in other parts of the world (Cowles and Egan, 2012; Hanhimäki et al. 2012).

Many Europeans celebrated Barack Obama’s presidency. However, in retrospect, his restructuring efforts were unsuccessful and transatlantic relations suffered drastically under his watch. While the EU still played a significant role in American foreign policy, it slowly lost its spot as America’s favorite. The complex structure of the European Union made it hard for Obama to work with the supranational entity. Additionally, his focus became more global and shifted towards Asia as these countries continued their positive growth trends. The transatlantic relationship received less importance and in the grand scheme of things, Europe filled the same rank in importance as any other part of the world. Further, by trusting Germany’s Angela Merkel to deal with the biggest NATO challenge of the time – Russia’s invasion of Ukraine – he further emphasized his approach of leaving Europe to fend for itself (Bindi, 2019; Cowles and Egan, 2012; Politico, 2016; Krastev, 2019).

NATO has always been a major connector between the US and a majority of European countries. In fact, oftentimes it is even described as the strongest component within the transatlantic relationship. Since the end of World War II, Europe had always been the one to heavily rely on security efforts from its American allies. During Obama’s presidency, the Libya and Syria debacles showed that Europe neither had the necessary military forces nor the willingness to support its transatlantic partner. President Obama often even referred to Europeans as ‘free-riders’. NATO support was taken freely and without the willingness to contribute an adequate share. Hence, President Obama, aggravated by this behavior, challenged European NATO members to become more independent and contribute an equal share. In the grand scheme of things, his request of Europe to also contribute to NATO made sense; however, it was
also a groundbreaking step away from the transatlantic relationship as we have gotten to know it over the past decades. As indicated in Figure 1, NATO protection used to be part of the foundation of the transatlantic partnership, and hence shaking up this fundamental basis resulted in serious tensions moving forward (Bindi, 2019; Goldberg, 2016; Ling, 2018; Politico, 2016; Jones, 2016).

Obama’s presidency ended with some ruptures, but transatlantic relations were still strong. A bilateral trade agreement between the European Union and the US was in its infancy and the overall climate reminded of the historical uncertainties. Yet, this has all been challenged even more since the beginning of the new presidency. Even before the election and inauguration, experts expected transatlantic relations to receive a significant buffer following the election of President Trump. Ever since then, transatlantic relations have been irritated and characterized by unpredictability. President Trump’s goal to ‘Make America Great Again’ emphasized his protectionist tendencies and the loosening of transatlantic ties with respect to security. This further weakened the already fractured transatlantic relationship as security had been the strongest link since the end of World War II (Kanat, 2018).

Not only the European Union suffered from stability-threatening, internal shockwaves like Brexit but also the transatlantic relationship is currently mostly shaped by unpredictability and unreliability. NATO and the corresponding cooperation had always been at the heart of the transatlantic relationship. Yet, President Trump referring to this significant component of the relationship as ‘obsolete’ and the general indifference regarding EU-US relations created trust issues between the two partners. Europeans are not sure whether they can still trust in reliable security protection provided by their US allies. Additionally, out-of-area issues again challenge the already problematic partnership. In particular, the United States and the EU have very
differing opinions regarding Iran. Both partners have individual agreements with Iran and hence they have to undermine each other’s policies in order to enhance the relative value of their own. Also, the topic of Russia is currently leading to heated discussion. It almost appears as if the current US president is providing its European allies with mixed signals with respect to Russia, however, a major part of Europe relies on Russian energy sources. Hence, this leads to additional fraction within the transatlantic relationship (Kanat, 2018).

The most significant pillars of the transatlantic relationship might become the most challenging destabilizers in the 21st century. Not only the troubles surrounding NATO but also trade relations have complicated immensely since the election of President Trump. The potential trade partnership that had been in negotiation under Obama for years has been abandoned for now. Additionally, the US has been initiating many trade related issues over the past few years. Frequent threats of tariffs and other trade restrictions have created a quite hostile environment between the two partners. Moreover, oftentimes, it appears as if both parties forgot that they share similar frustrations regarding the rise of China and prefer to argue with each other rather than dealing with the more pressing issues on the world stage (European Parliament, 2020; Kanat, 2018; Ling, 2018).

History has shown that transatlantic relations have always been shaped by constant ups and downs. Yet, the relationship has always been driven by a shared goal. As tensions between the transatlantic partners continue to arise, it appears as if the notion and value of achieving a common goal has started to diminish. Uniting their efforts to counter an impending threat as it was done with regards to the Soviet Union used to be the driving force within the transatlantic partnership. However, as the tensions continue to grow, it seems as if the EU and the US step away from their shared sense of what is threatened. The most recent troubles have shown that
they might soon have to accept the decrease of their global leadership position as other economies start to pick up their speed. Hence, the most pressing question moving forward is whether the transatlantic allies will choose to form a united front and appreciate the value of the transatlantic or accept their impending decline in power. (Hanhimäki et al. 2012; Ling, 2018).
CHAPTER 3: THE VALUE OF TRANSATLANTIC COOPERATION

The value of the transatlantic relationship can only be assessed following an overview of history. For decades the relationship has been characterized by two opposing mantras: ‘friends again’ or ‘drifting apart’. In fact, history has shown that there has never been a time during which the transatlantic partnership was seamless and unproblematic. Europeans and Americans have always had their own unique culture and viewpoints, some more problematic than others. This indicates that the transatlantic relationship is flawed by definition and will always be challenged by differing opinions. Oftentimes, the US and European Union do not just disagree on how to treat certain issues but also how to define them to begin with. Differing definitions of certain issues might be the root of recent problems, yet, this may not necessarily affect the overall value of the partnership in its current or future state. In order to make an assessment with regards to the value of transatlantic cooperation in this next chapter, it is imperative to be aware of this dichotomy between the transatlantic partners. (Lagadec, 2012).

Uniting their efforts has allowed the transatlantic partners to become omnipresent players on the world stage over the past century. They were able to claim leadership over the world’s economy through transatlantic cooperation. This has shaped transatlantic relations and has given the transatlantic partners a position of power and value globally. Therefore, it is inevitable to discuss transatlantic cooperation such as trade relations, FDI and security relations to define the value of the transatlantic relationship itself and how cooperation as well as convergence have helped the two partners reach a position of power on the world stage.
3.1 ECONOMIC COOPERATION: TRANSATLANTIC TRADE RELATIONS

The European Union and the United States of America can be characterized as the two most influential economic powerhouses globally. More specifically, the bilateral relationship between a country and a supranational organization accounts for roughly fifty percent of global gross domestic product (GDP). Trade and foreign direct investment are significant drivers of the transatlantic economic partnership. On the one side, the European Union is the biggest trade regime in the world. As a united front, the member states create the largest economy in the world. Based on the European Commission’s Director General for Trade’s report on total extra-EU trade in 2019, “the EU is the top trading partner for eighty countries” (such as the US, China, Switzerland, Russia, Turkey and Japan) worldwide, while the US is only ranked as a top trading partner for approximately 20 countries (Directorate General for Trade, 2020). Additionally, the European Union continuously ranked first with regards to international investment, both inbound and outbound. By overcoming its internal struggles from earlier decades and finally acting like a single player, rather than numerous separate players, the EU, contrary to the EC and the Europe of earlier decades, was able to form strong ties internally and become a leading actor on the world stage (European Commission, 2020a; European Parliament, 2020).

Trade is a significant component of the European Union’s economy. The EU highly promotes free trade and belongs to the most open economies in the world. The average tariffs on imported goods are relatively low, in fact, more than seventy percent of imports enter the EU at either zero or reduced tariffs. Moreover, trade is an important driver for increasing growth and employment opportunities in Europe. Research has shown that the openness of an economy is correlated with its labor productivity. More specifically, a 1% increase with regards to the openness of the economy can raise labor productivity by roughly 0.6% (European Commission,
Increased labor productivity stimulates innovation and leads to improvements in the goods and services as well as technologies. Additionally, trade also contributes to the creation of jobs within the European Union. Approximately 31 million jobs depend on exports to the rest of the world – and these numbers increase with the growth of international trade (European Commission, 2013; 2016; 2020a; 2020b).

The United States of America depends on trade. Roughly 95 percent of the world’s population, as well as about 80 percent of the world’s purchasing power, are outside the US. Therefore, it is imperative for the country to participate in international trade in order to secure future economic growth and rising wages. Approximately 41 million jobs in the US depend indirectly or directly on trade. Additionally, international trade is critical to a variety of different sectors in the US. In fact, in 2013, the country exported $1.6 trillion in goods and about $687 billion in services. The US exports to about 230 countries worldwide, the top trading partners being the European Union, Canada, Mexico, and China. As the US continues to export, this also generates new business for many US companies, and therefore new employment opportunities. However, these opportunities are not just related to companies that actively participate in the export and import business. When a country opens up its borders for international trade, companies and consumers will have lower costs, whereas the trade supports higher wages. This provides companies and consumers with more money to spend, which in turn creates additional employment opportunities in various other sectors. In addition, lower prices benefit the population as well by stretching their budget and offering them an increased number of choices (US Chamber of Commerce, 2020; Business Roundtable, 2015).

The country’s economy not only benefits from its exports but also from its imports. Imports from other parts of the world allow US companies to increase the choice of products and
offer lower prices. More specifically, lower prices for raw materials and other input materials allow American companies to also stay competitive on a global market. Various trade agreements play a significant role in this, as they further reduce the cost of products by eliminating barriers to trade, such as tariffs. The introduction of free trade agreements allowed the US to rapidly increase its exports by 107 percent between 2003 and 2013 (US Chamber of Commerce, 2020; Business Roundtable, 2015)

The European Union and the United States of America hold significant global economic power. If the two economies were to be combined, they would account for roughly 50 percent of the global gross domestic product and make up approximately one-third of world trade. Moreover, the EU is the largest merchandise trade partner of the United States. Additionally, most exports from the European Union go towards the US – about 20 percent of total exports in the EU. Together, the US and EU trade approximately $1.3 trillion annually in goods and services. (European Parliament, 2020; Hogan, 2020).

Prior to the new presidency in the US, the economic relationship between the European Union and the US was shaped by the negotiation and potential introduction of the Transatlantic Trade and Investment Partnership (TTIP) agreement. While a conclusion of the trade agreement had yet to be reached during the previous presidency, the new political leader terminated any further negotiations as the trade agreement did not align with his angle on transatlantic trade relations. In fact, the new economic goals of the US are influenced by the strong desire to put the national interest first and the attempt to rebalance the trade deficit. Therefore, in June 2018, the US decided to impose tariffs on steel and aluminum from the EU. Not only is this a step in the opposite direction of the multilateral approach within the World Trade Organization (WTO)
framework but also puts a significant strain on the transatlantic relationship with the European Union (European Parliament, 2020).

Over the course of the past decades, the US and EU shared the same international outlook and valued their deeply intertwined historical ties. By valuing not only the transatlantic relationship but also their historical connection, the EU and US were able to significantly shape the global trading system as well as the multilateral institutions that govern it. Working together allowed the two parties to achieve significant power and become the engine of global prosperity. However, the new political environment has caused some fundamental shifts that greatly affected the transatlantic relationship and related mechanisms. In the past, trade politics were primarily about trade and improving the overall economic situation as well as European integration following World War II. This approach has somewhat changed. Trade relations are no longer exclusively about stabilizing the economic environment. Nowadays, trade relations are used as a strategic tool and bargaining chip in affecting cooperation relating to other issues such as security, digitalization, and geopolitics. The increased presence of these issues complicated the transatlantic relationship and challenged the old dynamics. In particular, the correlation between the rise of China and digitalization is about to significantly shift global power dynamics. Consequently, the transatlantic relationship is about to be exposed to a “high-pressure crisis” (Hogan, 2020). These challenges targeted at the global world order and overall economic environment now – more than ever before – offer opportunities for transatlantic convergence and cooperation (Hogan, 2020).

Despite the recent challenges, transatlantic trade relations are still valued on both sides of the Atlantic. For instance, as indicated by the EU’s trade Commissioner, Phil Hogan, the EU intends to “refresh, recalibrate and generally reclaim the shared trade agenda of the EU and US”
Additionally, the trade relationship with the US, as indicated during Hogan’s speech in Washington DC in January 2020 as well as by the European Parliament and Akhtar from the Congressional Research Service in the US, is seen as mutually beneficial and desirable. Despite the differences, transatlantic trade in goods and services generates roughly 3 billion dollars daily. Further, the European Union and the United States of America are two similarly developed economies. Therefore, intra-industry trade – trade of goods within the same industry – plays a prevalent role within the transatlantic relationship. For instance, many multinational companies have operations on both sides of the Atlantic. Trade between a parent company on one side of the Atlantic with an affiliate on the other side of the pond is a frequent occurrence and allows both parties to benefit from relating economies of scale effects. Hence, this provides evidence for the interconnectedness of the transatlantic economy. To be precise, exports to the EU account for roughly $320 billion per year and approximately nine million employees are employed by multinational companies with operations in either the US or the EU. Therefore, continued and deeper cooperation with respect to trade may enable the transatlantic partnership to reclaim its global leadership position. This allows for an improvement of the value of the transatlantic relationship by connecting transatlantic economic activities and ultimately countering the rise of other connected issues (Akhtar, 2019; European Parliament, 2020; Hogan, 2020).

3.2 ECONOMIC COOPERATION: FOREIGN DIRECT INVESTMENT

Foreign direct investment (FDI) is another significant driver of the transatlantic economy and relations between the EU and US more generally. FDI has created a solid transatlantic connection over the past few decades. While the transatlantic trade relationship by itself is of great importance, the ties relating to transatlantic foreign direct investment are of even greater
significance. FDI is a major connector between the two economies. More specifically, the EU and US are each other’s largest source as well as destination for foreign direct investment. Together they account for approximately sixty percent of the world’s FDI Inward Stock and sixty-five percent of the FDI outward stock. This emphasizes the interconnectedness of the transatlantic partnership and binds the two sides of the Atlantic together. Further, this highlights the value of the transatlantic relationship. It helps promote a healthy economic environment and puts special emphasis on this interconnectedness by introducing foreign stakeholders into these markets. Pure trade relations can be revoked rather easily, however, being embedded in the other economy requires deeper commitment. Additionally, it shows that the transatlantic economy creates an investment-friendly environment that encourages firms to invest abroad. Transatlantic FDI not only encourages additional trade between multinational subsidiaries but also creates a multitude of jobs in both economies. In fact, oftentimes, transatlantic FDI is characterized as “the backbone of the transatlantic economy” (Hamilton and Quinlan, 2019, p.21). It is a key component within the transatlantic partnership and furthers integration across the pond (Hamilton and Quinlan, 2019; Lagadec, 2012).

Multinational companies such as Volkswagen or Apple not only hold affiliates in both, the US and the EU but also valuable assets. They help raise total output of foreign affiliates and count as the most impactful economic forces around the globe. Their combined gross domestic product succeeds the total GDP of many single countries. Additionally, roughly sixty-two percent of US foreign assets are within the European Union. Moreover, as indicated by the discussion of international trade, not only the economies but also the workforces are interconnected. Foreign affiliates are major sources of employment. For instance, US affiliates in Europe employ more workers in Europe than anywhere else in the world. Hence, not only the
companies but also the workers itself are able to benefit from a functioning transatlantic relationship (Hamilton and Quinlan, 2019).

Another valuable asset within the transatlantic economy is the research and development (R&D) component. Generally speaking, the United States and the European Union are major drivers of global research and development efforts. While China’s innovative spirit is currently challenging Western leadership, transatlantic hegemony is still present. In particular, R&D efforts relating to certain aspects of digital economy such as security and innovation have become an important component of transatlantic foreign direct investment. Investing in each other’s research efforts while also sharing the costs has improved overall research efforts and has helped both parties become leading innovators globally. All these different sources of FDI allowed the transatlantic economy to become more integrated and build a solid foundation. Consequently, foreign direct investment not only provides value within the transatlantic economy but also improves the global economy by serving as a leader (Hamilton and Quinlan, 2019).

3.3 SECURITY COOPERATION: THE NORTH ATLANTIC TREATY ORGANIZATION

However, the EU and the US not only cooperate with respect to trade and foreign direct investment. Another great component of the transatlantic relationship is cooperation in terms of security. Since the end of World War II, security cooperation under the NATO umbrella has given immense value to the transatlantic relationship. While not all EU countries are also NATO members, it provides a significant link within transatlantic relations. NATO cooperation gives the EU and the US the ability to cooperate in the field of security and align their forces to tackle multinational crises. As the discussion of history has shown, the European Union has been
relying on NATO support since the end of World War II. Post-war Europe did not have the necessary military resources to effectively protect itself from the threat of the Soviet Union. Additionally, Europe and the US realized early on that cooperation strengthens their presence globally. While a shared threat was the main reason behind NATO cooperation in the beginning, it also helped strengthen the transatlantic relationship and added additional value (Ilgen, 2006; NATO 2020).

A common threat has been the main driver of the transatlantic security partnership. As indicated by the analysis of transatlantic history, the fall of the Soviet Union led to questions relating to NATO’s future. However, numerous new security challenges arose over the following years, which demanded a continued NATO partnership. This further integrated the transatlantic relationship and ingrained security as one of the pillars. Over the years, the European Union also repeatedly tried to develop its own security protection to lessen its dependence on the US. However, due to EU-internal differences, it seemed almost impossible to create an efficient security and defense policy. In fact, despite continued integration within the EU, individual member states still experienced differences with respect to values, economics, and security, which complicated policies that required unanimity. Consequently, trusting its prestigious ally with all issues related to security and defense seemed appropriate. The US remained a key player in European affairs and cooperating made everyone better off (Hanhimäki et al. 2012; Ilgen, 2006; Lagadec, 2012).

The US has been the clear leader of NATO. The organization was created when Europe was devastated by World War II. US hegemony in terms of NATO security was expected over many years. Past and current political developments challenged former instances of cooperation and questioned the underlying value. In particular, they accused countries such as Germany of
taking advantage of US NATO protection without pulling their fair weight. However, as other
global issues required financial attention from the US, they realized that they not want to
continue pulling Europe’s weight in terms of NATO spending. Therefore, the US started calling
for more equally distributed contributions from all members as well as equal NATO spending
(Hanhimäki et al. 2012).

The shape of transatlantic relations is influenced by persistent perspectives on both sides.
Continued NATO cooperation strongly depends on whether the US and the EU continue to share
the same angles moving forward. NATO is characterized by strong US hegemony and oftentimes
not all EU NATO members receive the same attention. Therefore, there is no precise EU-US
strategic dialogue. Strategies relating to international relations have been diverging over the past
few decades, while Asian countries, more specifically China, grew rapidly. Europeans identify
deterring Russia as their preference for NATO operations. Americans, however, describe China
as a major threat. Further, divergences with respect to Syria, Iran and trade also challenged EU-US
cooperation. Oftentimes, separate bilateral relations with a problematic country further
challenge the transatlantic discourse. For instance, the European Union sees China as a
significant competitor but also as a cooperation and negotiation partner. Consequently, this leads
to complications with its American cooperation partner, who tends to approach China more
aggressively. Yet, despite the EU’s hesitance with respect to China, one thing is clear: the US is
already aware of the power of transatlantic cooperation. According to Sven Biscop’s research on
EU-NATO cooperation, claiming Europe as a partner against China has the potential of securing
global leadership (Biscop, 2019).
3.4 TRANSATLANTIC CHALLENGES: THE RISE OF CHINA

Figure 2: The rise of China

The rapid rise of emerging countries challenges the global order. While the United States and the European Union are focusing on the recent turbulences within their relationship, countries such as China are emerging. The transatlantic partnership has been a significant leader in world politics for the past few decades. However, the Western world has increasingly become more fragmented and the rise of digitalization has challenged social and international orders. Many fear the increase of unemployment as artificial intelligence, automation, and globalization develop further. For instance, most American voters identified the future of work and the future
role of their country on an international stage as their top concerns moving forward. Consequently, this was countered by a rise of nationalism, which is also apparent in President Trump’s political agenda (Council on Foreign Relations, 2018).

This depicted the start of a new era. An era in which the domestic context became more important than the international one. The European Union also experienced concerns over the effect of globalization on employment and the international order. Similar to its US ally, Europeans became more nationalistic, which contributed to a rise of far-right parties in some EU member states. Yet, rather than working together to counter the rising challenges from the ‘New World’, the West became its own biggest disputer. Transatlantic relations suffered under these newly evolving challenges. Both counterparts started to focus on their own national policies instead of continuing to cooperate effectively. Consequently, this resulted in a decline of transatlantic leadership on the world stage and changes in the international order (Council on Foreign Relations, 2018).

As indicated in Figure 2, China’s growth challenges the weakened transatlantic relationship. The country has been emerging as a global economic power over the past couple of years. China’s GDP increased by eight hundred percent and it became a significant global economic driver. Additionally, it has become the biggest trading state in the world and is the second largest source of outward-bound foreign direct investment. This has significantly challenged the world order as China received significant economic and political power. However, it also stimulated growth within the country itself. China wanted to continue its growth spurt and become bigger and better. This inspired the country to become more innovative and invest in new product development and technologies. Additionally, China is known to invest in the most advanced industrial economies and acquire technologies from them. Further, the
increased growth opportunities also helped simulate the Chinese economy and gave more power to state-owned enterprises. While China’s immense growth has been extraordinary, some aspects of it greatly concern Western nations as they do not align with transatlantic power politics. Both, the US and the European Union struggle with China’s immense growth, however, have yet to coordinate their efforts. In particular, recent leadership changes in the US and Europe complicate the transatlantic efforts to counter China due to diverging interests. However, generally speaking, the US and the European Union share many similarities and they could benefit from cooperation (Le Corre and Pollack, 2017).

China’s increasing influence has major implications for the transatlantic relationship. The increase in power has the ability to significantly challenge the principles and policies that have enabled economic prosperity over the past few decades. The European Union and the US are slowly starting to comprehend the immense impact of a growing China, however, have yet to act accordingly. Oftentimes, bilateral relations hinder or complicate transatlantic cooperation. For instance, China is the European Union’s second largest economic partner. Additionally, Germany is a major destination for Chinese foreign direct investment. Further, despite being in agreement that China is a threat, the EU and the US are currently too focused on their own, individual policymaking (Le Corre and Pollack, 2017).

The overall purpose of the United States and the European Union’s international agendas is still relatively aligned, especially in terms of China. Even though, Europeans focus more on social and economic impact, while Americans emphasize security issues, both parties also fear the threat on their economies. Further, they share many policy goals and international interests regarding counterterrorism efforts, cyber aggression and nuclear weapons. Rising unemployment due to globalization and a rising China are a top concern across the Atlantic and led to the rise of
extreme politics, as indicated in Figure 2. This shift in geopolitics initiated a volatile domestic political environment in the US and the European Union. Especially, in the US, the political environment is changing rapidly and the lack of predictability in terms of foreign policy changes complicates the relationship with Europe. While both partners share the same goals, currently, the implementation of their strategic goals is mostly guided by domestic politics. Many argue that a return to a transatlantic alliance moving forward may positively affect the transatlantic partnership as well as its position internationally (Council on Foreign Relations, 2018; Le Corre and Pollack, 2017).

3.5 TRANSATLANTIC COOPERATION: SIGNIFICANCE AND OPPORTUNITIES

Transatlantic relations are bigger and more significant than just trade or NATO. It is the notion of cooperation and a shared goal that brought the EU and the US closer together. The EU and the US have been valuable allies for more than six decades as they “share the values of democracy, human rights, and economic and political freedom, and overlapping foreign policy and security concerns” (European Parliament, 2020). While their respective opinions on foreign policy issues do not completely align, the foundation of this transatlantic relationship has been strong, despite many disruptions such as new political configurations or geostrategic changes (Delegation of the EU to the US, 2017; Hanhimäki et al. 2012).

Over the past couple of years, the European Union and the US have been working together very closely in the following areas: foreign affairs, trade, security and defense, and energy, environment, and space. In particular, as indicated in Figure 1, the first three areas are part of the fundamental basis of the transatlantic partnership. Their shared values as well as the “deeply interdependent and interconnected transatlantic economy and the trust and confidence
“built up over more than half a century” shaped this bilateral relationship. Following the last presidential election in November 2016, however, this transatlantic relationship has become a little shaky. Many new questions and issues have arisen. Moreover, while the US and the EU are still cooperating in many areas, the new political leader and the rapid change in the attitude towards the EU has shaken up the transatlantic alliance. The notion of a shared threat slowly started to disappear as the new political leader loosened NATO relations. Moving forward, it is worthwhile considering if the threat of a rising China can substitute the driving forces behind NATO cooperation and lead to another strong cooperation case (Delegation of the EU to the US, 2017; European Parliament, 2020).

The shift in geopolitics challenges the European Union and the US and requires transatlantic cooperation. By uniting their efforts, the EU and the US will be able to counter China and regain their shared position of power in world politics. Additionally, transatlantic coordination is inevitable to enforce global rules on China. China’s actions have been causing concerns in both, the European Union and the United States. By coordinating their efforts towards China, the transatlantic partnership will be represented on the world stage as a transatlantic powerhouse. This will give them the ability to accustom China to the rules of the international order and enforce common principles relating to humanitarian issues and cybersecurity that are often overlooked by China (Le Corre and Pollack, 2017).

3.5.1 Transatlantic cooperation with respect to Asia

Cooperation in terms of Asia will allow the transatlantic partnership to regain its value during troublesome times. So far, proposals to shift the priorities of US foreign politics towards cooperation in terms of China have been rebuffed. However, cooperation between the European
Union and the United States might be extremely beneficial for the transatlantic partnership moving forward. The current relationship is characterized by many differences on either side of the pond. While many of these obstacles are self-imposed, they still challenge the current relationship and question the value of transatlantic relations. Aligning their cooperation efforts with respect to Asia, more specifically China, allows for a rare optimistic alliance during turbulent times. In the past, US policies towards China heavily emphasized military action items. Hence, cooperating with Europe seemed less desirable as Europe does not count as a significant military power by itself. However, recent developments make cooperation efforts more attractive. For instance, areas such as trade, economics, technology, and ideology have become more central when competing with China. Cooperation on these topics leads to Western leadership globally. Consequently, approaching the European Union to cooperate on these areas with respect to China has become quite salient (Small, 2019).

The effectiveness of a potential cooperation depends on the lessons learned from previous experiences. Oftentimes, the idea of cooperation seems generally appealing to both sides of the Atlantic but ends up lagging in important areas. For instance, while cooperation may be beneficial for both economies and the general environment as well as the transatlantic relationship itself, many political leaders do not declare transatlantic cooperation in terms of Asia as their top priority. However, as the US is working on focusing its strategic efforts towards China away from military and more towards economic and technological issues, the EU becomes a more significant partner than previously anticipated (Small, 2019).

The European Union has been changing its policy approach towards China. In particular, the EU has somewhat started to assimilate to the way the US approaches China. Pressing reasons for these changes were growing concerns relating to China’s authoritarianism and assertiveness.
under its new leader, Xi Jinping. While the EU is becoming more suspicious of China itself and the way the country approached the international stage and challenged the world order, the Union was still far from completely agreeing with everything their American counterparts supported. However, Europe also has various other arrangements with China separately from the US, and therefore may have to be careful on which agendas to prioritize without hurting their relations with China. This still raises some questions of concern for the US as they have yet to determine whether Europe is fully aware of the severity of the challenges presented by China. However, despite these small bumps, there are still some areas that offer great opportunities for cooperation (Small, 2019).

3.5.2 New technologies and cooperation

Trade, connectivity, and investment as well as technology offer the most promising opportunities for cooperation. Looking at trade in particular, research has shown that the EU and the United States share similar concerns as well as negotiating goals relating to China. In particular, there have been cooperative efforts to counter Chinese forced technology transfer and both, the US and the European Union have aligned in terms of pushing a Chinese structural economic reform. However, there are also some obstacles that complicate stronger cooperation. For instance, the US steel tariffs targeted at China were also threatened on Europe, which discouraged convergence. In fact, this brought Europe closer to China and initiated potential trade agreements. However, there are also issue with regards to the World Trade Organization (WTO) present. The United States has been complaining about the rulings of the WTO for quite some time. Additionally, the European Union is concerned about the future of the multilateral trade order as the US administration continues to challenge the WTO. The system has been
challenged by a rising China already, and these troubles caused by a divergence of the two major transatlantic players, further complicate successful cooperation (Small, 2019).

Cooperation with respect to connectivity provides a promising opportunity for transatlantic cooperation on Asia. China has been growing rapidly over the past few decades, the Belt and Road Initiative (BRI) being proof of that. This has opened up a vast amount of challenges and opportunities for the transatlantic relationship. China’s idea to connect the world by creating infrastructure to connect Asia, Africa, Europe and Oceania may seem promising, however, it also significantly challenges the current world order. The European Union and the United States are engaging in similar projects, namely the EU’s Strategy on Connecting Europe and Asia and the United States’ Free and Open Indo-Pacific strategy, respectively. Consequently, closer alignment in these areas could come naturally as they are already following similar paths. Additionally, it would allow the transatlantic partners to create an effective counterpart to the Chinese mega-project. Europe fears that this project will allow the Chinese government to spread its questionable practices to other parts of Asia. Therefore, cooperating with the US could be of immense value. It will allow Europe to reach a more significant position of power and voice its opinion on a global stage more effectively. Both counterparts have already been working on these counter policies, and hence convergence increases the opportunities of transatlantic success. (Ma, 2019; Small 2019).

Investment, export controls and technology are also promising areas for potential transatlantic cooperation in terms of Asia. In particular, as China has become a more significant player on the world stage, investment screening has gained importance. For instance, China is known to target key technologies and subsidize acquisitions. The European Union and the United States have become more aware of these problematics, however, have yet to fully converge.
History as well as cooperation throughout the Cold War periods showed that policy initiatives in these areas are needed as they make both partners more effective. Coordination is required to stabilize the transatlantic relationship. For example, should the US choose to counter China on its own, not only would they enforce stricter policies than their European friends but also harm the transatlantic economic relationship by also enforcing restrictions on Europe (Small, 2019).

Transatlantic power struggles are another obstacle that keep the trusted partners from deeper cooperation. Both partners have certain regulations and ideas of how to approach different scenarios relating to Asia. Historically, the European Union is the ‘newer’ partner and has slightly less power with respect to its US counterpart. Hence, despite the closeness of their respective policies, the EU fears that the United States will push them to accept their policies and standards should they choose to cooperate. Additionally, the European Union has been engaging with China about new technologies such as 5G. However, this does not align with the US ideal of less engagement with China in technology matters due to security concerns. Therefore, this has been causing further troubles within the transatlantic partnership. On the one hand, Europe values China as a prospective partner and due to a lack of resources and capabilities could benefit from certain Chinese technologies. On the other hand, Chinese technology is heavily criticized not only in the US but also by EU officials. The European Union is currently walking the thin line between further engaging with China or choosing to cooperate with the United States. Both options have advantages and disadvantages. It will be up to the European Union to decide whether to stay with its longstanding partner and return to a shared leadership position globally or explore the unknown (Small, 2019).

The rise of Chinese technology offers opportunities for transatlantic cooperation efforts. China has been gaining more dominance in the field of technology, more specifically artificial
intelligence (AI). However, the country is known for its use of unfair practices to achieve its goals. A rising China challenges the global power position of the two transatlantic players. Therefore, it might be beneficial to consider the alignment of transatlantic policies to ensure a return to a leadership position. Considering the field of artificial intelligence, there is a vast amount of opportunities that allow for deeper cooperation. For instance, deepening research connection, identifying common goals and standards as well as coordinating efforts across the Atlantic allow for more efficient cooperation efforts. The European Union and the United States have been trusted partners for many decades and uniting for this new policy field may be highly beneficial looking ahead (Berzina et al., 2019).

3.5.3 The importance of cooperation

The twenty-first century brought many new challenges and threats for the transatlantic relationship. Neither the US nor the European Union will be able to be successful while only fighting for themselves. However, the two transatlantic partners do not always agree on the cure to specific problems. They feel threatened by the same issues, yet do not see eye to eye when talking about solutions. Despite the divergence within the transatlantic relationship, it is important to stick together in times of trouble. Friends do not always agree with each other either yet support each other during darker times. This is of great importance when cooperating with the European Union. The European Union is known to export its policies. It creates policies within the political institutions of the European Union and then externalizes them to build successful relations with other key players. Examples of this are the European Neighborhood Policy and the EU’s relations with the African Union. In both instances, the European Union functioned as a significant policymaker by externalizing some of its rules and regulations. In
exchange for access to its market and a favorable relationship with the EU more generally, external actors are expected to follow these policies. As Cecilia Malmström indicated, the European Union plays by a certain set of rules. China has been challenging these rules and taken advantage. There is a rising competition for global hegemony and the demand to save the international order from a Chinese takeover (European Commission, 2020c; Malmström, 2019; Pertusot, 2016).

The European single market influences international actors. The single market allows European firms to compete in an increased market and ensures lower prices as well as greater choice. In order to be able to compete in this enormous market, international companies are required to comply with EU rules and regulations. For instance, in order to import certain goods, companies must follow EU product and food safety regulations. This allows the European Union to function as an “international standard-setting” power (Damro, 2012, p.695). More specifically, the size and attractiveness of the European single market also serve as leverage and allows the EU to enforce its policy-making capabilities (Damro, 2012).

The single market created a powerful actor and consequentially, the EU is able to influence other global players. However, while the EU may be able to externalize its commercial policies more easily, the transfer of governance including the adoption of policies relating to the democratic values as well as the *acquis communautaire* may be more complex, especially when it comes to Central and Eastern European countries. In particular, the process and effectiveness of transferring EU governance to Central and Eastern European accession candidates require the European Union to hold a certain power position. Schimmelfennig and Sedelmeier argue that the relationship between the European Union and other non-EU actors is asymmetrical. Due to its superiority in regard to its bargaining power and the exclusivity of the single market, the EU is
able to externalize its conditionality. Additionally, outsiders, as well as potential accession candidates, are faced by pre-determined, non-negotiable rules. This further emphasizes the EU’s position of power as external actors really only have the option of obeying to the rules and regulations (Damro, 2012; Schimmelfennig and Sedelmeier, 2004).

A divergence in policies has been a significant cause of transatlantic tensions. Mostly due to the fact that the European Union tried to externalize its policies and push them towards the United States. However, oftentimes, the European Union is also characterized as not innovative enough. China has been thriving in terms of innovation and technology, which is one of the major reasons for the current competitive and tense environment. Transatlantic cooperation in terms of technology is highly desirable. Oftentimes, it is claimed that the European Union is not competitive enough. It enforces its policies abroad, however, has been lagging behind other nations such as China and the United States in terms of innovation. Thinking of its partner, the US, specifically, this has caused many troubles, especially once the US started to demand more EU independence moving forward. Despite the US ability to be competitive with respect to innovation, the rapid rise of China is still significantly challenging global leadership positions. Hence, having a reliable partner that is able to effectively face the current global challenges will not only benefit the United States but also the transatlantic relationship itself. Europe is encouraged to also take on its responsibilities. Divergence created by transatlantic disagreements relating to lack of independence presents an unnecessary challenge during times were cooperation is the key (Malmström, 2019; Ciesielski, 2020; Keating 2019; Burns, 2019).

The transatlantic relationship is advised to shift its focus towards new areas of cooperation. Trade and security used to be the most important areas of cooperation in the past. However, over the course of the past couple of decades, these relationships experienced some
bumps. The future is becoming more technological and hence also requires some restructuring processes in terms of the transatlantic partnership. The bumps relating to trade and security created a complicated starting environment for future cooperation. Yet, these areas also built a strong foundation. History has shown that these ties are powerful and long-lasting – recent troubles will not necessarily challenge everything that has been built up for years. Moving forward, it is imperative that both partners realize the significance of moving beyond some of the complications in order to be successful in the future. Consequently, difficulties that shook up the relationship in terms of trade or security may need to be overcome in order to be successful cooperators in terms of technology.

Cooperating with the European Union on issues relating to China is now significantly more beneficial for the US and transatlantic relations than it was in the past. The threat of a growing China affects both transatlantic partners and hence initiates discussions relating to potential areas of cooperation. Improving transatlantic cooperation in terms of China will most likely greatly impact the transatlantic partnership itself and consequently smooth some of the recent bumps. Additionally, the European Union also needs to become more independent on its own. While cooperation between the European Union and the United States is highly desirable, recent history has also shown that there is no security. The strength of transatlantic relations is heavily influenced by the current leader and its perspective on international politics. Continuing to strengthen its internal capacities will allow the European Union to become a more influential leader as well as partner in global politics. Hence, even though the transatlantic partnership is of immense value and allows for great opportunities, Europe also needs to be a more independent player to further strengthen the relationship and contribute its fair share. Europe has the potential of becoming a valuable player in the transatlantic relationship once they become more
independent and this will also significantly strengthen the transatlantic relationship. Successful cooperation will allow them to adequately address the rise of China and establish rules following the international order early on. This will be of great significance when addressing the digital economy (Le Corre and Pollack, 2017).
CHAPTER 4: THE DIGITAL ECONOMY

The digital economy has been growing rapidly over the past few decades. Ever since the introduction of the internet and its immense growth in the mid-1990s, digitalization has expanded and changed our economy. Not only does it influence how businesses operate but also how consumers engage with each other as well as said businesses. Computers are omnipresent and the economy heavily relies on digital and internet technologies. These developments impact how people operate. It influences workflows, communication, the exchange of goods as well as the performance of everyday tasks. In fact, in 2015 about 75% of Americans used the internet, which is a 30% increase from 2001. The rapid growth of the internet allowed the digital economy to expand into all sectors rather quickly (Barefoot et al., 2018; IMF, 2018; Landefeld and Fraumeni, 2001).

The digital economy has become the most challenging component of today’s economy as it connects and impacts a variety of actions. As indicated in Figure 3 below, due to the fast-paced expansion of the economy and the interconnectedness of digital goods and services in various aspects of people’s lives, there is no precise and universal definition for the digital economy. Oftentimes, it is unclear which activities and challenges evolved primarily due to the rise of the digital economy and which activities simply arose following the natural flow of development. While globalization and increased international competition on labor played an important role in these changes, the development of the so-called new economy is mostly due to the huge impact of technological innovation. Technological innovations, as well as the digitalization of the world, provide today’s economies with a great variety of new applications of information technology, which not only change the economies themselves but also the way social interactions are
conducted. Economies have started to rely on digital and internet technologies, and therefore it is of great importance to fully understand the new economy as well as its impact on the overall economic environment (Barefoot et al., 2018; IMF, 2018; Landefeld and Fraumeni, 2001).

**Figure 3: Overview of the digital economy**
Digitalization of the economy generally means that data and the internet influence important areas of the economy, such as production processes, products, or consumption. However, there is no universal definition of digitalization as well as the digital economy and what it entails exactly. This may be due to the fast-paced nature of technology and technological innovations. Technologies that may be highly relevant one day, might become insignificant or even obsolete the next day, as new technologies are developed. For instance, new technologies that are novel one day, may be so widely adopted the next day that they become part of normality. Additionally, oftentimes it takes consumers and businesses some time to adapt to the new environment. However, by the time the new technology is widely adopted, a newer, updated version or product might have launched. Examples of this are software updates on cellphones or computers, as well as Wikipedia articles, which can be updated by users at any time.

Digitalization is present across all sectors, ranging from infrastructure to agriculture. Its massive rise greatly aligns with the growth of big economies as well. For instance, looking at the US and the European Union, their future economic growth will heavily rely on the success of its digital economy (Barefoot et al., 2018; Burwell, 2018; IMF, 2018).

4.1 THE CHARACTERISTICS OF THE DIGITAL ECONOMY

The digital economy can be distributed in digital services and digitally-enabled services. On the one hand, digital services “are services which are used to facilitate information processing and communication” (Hamilton and Quinlan, 2019, p. 25). Digitally-enabled services, on the other hand, are services that can but do not have to be delivered over information and communications technology (ICT). An example of this are activities and services that can be “specified, performed, delivered, evaluated and consumed electronically” (Hamilton and
Quinlan, 2019, p. 25). Including these new products and services in the traditional economy can be challenging. Since digitally-enabled services are complicated to keep track of and deeply entangled in a series of other services, it is oftentimes hard to determine the actual impact and scope of the digital economy (Hamilton and Quinlan, 2019).

Digitalization is not only changing the composure of the world economy but also the way it is operated. In particular, digitalization has the ability to significantly transform global trade. Today, most economic activities are impacted by the digital age. For example, most commerce has been digitized to some extent and has consequently turned into e-commerce. Old modes of trade and business models were substituted by entirely new practices. Further, digital products and services now directly compete with physical ones. Consequently, the evolution of the digital age is also questioning the effectiveness of the General Agreement on Tariffs and Trade (GATT) by the WTO. Generally, these rules are supposedly neutral and should apply to all trade operations, no matter if affected by technology or not. The rules do not make a distinction based on the delivery mode of a service. In person, physical delivery, by telecommunications or via the internet are all applicable delivery modes based on the GATT. Therefore, the rules of the WTO are directly transferable to digital trade operations. However, digital as well as digitally-enabled trade strongly depends on internet access as well as cross-border data flows. In the past, free trade as characterized by the European Union’s single market could be identified by free movement of goods, services, capital, and persons. Digitalization challenges this by adding the demand for free movement of digital information. This new form of trade has been causing trade frictions. Oftentimes, digital services as well as the data connected to it have a certain intrinsic value. For instance, the data could be used for the development of artificial intelligence capabilities or other target marketing mechanisms. Yet, these trade operations do not follow
standard, pre-digitalization trading protocol. The trade is almost barter-like and follows an exchange of goods or services. Hence, these operations do not necessarily leave a paper trail of receipts or payments behind, which complicates the measuring process (Ciuriak and Ptashkina, 2018).

Additionally, not only does the rise of the digital economy change the nature of trade and how trade operations are conducted but also makes it more challenging to determine the country of origin. Further, digital trade can be separated in three different categories. There are products and services that are solely sold on a digital space. Digitally sold trade is still relatively similar to regular trade. However, there are also digitally enhanced and digitally native trade operations. Especially the second category, digitally native trade, greatly changed the way the world operates. It is characterized by products and services that are fully based on digital technologies. Not only the final ‘product’ is digital, but also the channel it is presented on and the offering itself. Examples of this are well-known giants like Google, Facebook, and Uber. As digital trade becomes more interconnected and continuously more digital, it also becomes harder to measure as well as regulate its impact (Ketels et al., 2019).

Measuring the digital economy is rather challenging. Oftentimes, digital components are deeply embedded in a good or service and not immediately recognizable. Additionally, since the digital economy is subject to an ever-changing and deeply entangled environment, distinguishing between the traditional and digital economy proves to be quite challenging. According to a study done by the Boston Consulting Group, the share of digitally enabled trade makes up between 3.5% - 6% of global exports (depending on the approach used). However, despite the relatively small impact of these numbers, it is imperative to consider the implications on the economy of the future. On the one hand, there is still no clear way to accurately measure all components of
the digital economy. On the other hand, the digital economy’s current influence on world economics requires more comprehensive policies to regulate digital transactions (Ketels et al., 2019).

4.2 THE CHALLENGES OF THE DIGITAL ECONOMY

A newly evolving economy challenges traditional ways. As digitally enabled trade, which is an intersection of regular trade and digitalization, grows, there is a demand for more comprehensive policies. For instance, data localization regulations become more pressing within the digital economy. As companies and the creation of products and services increasingly spread over more than one country, creating regulations becomes more challenging. This creates a complex environment of national and multilateral rules and regulations, which all need to be connected. While these new policies are meant to support the process of digitalization and create a common parameter, oftentimes they also affect the firms which operate in this market. For example, rules relating to data localization may require more costly processes on the firm’s side, which adds additional costs. Additionally, companies will have to decide whether they want to partake in the policy making process. Early movers might have the advantage of increased expertise within the digital economy, which may allow them to act as ‘rule shapers’. This could allow companies to influence new policies early on, keeping both their individual success as well as a smoother overall economic situation in mind (Ketels et al., 2019).

The rise of the digital age has also been causing concerns within the transatlantic relationship. By 2022, 60 percent of GDP is expected to be digitized, and both, the United States and the European Union worry about the impact of increased digitalization. There are pressing concerns about less privacy, the impact on the transatlantic market dominance in the world, the
future of employment and the manipulation of democratic processes. Additionally, there are also some divides between the transatlantic partners. Both partners have differing priorities, which oftentimes affect their relationship with each other. Their economies are deeply intertwined, also in respect to the digital economy, and hence differences between the two partners also cause concerns about their ability to converge their respective values (Hamilton and Quinlan, 2019).

The health and strength of the future economy heavily depends on the success of the digital economy. One of the biggest players within the digital economy is the United States. It is home to Silicon Valley and birthplace of many tech giants such as Facebook, Google or Apple. While the United States can be characterized as a producer within the digital economy, the European Union can be seen as a leader in regulating it. Overall, some countries have stronger connections in terms of the digital economy, due to the way these countries are set up. In particular, for the US, Silicon Valley is a major player in producing and furthering innovative technologies. The EU environment, however, is strongly characterized by its institutions, which makes it more prone to the creation and enforcement of policies. Yet, despite these differences in the way the countries are set up, the United States and the European Union have very strong ties and are each other’s major destinations for digital exports. For instance, in 2017, the United States exported roughly $204.2 billion in digitally-enabled services to Europe alone.

Additionally, the transatlantic partners are also connected through direct investment within this new economy. In fact, about 66 percent of US direct investment in the information industry are in Europe (Hamilton and Quinlan, 2019).

In order to ensure a global leadership position within the world order, both the European Union and the United States may have to work together as indicated in Figure 1 and Figure 3. This can be conducted by cooperating to combat cyber-attacks, online terrorism, and criminal
networks. Additionally, it will allow them to unite their forces and counter the rise of other
digital powers. The digital economy is still evolving, and changes happen fast. However, by
creating a transatlantic digital economy early on, the United States ensures cooperation with not
only another digital powerhouse but also the biggest regulator of the new economy. Yet, both
parties are still working on clearly defining their approaches towards this new economy due to its
novelty (Burwell, 2018; Hamilton and Quinlan, 2019).

Europe is the main market for US companies operating within the digital economy. For
instance, the percentage of Facebook subscribers is higher in Europe than in the US (17.3 percent
versus 13.3 percent). Additionally, sales numbers of US-owned foreign affiliates such as
Amazon increased significant over the past decade. Europe is a significant market for US
information services exports. Therefore, it is imperative to investigate the priorities of the
transatlantic digital agenda in the past in order to be able to draw conclusions for the future.
Currently, both transatlantic partners are still working on defining a clear approach for the digital
economy as well as relating regulatory guidelines. Yet, over the past few years, privacy,
competition policy, taxation of digital enterprises, copyright, anti-terrorism and data flows
created significant tensions within the transatlantic digital economy (Burwell, 2018).

4.3 TRANSATLANTIC CONVERGENCE AND DIVERGENCE

4.3.1 Data Privacy

The European Union and the United States approach the topic of privacy differently. The
EU characterizes the protection of personally identifiable information as a fundamental right. In
the United States, however, this is considered a consumer protection issue. This presents another
example of a divergence of values currently challenging the transatlantic relationship. In the past,
this divergence has caused many tensions between the transatlantic partners. For instance, they struggled to reach agreements on Passenger Name Records and Terrorist Finance Tracking Programs. Another example of this transatlantic disagreement is the US-EU Safe Harbor agreement in 2015. It was determined invalid as the European Union feared that its personal data was not protected efficiently in the US. The 1995 Data Protection Directive as well as its successor, the 2018 General Data Protection Regulation (GDPR) provide very strict guidelines on the privacy of personal information. There are many limits the extent and length of data saving and sharing. Additionally, individuals are to be informed about the collection of their personally identifiable information. While the United States and the European Union established a Privacy Shield agreement that operates according to European standards, privacy has been a challenging factor within the transatlantic digital economy (Burwell, 2018).

4.3.2 Data localization

Trade has become more interconnected. Digitalization allows for quick and easy cross-border operations, which created significant tensions. Not only did digitalization make trade operations more challenging but also raised concerns regarding net neutrality, digital market access, data localization, privacy, the freedom of cross-border data flows as well as the competitive environment. As the digital economy keeps becoming more important in today’s world, the value of data, more specifically personal and business-related data, becomes increasingly higher. Data is a central component of a successful business in the new economy as well as relating profits. Looking at the European Union, there are many restrictions with respect to the locations in which governmental, personal, and financial data can be stored. These regulations restrict the free flow of data and make data management more complex. The issue of
free data flows also impacts the transatlantic relationship. While both parties value the free flow of data, there are differences regarding the US-EU marketplace and the development of rules. Looking at the US, in an ideal world, cross-border data flows would generally be unrestricted, with some exceptions such as personal data and data localization for financial services. This goal was almost achieved with the Trans-Pacific Partnership agreement. However, the US abandoned the agreement. The European Union is a strict regulator of cross-border data and data privacy. Based on proposals published in 2018, the EU is not willing to negotiate data localization regulations in any future trade agreement and that a security parameter such as the EU-US Privacy Shield will be a necessary component of any potential future agreement (Burwell, 2018; Ketels et al., 2019).

4.3.3 Copyright

The European Union and the United States view the modernization of copyright protections as a necessary, yet complex, topic in the digital age. Differences with respect to copyright issues are more between various types of companies rather than primarily EU-US-related. Especially companies which serve as platforms for user-generated content appear to be in disagreement with more traditional media firms like movie or music giants. In particular, the differences relate to the following questions: How to fine users for the illegal use of certain materials, who is responsible for the illegally used materials – the user or company – and if creators should be compensated? Again, the European Union stepped up as a policy maker. It created a European Digital Single Market, which required rules and regulations. For example, in 2016, the European Union was working on entrusting platforms such as Instagram or YouTube with the task to ensure compliance with copyright regulations. Therefore, these companies were
required to include mechanisms that determine potential copyright issues within user-generated content. Additionally, the EU also proposed stricter rules for the use of published materials on the internet. If somebody intended to include a snippet of a news or magazine publication online, they were required to seek permission from the original publishers (Burwell, 2018, European Commission, 2016b).

4.3.4 Taxation

The taxation of digital enterprise is another complex issue within the transatlantic digital economy. Generally, the European Union has differing tax rates between its individual member states. For instance, Ireland is among the countries with the lowest corporate tax rates. Its low tax rate of 12.5 percent makes it a favorable destination for multinational enterprises. An example of this is the American multinational all-star, Apple. According to the European Commission, Apple has been taking advantage of the free market within the EU and the low corporate tax rates in Ireland. By excluding revenues earned in other European countries from taxation, the company managed to lower its effective tax rate to 0.005 percent. The company is a significant player within the new economy and used the favorable conditions within the European Union to its advantage. However, this behavior caused many issues. Following this incidence, countries such as Germany, Italy, and France asked for an adjustment of the regulations. They proposed that companies operating within the digital economy be taxed based on the location of their customers rather than allowing them to shift their profits to the country with the most appealing tax rates. Additionally, these issues initiated further discussions on how to ensure that operations within the digital economy satisfy traditional regulatory criteria (Burwell, 2018).
4.3.5 Competition law

Not only concerns about the taxation of primarily American digital companies caused significant transatlantic tensions but also the EU’s regulatory approach in terms of competition policy. The European Union is known for its extensive behavior targeting US tech giants concerning antitrust behavior. For instance, US companies Microsoft and Google are examples of previous cases within this area. Some claim that the EU is anti-American and protecting its internal market; however, it is imperative to consider the full picture. Indeed, US tech companies are market leaders within the European market. Yet, it is also important to notice that the European Union is targeting both, American and non-American firms. In fact, between 2010 and 2016, only forty-six out of eighty cases involved US-based companies. Oftentimes, the complexity concerning competition policy and the tech industry is overlooked. In particular, despite Europe’s growing tech start-up sector, the market is dominated by US tech giants like Amazon, Facebook, and Google. On the one hand, this means that US companies can become targets of European policies more easily. However, on the other hand, it also suggests that the European Union needs to establish a fair, open market to allow ‘domestic’ companies to enter the market (Burwell, 2018).

The question of whether traditional competition policies can be applied to the digital age is a major cause of transatlantic tensions. For example, while Google indeed dominates search engines in the European Union, it is not obvious if its shopping service really affected competition from other retailers. In addition, in some instances, having one dominant player might actually positively affect competition. The tech industry has relatively low barriers to entry as it does not demand a significant capital investment. Examples such as Uber and Lyft or Skype and WhatsApp have shown that having one dominant player might spark the innovative spirit of...
other companies. Therefore, the dynamics of the new economy require careful consideration by policy makers as it is not as straightforward as the traditional economy (Burwell, 2018).

Transatlantic competition law is similar yet different. Despite many similarities, value differences have been causing significant transatlantic tensions. Determining ways to incorporate the increased digitalization with more traditional competition regulations has been a major component of the transatlantic digital economy. The United States and the European Union both have well-established competition policies. At first glance, European competition law seems to be similar to its US counterpart as both aim to make sure that the respective markets function effectively. Yet, it is important to notice that each law is based on differing values. In particular, European competition law is based on the European foundation of free movement of goods and services. It aims to provide fair conditions for small and medium-sized companies while also ensuring effective business practices. US competition law is called antitrust policy. The main purpose of the US counterpart is to protect consumer welfare with some elements of fairness and aversion to highly concentrated economic powers (Fox, 1997).

US law is consumer-centered whereas the European one is business-focused. US antitrust policy aims to provide an array of products at reasonable prices. Hence, it protects competition for the benefit of the consumers. The EU, however, primarily focuses on ensuring fair interactions between differently sized companies. European competition law not only aims to affect the economic environment but also targets political and social objectives. This is mostly due to differences in terms of the institutional structure and history of the European Union. In the European Union, the enforcement of competition law is mostly driven by the European Commission. The European Commission is a significant, political institution within the EU. It is mostly unreviewed by other EU institutions. Consequently, European competition law is
significantly more politicized than its US counterpart. Additionally, the EU’s competition policies are determined by the Treaty on the Functioning of the European Union. It suggests that European policies are not to contradict one another. Hence, it follows that the EU also incorporated some non-economic related values in its competition law. This also influences the position of the residing Commissioner for competition. In order to ensure coherent EU policies as well as based on the supra-national structure of the European Union, the Commissioner for competition is in a highly politized position. Therefore, European competition law is not only strongly related to politics but also functions as a way to preserve the legitimacy of the European Union itself (Fox, 1997; Manne 2018).

The enforcement of competition law in the United States is significantly different from the European practices. Even though, the structure of antitrust enforcement is also shaped by current political processes and agendas such as the election of Congress and the President, the enforcement itself is removed from any direct political concerns. The Federal Trade Commission and the Department of Justice in the US are in charge of fairly administering the rules and regulations determined by Congress. While there is still some political policy-decision making involved, it is significantly less than in the European Union due to the structure of the various instances in the United States. Moreover, the US rules and regulations are more explicit than the European ones. For instance, the main objective of US antitrust law is consumer welfare. In the European Union, however, one objective is to ensure that competition is not distorted. This appears to be quite vague and allows for a variety of interpretations. European competition law is more open-ended than its US counterpart. Consequently, the European Commission needs to meet more flexible requirements in order to prove the existence of anticompetitive behavior, which makes competition cases a more open-ended causa (Manne, 2018).
European and US competition law also differs in terms of the analysis of anticompetitive effects. In particular, the European competition law appears to be more likely to produce false accusations relating to efficiency-generating or innovative firm behavior. This is mainly due to the approach the European law applies when analyzing a competitive environment. A result of this is the inability to effectively separate between competitive and anticompetitive behavior. For example, European competition law typically aims at protecting competition instead of the competitors. Hence, this again emphasizes the absence of a consumer-centered competition law in the EU as the law protects competitors that otherwise would have to exit the market due to inefficiency. A specific example of this behavior is the recent case involving US tech giant Google and its shopping option. The European Union might have failed to effectively differentiate between beneficial and harmful competitive behavior. This failure has the potential to significantly threat innovation and consumer welfare more generally. Looking at this case in particular, the US antitrust law would develop a more restraint position in face of the presented uncertainty. In the European Union, however, uncertainty is seen as a significant threat. This initiated the application of a precautionary action and influenced the European Commissioner of competition to rule against Google despite potential innovative implications and outcomes. The European way of addressing potential harms more strictly is particularly present within the digital economy. Behavior similar to Google’s shopping option could have extremely beneficial outcomes and network effects by positively impacting overall welfare. Yet, this could only be achieved by potentially excluding inefficient companies in the favor of the greater good. The European Union’s approach of protecting these firms rather than excluding them from the market directly contrasts US antitrust law, which aims to maximize consumer welfare (Manne, 2018).
The European Union is depicted as a strenuous policy-enforcer in terms of its competition law. However, it is also imperative to note that the European competition law allows for a very flexible goal setting. Due to its broadness and the inclusion of a variety of values, the specific goals and regulations can be adapted as the economy becomes more globalized. In particular, as the digital economy continues to be a central component of the economy now and in the future, it is worthwhile discussing the scope of the relatively strict European competition in relation to the new economy. For instance, the European competition law aims to not distort markets to ensure the well-being of consumers. In terms of the digital economy, it is important to consider how to measure this in the future. Many products and services within the new economy are offered for free. Consequently, future competition assessment may need to look beyond what is familiar and also include other determiners such as quality. Also, the tracking of consumer behavior as well as the use of personal data might significantly distort the market and affect consumer welfare. These areas might become subject to future competition law evaluation and enforcement in order to ensure continued fair behavior (Ezrachi, 2018).

When connecting competition policy to the digital economy, it is imperative to consider the significance of efficiency in relation to innovation. The world becomes increasingly more digitalized due to innovation. However, innovation also inspires growth within the entire economy and makes markets more efficient. Competition law plays a crucial role in supporting free markets by strengthening the use of innovation. It is important to apply competition law mindfully to foster innovation in a way that ensures beneficial competition rather than the development of exploitative technology. Additionally, competition law enforcers need to carefully balance between preventing harmful innovative practices and using a more laissez-faire
approach to benefit from the positive impact of innovation on the market environment (Ezrachi, 2018).

Ensuring fair conditions is a major component of competition law. It is crucial to carefully balance between allowing competition to give companies a fair chance to do business and grow, while also ensuring that competition remains fair and controlled. Fair competition is meant to inspire innovation and growth. Additionally, it benefits consumers by lowering prices and expanding the array of products and services. Further, fairness plays a significant role within the digital economy. For instance, it can serve as a leading guideline for various online platforms and service providers. Moreover, fairness can be used to intervene in unfair market practices and keep dominant online providers in check. Focusing on fairness when defining future competition law allows to counter distortionary effects relating to asymmetric information, data handling, and data protection (Ezrachi, 2018).

Competition law becomes increasingly more important as the digital economy grows. The new economy significantly changes the traditional economy, and therefore it is crucial to be mindful of these changes when ruling competition cases. Additionally, it is important to consider the international context of competition law. Varying legal and institutional frameworks as well as differing values connect laws to country-specific ideologies. A recent example of this is competition law. Yet, also various other kinds of laws follow the same structure. For instance, similar to competition law, the EU’s labor and environmental laws use a more protectionist approach in comparison to their US counterparts. As rules and regulations are created based on the needs, cultural values and history of each country, they do not lean themselves for seamless transnational cooperation efforts. Consequently, full convergence is unrealistic and should not be
expected. However, the awareness of the differences allows for closer cooperation without undermining differing values (Ezrachi, 2018; Osman, 2001; Kelemen and Knievel, 2015).

The European Union and the United States not only diverge in terms of competition law but also other rules and regulations that affect the digital economy. More specifically, another fundamental difference is their approach towards data localization and privacy. The US is characterized by a very open economy. It allows the free flow of data across borders and does not necessarily provide strong regulations for privacy protection. In fact, the US does not have a clear federal legislation that regulates the collection and use of personal data. The European Union, however, is a rather strict policy maker. It has clear rules and regulations that clearly address cross-border activities and the protection of personal data. However, so far, the US and the European Union have been able to manage their differences effectively. Yet, their overall stance is challenged by their great, rapidly growing competitor, China (Ciuriak and Ptashkina, 2018).

4.4 THE CHALLENGES OF THE CHINESE DIGITAL ECONOMY

China significantly challenges Western values. The transatlantic relationship is characterized by tensions between the European Union and the United States based on their difference in values. However, overall, these differences are minor in comparison to the challenges China brings. China’s values are fundamentally different from Western nations. For instance, China is not willing to allow free cross-border data flows at all. It is cut off from the rest of the world and has created its own digital economy, independent from the rest of the world. This challenges Western hegemony. The Chinese digital economy ranks among the top three markets within the new economy. Additionally, it is the world’s largest e-commerce
market. More than 40 percent of the world’s e-commerce transactions take place in China. Further, China succeeds the United States in terms of the transaction value of mobile payments. Chinese internet giants such as Baidu or Alibaba are growing rapidly. They are significant competitors of Amazon, Facebook, and Google. Yet, the Chinese regulations for the digital economy are also very loose. There is a lot of room for experiments and innovation – which further challenges the West (Ciuriak and Ptashkina, 2018; Woetzel et al., 2017).

The Chinese digital economy is on the rise and requires the transatlantic partners to cooperate in order to regain their position of power. China is growing rapidly, which inspired the Chinese government to also develop its own regulatory approaches. As research has shown, regulatory approaches are rather value-based. Chinese values greatly differ from Western values and hence cooperation between the transatlantic partners is needed to retain their influence in the global economy. Europe can be characterized as a regulatory superpower, while the US is a digital superstar. So far, the European Union has been leading initiatives regarding regulating privacy, competition, and taxation in terms of the digital economy. Moving forward, it is also crucial to reach closer cooperation with respect to cybersecurity, e-commerce, artificial intelligence and market competitiveness. These areas are significantly challenged by Chinese growth and may need to be addressed cooperatively to ensure continued success in the future (Burwell, 2018; Goodman, 2020).

4.5 TRANSATLANTIC COOPERATION WITHIN THE DIGITAL ECONOMY

Increased cooperation in terms of cybersecurity standards can help protect the Internet of Things (IoT). Over the past few years, the IoT has been gaining significant market share. For example, an increasing number of people use home appliances and entertainment systems which
are linked to their cell phones. Smart devices have been replacing traditional devices and have situated themselves in a dominant market position. Yet, as devices become smarter and more interconnected, effectively protecting the cyberspace also becomes more important. The issue of protecting cybersecurity affects both sides of the Atlantic. Hence, it offers opportunities for cooperation. More specifically, many smart devices connected to the IoT are sold on both markets. Therefore, convergence relating to their respective standards would be beneficial for the entire transatlantic economy. Moreover, this will also reduce the risk of criminal attacks on the transatlantic cyberspace and facilitate law enforcement processes. In particular, both, the European Union and the United States are determined to provide a safe cyberspace. Yet, oftentimes security and terrorist as well as criminal activities require further collaboration to enhance the processes. Both parties already exchange significant digital evidence, however, there is need for increased timeliness. Current mechanisms are rather time-intensive and not innovative enough to keep up with the fast-paced digital environment. Consequently, there is demand for a revised agreement, which is consistent with the GDPR (Burwell, 2018).

The rise of the digital economy significantly impacted the transatlantic marketplace. In particular, goods and services are now increasingly purchased online. On the one hand, this is extremely beneficial for small and medium-sized enterprises as it expands their target market beyond national borders. However, on the other hand, newly evolving online presences also require new rules and regulations. So far, both transatlantic partners have been working on creating new regulations, specifically addressing the new economy, its impact on e-commerce, and cross-border transactions. In particular, the European Union presented a proposal for rules and regulations relating to this to the WTO, while the United States has been including e-commerce components into its negotiations concerning most recent free trade agreements with
Australia, Colombia, and South Korea. A crucial step within all these negotiations is the determination of common guidelines relating to trust authentication, electronic signatures, consumer protection as well as electronic contracts. Small and medium-sized companies play a significant role on both sides of the Atlantic. Consequently, establishing a shared agreement should be in the interest of both parties. This will allow for smoother transatlantic e-commerce transactions and operations (Burwell, 2018).

The transatlantic relationship not only offers opportunities for convergence in terms of specific policies but also for advisory functions. For example, the entire transatlantic economy could benefit from the creation of a dialogue on market competitiveness in the new economy. Both transatlantic partners have been engaging in conversations about their respective behavior for a while. Additionally, they have been sharing relevant data and general information concerning their individual approaches. The United States and the European Union are in agreement in terms of their respective desire to benefit consumers by protecting competition. However, they have yet to determine how to apply their rules and regulations within the new economy. There is an increasing demand for extensive conversation between the transatlantic partners. Their economies are deeply entangled, and hence there is a need for shared definitions. For example, it is imperative to decide what can be considered anticompetitive behavior and what cannot. Other tangency points relate to questions concerning the difficulty of market entry and the balance of convenience in terms of consumers. Creating a transatlantic advisory council allows both parties to share their respective angles. While this may not be a formal decision-making body, it will still bring significant contributions to decision-making bodies on both sides of the Atlantic. Only by entertaining conversation will they be able to exchange their opinions and consequently be able to work on relieving tensions (Burwell, 2018).
There is a race for the development of global rules and regulations concerning the digital economy. Currently, there are only few global rules on digital issues. There is no single international institution who oversees any of them. In comparison, the International Monetary Fund oversees global payments, while the World Bank looks at development, and the WTO covers issues relating to trade. The recent developments of the digital economy may not require the establishment of a fully independent digital organization quite yet, however, there is demand for a more cohesive regulatory framework. China is growing rapidly and challenging Western values. The winner of the global debate over rules and regulations concerning the digital economy (including data privacy, data flows, technology standards, and cybersecurity) will have a significant advantage in the future. It re-arranges the world order and determines future growth opportunities (Goodman, 2020).

Recent challenges to the world order encourage deeper cooperation within the transatlantic relationship. The Chinese digital economy has been growing quickly and poses a significant threat to its transatlantic counterpart. In order to ensure a global leadership position within the world order, both the European Union and the United States may have to work together. Following the concepts summarized in Figure 3, cooperation can lead to successful outcomes for both transatlantic partners. There are already some steps of convergence present. For instance, the US and the EU have established the GDPR, which created a new privacy standard. Additionally, the United States and France struck a truce in their most recent transatlantic dispute concerning taxation of digital companies like Amazon and Facebook.

Moving forward, transatlantic cooperation is necessary in order to regain global leadership. The European Union and the United States have a deeply entangled digital economy. There are some
tensions between them, yet Europe is slowly developing to become a regulatory powerhouse in the digital economy (Aldermann et al.; Goodman, 2020).
CHAPTER 5: THE NEW VON DER LEYEN COMMISSION AGENDA

Digitalization has been changing the world. The European single market is a desirable place for foreigners. Many well-known tech firms moved their operations to Europe. Additionally, the European Union is the largest market for foreign companies such as Facebook or Google. Due to the presence and impact of influential tech companies, the European Union has evolved as a strict regulator within the digital economy to ensure the continuation of fair market conditions. Yet, while the EU evolved to be a digital policy powerhouse, it seems that the single market lags in innovation. The United States has been a significant innovation power for years. Following the shift in geopolitics, Asia, more specifically China, is quickly catching up. Both have been heavily investing in technological development and innovation for decades and left the European Union far behind. While these nations focused on furthering their efforts, the European Union primarily focused on creating policies to regulate and protect its market.

Managing and harmonizing 28* distinct set of rules and fostering internal integration took away from innovation efforts. Additionally, it appears as if the European Union’s approach towards new technology and influential tech companies is more cautious. In particular, the EU’s focus is typically directed at the risks rather than the benefits, which restricts potential technological progress (Dekkers, 2016; Keating, 2019).

The fragmented EU single market and the heavily regulated environment slowed down innovation. Over-regulation kept the European Union from becoming more innovative upon the introduction of new technologies. For instance, Uber, Airbnb, or Facebook’s payment service only slowly became more established in the European Union. The precautionary principle is a

* Note by author: now 27, following Brexit in early 2020
significant component of European treaties, yet it also restricts the European single market in its abilities. Oftentimes, there is little flexibility to engage in new innovative processes as many are restricted due to the heavily regulated environment within the European Union. This protectionist behavior also resulted in the European Union’s lack of innovation. The United States as well as China outran the European Union and are now the clear leaders in terms of the digital economy. Their leadership position, however, also affects the European Union. Deep entanglement of the digital market requires the European Union to act in order to catch up with its competitors. Consequently, the new European Commission and its Executive Vice President for A Europe Fit for the Digital Age, made it their goal to rebuild the EU’s ability to be a top competitor within the digital economy. Over the next five years, they hope to bolster the European Union’s competitiveness and claim a more influential, global leadership position. These efforts are guided by the new Commission agenda (Dekkers, 2016; Keating, 2019; Kottasova, 2016; Scott, 2019; Wycisik-Wilson, 2016).

5.1 A EUROPE FIT FOR THE DIGITAL AGE

The new Commission intends to shape the European Union’s future by making it fit for the digital age. In particular, it aims to put Europe first by creating new opportunities for its people and businesses. More specifically, following basic European values, opportunities are meant to be guided by fairness and trustworthiness. A three-pillar approach is used to foster the EU’s position as a global leader by supporting innovative technology for its people, a fair and competitive environment for businesses, and the use of technology for more sustainability. Following this, the European Union hopes to not only become a role model for the digital economy globally but also support digitalization efforts in developing nations. Further, the
European Union’s new strategy is focused on developing new standards that are intended for international adoption. (European Commission, 2020d, European Commission, 2020e).

**Figure 4:** Three action streams of the new Commission agenda

### A Europe Fit for the Digital Age

2020-2024

European Union = largest market for US companies such as Facebook, Google & Apple

1. Technology aimed at the people
   - Opportunities for business and people guided by fairness and trustworthiness
   - Alignment with European values
   - Increase in educational efforts

2. Healthy environment for business
   - Focus on technology created in Europe
   - Digital Services Act (rules and regulations)

3. Technology to increase sustainability
   - Become climate neutral & reduce carbon emissions through technology

**Opportunities**

Allows the EU to become GLOBAL TRENDSETTER

Rules for international adoption

EU: more independent & impactful

Cooperation opportunities:
- Artificial Intelligence
- Digital Taxation
- Data Privacy
As indicated in Figure 4, the new Commission’s agenda can be divided into three different streams of action. These actions are guided by truly European values: People, democracy, society, excellence, trust, enforcement, economy, fairness, and international. First, moving forward, the European Union aims to create technology that is aimed at the people. More specifically, the EU intends to protect Europeans more strategically. While new technologies and services such as Facebook and Uber have been part of the European Union for a while, moving forward the EU aims to engage in technologies in a way that aligns with European values. Moreover, the first stream is directed at the people, the member states and their involvement with technology. In particular, their efforts will be directed at improving cybersecurity and the safe development of Artificial Intelligence. Additionally, the European Commission hopes to work on improving the overall capacity of the internet by accelerating the distribution of faster broadband internet and expand the super-computing capacity of Europe. These actions are to bring improved network connections to primarily homes, schools and hospitals and support the development of innovative solutions in the areas of medicine, transportation and the overall environment (European Commission, 2020e; European Commission, 2020f).

Increasing innovation is a necessary component of the first stream of action. However, this is only one step on the way to the creation of technology that is aimed at the people. European citizens and business will have to feel comfortable and secure when using new technologies. A certain kind of mistrust with respect to the use of new technologies is deeply engrained in the European precautionary principle but also overarching European values. Consequently, the European Union is required to actively support the creation of effective cybersecurity technologies. Additionally, this goes hand in hand with improving education and skills in Europe. Companies are in need of tech-savvy employees who are familiar with the new
economy. Consequently, the new Commission agenda is targeted at a variety of issues to successfully meet the necessary requirements that allow for technology to be aimed at the people. Efforts include building capacities in new technologies such as Artificial Intelligence but also the creation of specific rules and regulations for the use of them. Further, the European Commission hopes to invest more in Europe’s connectivity and digital education. This will allow companies to take advantage of the evolving digital economy, while also ensuring the digital literacy and competence of employees (European Commission, 2020f).

Creating a healthy environment for businesses is the second priority of the new Commission’s agenda. Technology is quickly becoming a more significant component of many business operations. Yet, Europe is still heavily dependent on technology created elsewhere. Consequently, there is a need for more independence in order to reduce reliance on technology from outside. Additionally, ensuring fair and competitive conditions is supposed to enable a lively environment, fostering innovation. Not only will this allow start-ups and small to medium-sized companies to grow fast but also provide easier access to financing in order to expand.

Moreover, the European Commission intends to propose a Digital Services Act. This act is meant to include specific rules and regulations for online platforms and service providers. Regulating competition has been one of the EU’s most discussed policy area recently. As part of the new agenda the European Commission hopes to create a fair competitive environment that fits the challenges of the new economy. Connected to this, the new agenda hopes to foster innovation by providing access to data while also adhering to European safety standards (European Commission, 2020e, European Commission, 2020f).

Making the EU globally competitive in terms of the digital economy is a significant goal of the new Commission’s agenda. In order to do this, the European Union will be required to
create a more genuine single market for data. This market needs to follow specific rules and regulations, which aim to be based on deeply enrooted European values. So far, many companies have only slowly been adapting to new technologies. Hence, there have not been many benefits so far. The European Commission is hoping to create a frictionless market, which allows for fair competition for small and medium-sized companies. Additionally, rules and regulations are to be uniform across all European member states. This will encourage internal integration and create a more powerful market force. Looking at competition law in particular, this means that the European Commission will be required to establish rules and regulations that meet the demand of both, the digital and traditional economy. However, most importantly, the creation and adaption of rules and regulations will also need to meet the demands of the new economy by being easily adaptable to changing circumstances (European Commission, 2020f).

The digital economy is characterized by its fast-paced environment, and consequently all relating policies will need to follow this too. Yet, ensuring fairness has been a major challenge so far. The digital market is prone to distortionary effects caused by the digital economy. Oftentimes, there are no clear guidelines on how value and revenue are distributed. Therefore, the European Commission has determined some key actions to guide the EU’s process towards becoming a fairer and more competitive market. Firstly, a European Data Strategy will not only include legislative frameworks but shall also put the European Union in a global leadership position. Secondly, the European Commission hopes to review and adapt the competition laws frequently to ensure full compatibility with the fast-paced nature of the new economy. Thirdly, an Industrial Strategy Package will be created to facilitate firms’ transition to the digital age. Lastly, the European Commission intends to create informed consumers who are able to make deliberate decisions supporting the transition to the digital era (European Commission, 2020f).
Further, the European Commission hopes to use technology to increase sustainability. More specifically, the third priority of the Commission’s new agenda deals with the creation of an open and democratic society, which is guided by sustainability. In particular, the European Commission hopes to create ways of becoming climate-neutral and reduce its carbon emissions in the long run with the help of digitalization and technology. Additionally, new practices shall allow European citizens to be able to receive more control over their data. The European Commission also plans to take advantage of the digital economy by creating an overarching, European health data space to further research and improve diagnosis and treatment. Further, the use of technology will be aimed at creating reliable media content and fighting fake news (European Commission, 2020e).

The Commission’s key actions in using technology to support sustainability include multiple action plans. New and revised regulations will further deepen the Internal Market for Digital Services by creating stronger alignment with uniform EU rules. Additionally, a media and audiovisual action plan as well as a European Democracy Action plan shall be created. These strategies will allow the European Union to support digitalization and improve its internal mechanism through technology. Further, the European Commission supports the increased incorporation of digital advancements in everyday life. An example of this is the development of the electronic health records. This new initiative will allow European citizens to securely access their health data throughout the EU. Also, many new initiatives are designed to promote climate-neutral actions and create positive environmental impact with the help of new technologies (European Commission, 2020f).
5.2 THE IMPACT AND CHALLENGES OF THE NEW STRATEGIC AGENDA

Commission President Ursula von der Leyen believes in creating a new European Union, fit for the digital age. The digital economy brings a variety of opportunities, however, also many challenges. The new agenda is meant to empower European citizens. It is based on common European values and enhances Europe’s competitiveness on a global stage. Ideally, the new policies and regulations will allow the European Union to achieve technological sovereignty and gain more independence. This will encourage innovation and strengthen Europe’s digital capacities. Successful incorporation of the new Commission’s agenda will allow the European Union to become a “trendsetter in the global debate” (European Commission, 2020f, p.2).

Currently, the EU’s position on the global stage is challenged by shifting geopolitics. Creating a new agenda will allow the European Union to become a noteworthy regulatory power, which is also able to offer industrial and technological capabilities and to show diplomatic strength. Further, becoming a stronger player within the digital economy will allow the EU to increase its legitimacy as a policy exporter. Recently, many countries have started to follow the EU’s data protection regulations. Consequently, continuing to create strong policies and regulations while working closely with its partners can allow the European Union to become a significant regulatory powerhouse. The new agenda includes the development of a Global Digital Cooperation Strategy, A Digital for Development Hub, and a strategy for standardization, which will all promote EU values globally. Incorporating these key actions has the potential to strengthen the European Union’s leadership position on a global stage (European Commission, 2020f).

In addition to the challenges relating to the rise of the digital economy, the new Commission also faces significant challenges following the election of US President Donald
Trump. As the agenda for the new economy suggests, the European Commission plans on becoming a more independent and impactful player on an international stage. Yet, not only the digital agenda, but also other policy areas provide opportunities for restructuring efforts. For example, European defense mechanisms and the NATO dependence on the US have created severe tensions in the past. The new Commission agenda provides opportunities for more EU commitment and equal burden sharing, which can greatly benefit the transatlantic relationship. Additionally, the European’s increased commitment to more complete internal integration and improving and standardizing policies such as efforts relating to cybersecurity could improve transatlantic relations. Coordinating its efforts, could enable the European Union to climb to a significant leadership position. In the past, the EU-US relationship was challenged by differing stances on cybersecurity and companies such as Huawei. Identifying a clear standpoint and developing critical skills, expertise and policies to counter cybersecurity challenges, can positively affect the EU’s external relations. Additionally, the EU’s legitimacy can benefit from developing an independent stance on a topic of significance, which will ultimately impact the EU’s position globally (Brzezinski, 2019; Herr, 2019).

The European Union has to become a more independent and forceful international player to become an equal to the United States. Becoming stronger will not only make them more equal partners but also allow them to tackle arising challenges more successfully. As indicated in Figure 1 in an earlier chapter, the US has been put on a pedestal ever since the beginning of the transatlantic relationship. Additionally, a more independent and forceful EU can contribute to a stronger transatlantic partnership. Haddad suggests that a more independent European response will allow “US policymakers to recognize the added value brought by Europeans” (Haddad, 2019). This is of great significance when addressing challenges relating to China. In the past,
both transatlantic powerhouses showed little convergence or cooperation when dealing with China. In fact, different opinions regarding China were important initiators of transatlantic disagreements. These disagreements troubled the transatlantic relationship. The discussion of transatlantic history showed that oftentimes tensions were followed by threats of tariffs, which further distanced the old allies. Yet, as shifting geopolitics continue to challenge global power dynamics, the European Union and the United States are in need of a unified response to defend their global leadership position. It is important that both recognize the value of their respective partner. The new Commission’s agenda will allow the European Union to become more independent and more forceful. The United States often argues that the EU depends on it too much. Working on internal European integration, developing a unified response to the challenges of today’s world and creating influential regulations will also facilitate cooperation with the US (Haddad, 2019).

The new strategies not only impact the European Union but also provide challenges and opportunities for the transatlantic relationship. One component is the issue of taxation in the digital economy. The new economy poses many challenges for traditional policies and regulations, which led countries such as France to create digital taxes. However, these taxes would primarily affect US tech companies operating in Europe. This caused significant backlash from the US and resulted in threats concerning retaliatory tariffs. Looking at the bigger picture, it is important to recognize that there is pressing need for the European Union and the United States to cooperate more closely. The rise of China is significantly challenging the leadership position of the transatlantic partners. Consequently, as suggested by Fleck and Baker, the transatlantic allies “cannot afford to add another costly spat” to the list of transatlantic divergences (2019). In order to do so, the transatlantic partners will need to overcome their
current tensions. Closer cooperation with the United States is necessary for the European Union to effectively integrate its digital single market and become more influential on a global stage. For instance, transatlantic cooperation is needed to enable the European Union to suggest updates to international taxation standards relating to the digital economy as they have more legitimacy when united (Fleck and Baker, 2019).

The regulation of Artificial Intelligence is another component of the new agenda. On the one hand, regulations are necessary to guarantee a fair and competitive environment for companies. However, on the other hand, excessive regulation prevents beneficial development and growth. Creating heavy regulatory mechanisms will shut down innovative efforts and keep the European Union behind leaders like the United States or China. The European value position relating to Artificial intelligence is fundamentally different from its competitors. In particular, the EU’s angle on AI is connected to its underlying values and is related to socioeconomics, whereas other nations view it purely economically or geopolitically. These differences make cooperation more complex, yet also provide the EU with great opportunities. For instance, the European Union has a significant consumer market. Additionally, its education system, the quality of research, and institutional power provide a great framework for the development of AI technologies. In fact, contrary to some of its competitors, the European Union is able to cover and balance machine learning methods, face and speech recognition, and connected and automated vehicles more efficiently. This provides a promising foundation for a future leadership position. Consequently, the new agenda can enable the European Union to leverage its underlying strengths (Fleck and Baker, 2019).

The Commission’s future plan contains many aspects concerning privacy. It is a significant component of the European digital policy and is deeply engrained in the foundations
of the European Union. The implementation of the GDPR during the previous Commission period was already a crucial step in guiding the EU towards a global leadership position. However, also new technologies such as 5G and Artificial Intelligence pose significant challenges for privacy and data sharing issues. There is still divergence between individual member states on how to deal with US tech enemy number one, Huawei, and its 5G technology in Europe. This has been a significant reason for transatlantic tensions in this area. Yet, the European market has opportunities to strengthen its leadership position in terms of data sharing and privacy. In particular, the new Commission has the ability to create new rules and regulations relating to privacy and cross-border data flows. Many US tech companies are deeply entangled with the European single market. The success within the European market is vital for the success of the firms. Consequently, this provides the European Union with some leverage over other players in the market and allows them to push for their proposed rules and regulations more effectively (Fleck and Baker, 2019).
CHAPTER 6: DISCUSSION

The analyses of the history of transatlantic relationship, the value of transatlantic cooperation, the digital economy as well as the new Commission agenda have shown that transatlantic relations are complex and deeply entangled. The relationship between the United States and the European Union has always been close, yet also often troubled. Recent changes in geopolitics are further challenging the relationship and creating new tensions. Yet, there is still hope. As newly appointed Commissioner for Trade, Phil Hogan, stated, the EU and the US can be depicted as siblings: “Siblings bicker, siblings call each other names, siblings sometimes even get into fights! But let us not forget that when the pressure comes, siblings are family and will always support each other” (2020).

Further, the European Union and the United States have been valued allies in a variety of aspects for decades. The rapid rise of the digital economy brings many new challenges and opportunities that might be worth addressing through transatlantic cooperation. The US and the EU have experienced troublesome times. Despite being each other’s biggest allies, there have always been challenges relating to the definition of their respective powers. As noted in an earlier chapter, the European Union is known to externalize its policies when conducting foreign policies. The new Commission’s strategy for 2020-2024 includes proposals and opportunities for the European Union to address the challenges of the new economy more efficiently.

This chapter aims to discuss the impact of the new Commission’s agenda on transatlantic relations. More specifically, it examines the value of transatlantic cooperation and connected opportunities that allow the transatlantic partners to unite to counter the rise of China. This discussion draws on the literature review in previous chapters and intends to connect individual
pieces to create a new, more comprehensive whole. The digital economy is a fairly new, yet rapidly developing (and changing) component of today’s world. It significantly impacts all aspects of our lives and challenges the position of power of many global leaders such as the European Union and the United States. Consequently, by connecting the history and value of transatlantic relations to the digital economy and the new strategic agenda, this chapter intends to draw conclusions regarding the overall opportunities for cooperation between the EU and the US in terms of the digital economy in the face of an emerging China.

The transatlantic relationship was formed to help rebuild post-World War II Europe. Europe was at its low, and consequently, the United States evolved as a strong partner. The US took a leadership position and guided Europe on its way back to success and sustainability. However, unequal distribution of leadership back then also created the foundation for everything moving forward. Inequality is deeply engrained in the foundations of the transatlantic relationship. Oftentimes, the transatlantic partnership is depicted as flawed by definition. It is important to recognize that history characterized the individual position of both partners. Historical developments put the US in a position of leadership to ensure a successful restructuring process of Europe after World War II. However, this also indicates that tensions are a natural component of the transatlantic relationship.

Not only are tensions a natural component of the transatlantic relationship due to its fundamental basis but also following its development. The European Union and the United States both evolved as significant powers on the world stage. Their prosperous economic development following World War II allowed them to step into influential leadership positions. Consequently, tensions have become a natural occurrence between the two allies. Despite their connection with each other, both also represent the interests of their individual nations.
Therefore, tensions and a divergence in opinions are natural conclusions. Additionally, the tensions between the EU and the US have always resulted from their differences. Both nations are characterized by their different history, values, and ideology. Despite alignment in some issues, both counterparts are still independent and required to focus on their own, internal priorities as well. This can also be seen as one of the reasons why out-of-area issues have been rather challenging. Tensions would arise whenever the United States and the European Union developed diverging opinions. Examples of this are the tensions following 9/11 or the problems surrounding the conflict in Syria. Divergences arise whenever both allies focus on their own agendas to further their own strategic interests in the area in question rather than uniting with its ally to fight for a common cause.

The divergence in values did not arise until long after the first initiation of the transatlantic relationship. In the beginning, the United States always supported European integration and development. Post-World War II, Europe had the potential of becoming a strong ally for the United States yet was constrained by its fractured state. Increasing European integration efforts became a significant component in the strengthening efforts relating to the transatlantic partnership. However, even these early stages of transatlantic cooperation were characterized by US leadership. Europe’s dependence on the United States was immense. Not only was it dependent on financial assistance but also required military protection. More effective European integration had the potential of creating a stronger bond within the continent, which also reduced the dependence on the US. Despite the favorable demand for more integration efforts in Europe, this also caused significant challenges for the transatlantic relationship. As Europe became increasingly more integrated and united, it started to develop its own leadership position. Europe redefined its values and evolved as a more powerful player.
Consequently, this led to more tensions across the Atlantic, but was also a logical consequence of increased integration efforts and based on the fundamental differences between both parties.

NATO protection has been another significant component of the transatlantic relationship. The decades following World War II left Europe vulnerable. Additionally, the impending threat of the Soviet Union imposed a significant security risk on Europe. The United States’ NATO support significantly shaped this time and created a fundamental basis for the future shape of transatlantic relations. Even back then, uniting their forces and creating a comprehensive whole made both partners more powerful when facing the Soviet Union. Additionally, the imposing threat of the Soviet Union can be depicted as the most fundamental reason for a strong transatlantic relationship. No matter how troublesome or complex past challenges were, the common enemy always connected the transatlantic partners. NATO created a strong foundation for the transatlantic partnership and strengthened the relationship in times of tensions. Despite numerous tensions relating to out-of-area challenges, trade disputes, or other political uproars, the transatlantic partners could always trust in this strong foundation. For example, the aftermath of 9/11 was considered an all-time low for the transatlantic partnership. Yet, the transatlantic partners managed to bounce back from this low and rebuild their relationship. However, it is also important to note that the relationship across the pond is also strongly influenced by the political leader in charge. For instance, while some presidents greatly supported the evolution of a strong transatlantic relationship, others had little interest in engaging with the European Union.

Political leaders greatly impact the transatlantic relationship during a specific time period in the short run. Yet, historically, this typically does not have a long-lasting effect on the overall shape of transatlantic relations. For example, the transatlantic relationship struggled under J.F.
Kennedy’s presidency. While he was a great supporter of European integration, his perspectives on out-of-area challenges did not align with Europe’s views. Europeans started to openly disagree with their American allies. However, despite the severity of the tensions, the transatlantic partnership regained its strength and value in the decades to follow. Further, other presidents such as Barack Obama and, even more so, Donald Trump, have been addressing Europe’s position in the transatlantic relationship. While this has been implied to some extent throughout history and Robert Kagan’s *Americans Are from Mars, Europeans Are from Venus*, Obama and, now, President Trump have been making it a more significant part of Washington’s rhetoric recently. An example of this is Obama’s statement referring to Europe as “free riders [who] aggravate [him]” (Obama in Lucas, 2016). He demanded more independence and challenged the European Union to become a stronger partner. To some extent, this relates to previous demands for more European integration. In the past, US leaders encouraged European integration efforts to create a more comprehensive and competitive transatlantic partnership. Obama’s statement relates to the idea of creating a more integrated yet independent Europe. During Obama’s presidency, the EU slowly moved away from the United States’ priorities and was asked to become more independent. This challenged transatlantic relations; however, they were able to bounce back and unite their forces (see Bindi, 2019; Hanhimäki et al., 2012; Lucas, 2016).

Divergence is a significant component of the transatlantic relationship. The relationship between the US and the European Union is characterized by constant ups and downs. Yet, no matter the challenge, their bond has always been strong. Every challenge has been followed by eras of strong alliance throughout history. The most recent leader is again challenging the transatlantic partnership. It is not quite clear how Trump’s presidency will affect transatlantic
relations in the long run. Currently, the relationship is characterized by uncertainty and unpredictability. Again, there have been calls for more EU independence. NATO is still perceived as a fundamental component of the relationship. While the threat of the Soviet Union has long disappeared, the European Union still continued to heavily rely on its American ally. The previous and most recent president started to challenge this behavior by calling for more independence. After all, at this point European integration could be advanced enough to provide adequate support to its own security protection. Yet, the unpredictable behavior and uncertainty relating to the demands of the United States caused trust issues within the European Union and troubled transatlantic relations. Additionally, recent developments such as different out-of-area challenges and the financial crisis have demanded both nations to focus more on their internal politics. Moving away from working as a united front and continued cooperation troubled the relationship and caused trust issues. Due to the increased uncertainty and the continued unpredictability, Europeans were unsure if they could still trust in the strength of the transatlantic relationship. NATO and the idea of a common threat was the most significant connector between the European Union and the United States in the past. They managed to continue their strong bond for a few decades following the fall of the Iron Curtain. Yet, the demands for increased EU independency brought uncertainty. It appeared as if the strong bond between the United States and the European Union would slowly become weaker and eventually disappear. Protectionist decisions, such as the imposing threat of import tariffs raised by the American leader, created uncertainty about the future of the transatlantic relationship. Would Europeans still be able to rely on their American allies during times of pressure as indicated by the European Commissioner of Trade, Phil Hogan?
The United States and the European Union have been valuable allies for many decades. Together they have become the most influential powerhouse globally. They are leaders on the world stage. Not only are they each other’s main trading partners but also have they accumulated significant economic power globally. Working together allowed them to rise to a position of power and increase their influence. For example, as a united front they were able to influence the decisions of international institutions such as the WTO. However, the transatlantic relationship is not just based on economic power and trade. More importantly, transatlantic businesses are deeply entangled. Their activities are interconnected as the transatlantic economy thrives on foreign direct investment. Companies on both sides of the Atlantic are invested in each other. This strengthens the transatlantic bond and already requires cooperation to some extent.

Transatlantic connectedness is further supported by the rapid rise of the digital economy. Technological development and innovation have created a fast-paced environment globally. Many firms are increasing the use of technology and becoming more digitized. Economies are becoming more intertwined. While transatlantic entanglement and FDI was high prior to the evolvement of the new economy, digitalization further increased this. There are strong digital ties across the Atlantic. More specifically, the EU and the United States are each other’s most important market for digital goods and services. Digitalization has become an omnipresent component of today’s world. It characterizes the economy and offers opportunities for deeper connections. Yet, it also changes the world. The rise of digitalization requires new rules and regulations. In particular, the rapidly growing market allows for easy access. Consequently, it offers momentum for previously less developed countries. China, an emerging nation, managed to grow significantly over the past couple of years. Its involvement in the digital economy made it a challenging competitor for renowned powerhouses like the US and the EU.
China has created its own digital economy independent from the United States and European Union. It developed new technologies and created huge tech companies such as Huawei. Additionally, the Chinese online market is dominated by national companies such as Alibaba. Due to China’s political orientation, direct competitors such as Google, Amazon, and Facebook do not have access to the Chinese market. This allowed national companies to rise and the country was able to create its own digital economy. In general, China is heavily criticized for its ideology and policy approaches. The country shows little commitment to internationally accepted rules and regulations regarding cybersecurity and competition. However, as the world becomes more heavily involved in new technologies, it is important to realize that this also requires some changes in the overall approach on how things are to be done. In particular, the development of new technologies, and consequently a new economy and novel ways of conducting business require clear guidelines and procedures to ensure fair and secure behavior. Further, China’s innovative spirit allowed the country to rise to a significant power position rather quickly. This challenges Western hegemony and puts the transatlantic partners in a demanding position.

These challenges directed at the transatlantic relationship demand cooperation early on. The rise of China requires the US and the EU to step up to regain their position of power. More specifically, they will have to unite their forces to effectively counter the challenges of the new economy. The transatlantic relationship has always been strong. Yet, divergences made cooperation more complex. For instance, NATO cooperation has become a significant problem within the transatlantic relationship. While the US requires more independence and commitment, the European Union is unable to increase its efforts. Consequently, cooperation in terms of security has always been complex and created transatlantic tensions. Based on the historical
development of transatlantic relations, the EU is oftentimes considered the less powerful partner. The European Union greatly depended on US guidance and leadership after World War II. It allowed the continent to rebuild its strength and become more united. Yet, the difference in power distribution has started to become an omnipresent problem in the transatlantic relationship in the twenty-first century. Especially, the change in political leadership as well as the challenge provided by shifting geopolitics, made both partners focus more on internal issues. Continued support for an unequal partner became less feasible and created significant tensions as other external situations arose. The European Union has been asked to become more independent and increase its efforts on an international stage to become a more competitive counterpart. Moving forward, there is demand for more equality between the transatlantic partners in order to ease the tensions between them.

Not only an unequal distribution of power but also a divergence in values have continuously been causing tensions between the US and the EU throughout history. Competition policy is a significant component of the digital economy. Competition policy on both sides of the Atlantic is guided by their respective values. The US and the European Union follow different competition law practices. Additionally, there is divergence with respect to its enforcement. Both countries are structured differently. Consequently, they also follow different practices in terms of law enforcement. Further, as the research has shown, the transatlantic differences in competition law are based on a divergence in nation-intrinsic values. In particular, the European Union is more focused on mitigating uncertainty, while the US engages in opportunities. Therefore, it might be unrealistic to ever expect full convergence as these are two very distinct nations. Moreover, this also reflects each nation’s development throughout history. Connecting this to recent issues within the digital economy, it also explains why the European Union lacks in
innovation. Innovation often requires a certain level of uncertainty and risk in order to thrive. The European Union is less risk-averse than the US. This further highlights their different value positions and explains why policies are conducted differently.

Divergences are part of the transatlantic relationship. Tensions are deeply engrained in the relationship between the US and the EU. They are a fundamental basis and have shaped the partnership throughout history. There have been many challenging times, yet the transatlantic partners always managed to bounce back. Some recent tensions may appear more problematic, yet the world also developed, and the challenges of the new economy are more severe than ever before. It is important to recognize that full convergence cannot be achieved and should not be expected either. In the future, it will be imperative to move beyond what is unattainable and efforts should be focused on creating shared value. The new economy is characterized by its deep connectedness. Consequently, it is harder to distinguish between what is foreign and what is not. Close relationships and cooperation will become an important component of all interactions moving forward in order to ensure a positive outcome for all parties involved. Additionally, recent developments have shown that the US and the EU are able to manage divergences efficiently. An example of this is data privacy. Despite differing values and priorities, both partners were able to settle their disputes and create a functioning whole moving forward.

The new economy challenges traditional ways. Consequently, it is imperative to redefine the transatlantic relationship moving forward. Looking at the historical development of transatlantic relations, it becomes obvious that a divergence in opinions and values has always been a major component of the relationship. Therefore, future cooperation requires awareness of these divergences. The US and the European Union need to be open towards potential compromises to strengthen their relationship in times of need and advance their overarching
goals. This will allow the transatlantic partners to rise to a position of power globally while addressing current challenges. Managing change effectively and redefining their relationship will become an important component of the relationship. The evolvement of the digital economy as well as the shift in geopolitics require closer cooperation. The transatlantic partners have deeply intertwined economies. Therefore, cooperation is a necessary step in order to ensure their global competitiveness in the future. In the past, external challenges often caused tensions within the transatlantic relationship. Moving away from their traditional approaches and acknowledging their differences as an unavoidable part of their relationship, will allow the United States and the European Union to overcome many obstacles. Examples of this are the management of differences relating to data privacy and the truce relating to proposed digital taxes. Both cases show that there are divergences. Yet, the transatlantic partners are able and willing to compromise in times of need.

The rise of the digital economy requires the cooperation of the United States and the European Union. More specifically, the growing impact of the new economy and the rise of China can be seen as a common threat. The Soviet Union posed a significant threat to Europe in the past. The United States and NATO offered protection during these troublesome times. This created the fundamental basis of the transatlantic relationship. Yet, as time passed, the common threat slowly disappeared, and consequently also the need for strong alliances. However, the rise of China and the developments involving the digital economy significantly challenge Western hegemony. Therefore, I argue that this can function as the new common threat moving forward. The notion of a common threat has been strengthening transatlantic relations throughout history. Despite many ups and downs, the United States and the European Union always stuck together to counter their common enemies. After the fall of the Soviet Union, this momentum continued for
another few decades. However, one cannot expect to last this forever as new challenges arise. The recent developments relating to the digital economy and the rise of China offer the opportunity to redefine transatlantic relations by focusing on a common threat. The current situation significantly threatens the global leadership position of both transatlantic allies. The acknowledgement of a common threat allows for closer cooperation and guides the relationship moving forward. Working towards a shared goal by identifying a common threat will allow for closer cooperation and the strengthening of the transatlantic relationship in the long run.

The new Commission agenda makes the European Union a more valuable partner on the way to global hegemony. The European Union has always been a significant policy exporter by using access to its single market as leverage. However, the developments of the digital economy left the EU behind due to its lack in innovation. Additionally, the US typically considers the EU less of a partner. Ever since the beginning of the transatlantic relationship, the US and Europe had been unequal partners. This continued into the current century as the US started to demand more independence and equal burden sharing from the EU. The new Commission’s strategy relating to the digital economy allows the EU to become a more valuable partner to the US. It allows the European Union to become a stronger and more independent player in the new economy. In particular, the new agenda is targeted at the current challenges of the digital economy and allows the EU to become more competitive. By creating a strong regulatory basis, the European Union is able to make up for its lag in innovation. It is known for its regulatory capacity and influence. For instance, European policies started and shaped the GDPR guidelines and copyright laws that are also used in the US.

The new Commission’s agenda increases the EU’s independence. Reliance on the US as well as claims of unequal burden sharing have been causing significant tensions within the
transatlantic relationship. Developing a more precise and strategic agenda to make Europe fit for the digital age allows the EU to develop a more valid standpoint and increase its legitimacy. The new agenda smoothens some of the tension-causing claims raised by the US and creates more equality within the transatlantic relationship. Additionally, it makes the European Union a more powerful partner when addressing global challenges. The United States is a competitive player in terms of innovation, while the European Union has the ability to become a leader in regulations. Further, their markets are deeply entangled, which creates another argument for closer cooperation. Divergence in terms of the digital economy may disadvantage the competitiveness of both partners. The US will continue its innovation efforts, while the European Union will continue to tighten its regulatory forces while also using access to its single market as leverage. The European Union is the number one partner of the United States in terms of the digital economy. Consequently, stricter regulations on the EU-side will affect the US. Uniting their efforts allows them to raise to an impactful position of power globally by taking advantage of the concept of division of labor. Each transatlantic partner can focus on its individual strengths while also aligning its resources and capabilities to become more impactful.

Overall, cooperation between the EU and the US allows them to raise to a global position of power. It will help redefine and strengthen the transatlantic relationship. History has shown that a significant component in transatlantic relations is a purpose. The recent shift in geopolitics as well as the rapid rise of the digital economy create this common purpose. Uniting their efforts early on, will allow them to shape the environment of the new economy by shaping its rules and regulations. This will lead to a significant competitive advantage in the future. As research has shown, there are already some signs of convergence present (such as the truce in Davos with respect to the digital taxes between France and the US), and hence this suggests to me that deeper
cooperation can allow these two powers to counter the rise of China. The new Commission’s strategic agenda makes the European Union a more valuable partner. Consequently, closer cooperation with respect to the digital economy has the ability to become the new purpose of this prestigious relationship as it also brings immense economic benefits for both parties.
CHAPTER 7: CONCLUSION

In order to ensure a global leadership position within the world order, both the European Union and the United States have to work together. This thesis investigated the impact of the new Commission’s agenda on transatlantic cooperation and its ability to form a strong transatlantic bond to ultimately counter the rise of China. The analysis of transatlantic history from 1945 until now has shown that transatlantic relations have always had varying degrees of tensions, which has proven to be a fundamental characterization of the relationship between the US and the EU. Differences are deeply enrooted in the relationship and will always be present. In part, the shape of the transatlantic partnership also depends on the political leader in charge. Yet, the transatlantic relationship has endured despite these differences and occasional hiccups. These bumps may have given the actors the ability to withstand a variety of obstacles.

The United States and the European Union have been valuable allies for many decades. Their respective relationship is based on strong interconnectedness relating to security and economics. More specifically, NATO and the fight against a common enemy - the Soviet Union – gave the transatlantic partnership its fundamental value and purpose, and provides a framework for the recent challenge posed by the emergence of China as a global superpower. Additionally, the United States and the European Union have deeply entangled economies driven by transatlantic foreign direct investment and trade, all of which have allowed both actors to become impactful economic powerhouses globally. Yet, this leadership position has been challenged by an increasing shift in geopolitics. The rise of China significantly challenges the global world order, particularly because Chinese values are fundamentally different from Western perspectives. The evolution of a nation which does not adhere to deeply engrained
Western values relating to democracy, human rights, privacy, security and fair competition poses a significant threat towards Western hegemony and its leadership positions globally. More specifically, China has become a significant competitor for both the United States and the European Union.

The growth of China has been simultaneous to the rapid rise of the digital economy. The world is more fast-paced than ever and technological innovation is omnipresent in today’s age. These new developments greatly impact transatlantic relations as they challenge traditional ways. Consequently, this demands changes in the way things are done. More specifically, the new economy offers an array of opportunities for cooperation. Transatlantic cooperation in terms of the digital economy will not only strengthen the relationship between the United States and the European Union but also counter the rise of China. Choosing to cooperate in terms of the digital economy and addressing global challenges as a united front will allow the transatlantic partners to achieve more legitimacy on a global stage. Additionally, it allows them to become more impactful and regain their position of power.

Digitalization and the interconnectedness of the economies have increased the significance of transatlantic cooperation. As products and services become increasingly digitized, it becomes crucial to create a common framework to regulate the new developments. For instance, as indicated by the case study on Google and its shopping option, the digitalization of the economy challenges the old status quo and requires approaches when analyzing competitive behavior. As the economies are deeply entangled and digitalization complicates the division of products and services based on country alone, a relationship to some extent will always be needed. The United States is an impactful innovator, while the European Union is known to create and externalize comprehensive policies. An example of this is the development of new
apps like Uber, Lyft and Facebook, which was countered with the creation of the GDPR to harmonize digital data protection rules. Cooperation will allow them to unite their forces and become more impactful globally. This will allow the transatlantic partners to counter the rise of China, while also reclaiming their respective position of power and strengthen their relationship.

In the past, the European Union has been claimed to be the less impactful partner within the transatlantic relationship. The new strategic agenda, making Europe more prepared for the digital age, allows the European Union to become more influential. It offers a comprehensive framework for rules and regulations relating to the new economy. Further, it supports additional European integration by focusing on the EU’s independence. Becoming a more impactful force on its own enables the European Union to become a more valuable partner within the transatlantic relationship. Formulating its own distinct voice independent from the US depicts high levels of European integration, which are needed for successful cooperation moving forward. Despite the strong fundamental basis of transatlantic relations, the US and its current political leader have been asking for more EU independence recently. The new Commission agenda meets this requirement while also opening a vast amount of opportunities for cooperation.

Consequently, the new Commission agenda has the potential to positively impact the transatlantic relationship by encouraging an increase in cooperation. This will allow the prestigious partners to become more influential globally and rise above China’s leadership position. The findings and conclusions presented in this thesis are based on the historical development of transatlantic relations, its overall value in terms of security and economics as well as transatlantic involvement in the new economy. The overarching argument is supported by claims presented as part of this thesis. Yet, it is also important to acknowledge that other external
factors or recent political developments may challenge some aspects of this argument. For instance, despite Phil Hogan’s (EU Commissioner for Trade) argument that the EU and US are like family and will stand together during times of pressure, recent developments in 2020 relating to the COVID-19 pandemic suggest otherwise. However, these developments are beyond the scope of this thesis project and require deeper and more comprehensive investigation.
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