In transatlantic trade talks, the EU must keep digital policy off the table

by Zach Meyers, 18 July 2025

The UK has shifted some of its digital policies to appease the US president. But Brussels should adjust its tech agenda to boost its own competitiveness – not to cave in to Donald Trump.

The US president has just threatened to impose 30 per cent tariffs on the EU, if the two sides cannot reach a trade agreement by August 1st. This threat came as a disappointment to the EU negotiating team, which had understood both sides' negotiating teams to be close to reaching a deal. European political leaders seem deeply divided between those urging further compromise and those wanting the EU to take a tougher stance, including by retaliating with tariffs on US goods and, potentially, on US services.

One point of consensus in Europe so far is that full implementation of the EU's digital policies – such as its laws on digital competition and online safety – is not up for negotiation. The UK did make numerous concessions on digital policy, which helped London secure a trade deal with Washington – one of only four the US has been able to strike, despite Washington threatening tariffs against almost all its trading partners in an effort to up the ante and quickly secure more agreements.

However, there are three reasons why the EU should not water down its digital policies in the hope of a EU-US trade deal. First, the UK's concessions are less substantial than they might first appear. Second, the UK does not appear to have secured significant benefit from those 'concessions' – nor did Canada when it withdrew its digital services tax. Third, there is little evidence that making concessions would secure an enduring deal. Europe's digital policies require reforms and it would do no harm to present these to the US president as peace offerings. But policy-makers should pursue such reforms to stimulate Europe's own innovation and economic growth – not as compromises to mollify a fickle US president.

The most important factor holding back progress on a EU-US trade deal is that US demands on Europe are unclear. Those that are clear – such as to eliminate the bilateral trade deficit and secure "complete, open market access" to Europe – are largely unrealistic. However, one priority is unambiguous: the president opposes many of the bloc's digital regulations. Trump's relationship with the tech companies appears fractured at best: while their CEOs have lined up to support the president, many close to Trump, including his appointees to the Department of Justice and the Federal Trade Commission, are highly critical of the biggest tech firms. However, that has not stopped Trump treating them as US champions to be protected when it comes to foreign regulation. Trump's biggest tech-related demands appear to be that Europe ditches digital services taxes, gets rid of the bloc's pro-competition Digital Markets Act (DMA), and waters down the Digital Services Act (DSA) and Artificial Intelligence Act (AIA), both of which focus on safety and transparency of tech services.

To secure its deal with the US, London appears to have made concessions on many of these points. For example, the UK has widely publicised its decisions not to follow the EU approaches on digital competition, online safety or AI regulation, trumpeting instead its more 'innovation-friendly' approach.

Take AI. London joined the US in not signing up to the declaration – endorsed by 66 other countries – which concluded February's AI summit in Paris. The UK also quashed plans to introduce a new AI bill, which would have required companies to hand over their large AI models to the UK AI Safety Institute for testing. The proposal had led to uproar from mostly US-based AI developers. The government renamed its AI Safety Institute as the AI Security Institute in February, aligning with the US position which sees AI-specific consumer protection regulation as anti-innovation but is concerned about protecting the US from AI-related national security threats.

The other area where the UK has managed to avoid some US ire is digital competition. The EU has already fined two US tech firms – Meta and Apple – for breaching its Digital Markets Act, which contains a set of fixed 'do's and don'ts' for large tech firms. The equivalent UK law delegates power to the Competition and Markets Authority (CMA) to decide where and how to intervene in digital markets. The CMA currently appears to have taken a slow and steady approach, so far only targeting Google's market power. The CMA also proposes relatively mild remedies compared to US and EU antitrust authorities, which are both seeking to break up the company.

However, the EU would be wrong to conclude from the UK's experience – and in particular the trade deal it reached with the US on May 8th – that there is much benefit in making its own substantial concessions on digital regulation.

First, the UK's concessions are not as substantive as they appear. In many cases, London has done an impressive job dressing up independent policy decisions as concessions to the US, and in other cases it has used canny timing to avoid unnecessarily antagonising Washington:

- The decisions to rename the AI Safety Institute and not endorse the Paris AI summit conclusions look rather superficial. The government has recently indicated that it will introduce 'comprehensive' AI legislation – suggesting the delay in presenting a draft AI law was only temporary, and that the government's position on substance is unchanged.

- The UK managed to position its Online Safety Act as a tool to tackle paedophiles, terrorists and criminals – dampening criticism about its impact on freedom of speech, even though in many ways the law is more onerous than the EU's equivalent, the DSA.

- The UK refused to rescind its digital services tax. Trump advisors insisted the topic was a "very big deal" and had tried to pressure the UK to remove it. Canada recently withdrew its own version of the tax – which Trump had called "a direct and blatant attack" on the US – in order to restart Canada-US trade talks (but Trump threatened higher tariffs on Canada anyway).

- Even the UK's modest and targeted approach to online competition seems to be driven by factors other than the US president. The UK had mooted a more targeted strategy since at least 2019. The decision to be modest seems to have been strengthened by reactions to the CMA's attempt to block the Microsoft/Activision merger in 2023, which led to a widespread view that the UK was punching above its weight in trying to block a global deal that was on track for approval in the US, EU and other major jurisdictions. This – rather than Trump's election – appears to have contributed to pressure on the CMA not to act too aggressively.

Second, it is not clear the UK secured much benefit from these 'concessions'. So far, the US has only struck 'deals' with China, the UK, Vietnam and Indonesia. There has been plenty of speculation that the UK has lost out by being too quick to strike a deal. For one thing, the UK will have to live with the 10 per cent across-the-board tariffs – a surprising outcome given that the UK already runs a trade deficit with the US and is in no way a serious industrial competitor to the US, rendering the two cited objectives of US tariffs irrelevant. For another, the 'deal' is only an agreement in principle and negotiators appear to be struggling to agree on the details. Without a substantive agreement, the concessions given to the UK for aerospace, autos and steel may not last. Finally, it is not clear at all that the UK's digital policy 'concessions' played any significant role in the final deal – which focuses primarily on trade in goods. The agreement in principle only tentatively refers to an intention to "advance toward an agreement" on services regulation and digital trade.

Third, there is little evidence that making substantial concessions would be either necessary to clinch a deal – or would necessarily help much. The EU will not compromise much: there is very little appetite to undermine the EU's recently landmark digital laws like the DMA and the DSA. But the EU has a range of superficial concessions it can offer:

- One is the proposal to establish an EU-US 'dialogue' on how the EU would enforce the DMA. While this would be an opportunity for the US to voice concerns, and might in fact be a useful replacement for the Biden-era US-EU Trade and Technology Council, the Commission would still have to enforce the DMA impartially.

- The EU could also present the dropped proposal for an EU-wide digital services tax as a concession. There were many home-grown hurdles to this proposal anyway: taxation is not an EU competence and harmonising the various national digital services taxes that currently exist in Europe would have proven extremely difficult – but the bloc could still dress up killing it as a win for Trump.

- Finally, the EU can present the recently-unveiled AI Act Code of Practice as an example of another 'win' for the mostly-US based AI developer community – since the Code walks back some onerous rules proposed in previous drafts. Even if many of these changes were driven not by a desire to help the US but by the Commission's desire to ensure European AI firms were not stifled by paperwork.

While presenting these as concessions would cost little, there are not many reasons for the EU to make more serious concessions on digital policy. The Trump administration is notoriously unpredictable and not necessarily consistent. Trump's willingness to overlook certain UK tech policies or be content with superficial changes suggests that tech is not especially high on his list of priorities. The European Commission has already fined Apple and Meta €500m and €200m respectively for failing to comply with the DMA, for example, which does not appear to have captured the US president's attention.

The EU is likely to end up with a trade deal that results in higher baseline tariffs than the US intends to eventually impose on UK exports, and possibly fewer concessions in sectors like steel and autos where Trump is imposing higher tariffs. But the reasons will be largely outside the digital space. Brussels should not be fooled into thinking that technology policy will move the needle much. Rather, any deal the US and EU will agree will reflect different factors: the UK has a goods trade deficit with the US, while the EU has a trade surplus; the UK's manufacturing capacity means it poses little real competition to Trump's hopes for reindustrialising the US; and Trump's positive impressions of the UK contrast with his baseless view that the EU was set up to 'screw' the US. Given these factors, the EU might be better off taking the French president's advice of getting tough like China, rather than making anticipatory compromises like the UK and Canada.

The EU is currently reconsidering its technology policies. In part, this is driven by Mario Draghi's diagnosis that the EU needs to boost its flailing productivity growth by making better use of technology. There is growing worry in Europe that laws like the bloc's General Data Protection Regulation (GDPR) have imposed significant costs on European firms and hindered digitisation and therefore productivity growth. In part, it is driven by a desire to develop the EU's own 'sovereign' technologies – whereas the UK is doubling down on the use of US tech firms for public service cloud computing contracts.

Rather than cater to a fickle and capricious US president, the EU's policy reforms should be driven by a desire to improve its own business environment and promote local innovation. A small dose of Trump's deregulatory approach, focused on reducing business burdens, might be good medicine. But laws like the DMA, while imperfect, could boost the EU digital sector by improving opportunities for both European and US innovators, and by imposing more competitive pressure on the largest US tech firms. The EU has much to lose by deliberately under-enforcing the law and making its policy environment less predictable and more overtly politicised.

Moreover, the EU should not make the mistake of thinking these changes would help it secure a better, or an enduring, deal with the US. All that Washington is likely to be willing to offer is an opportunistic narrow deal in a few sectors, and the longevity of any agreement with the US president is questionable. Nobody knows whether Trump will ever actually implement his tariff threats, or how long any deal will last. That makes concessions that would erode Europe's attempt to maintain a predictable policy environment and a more competitive digital economy ill-advised.

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