

2023 Young Leaders Conference: **Key Issues in Transatlantic Relations**

“Transatlantic Cooperation on AI: Balancing Innovation and Regulation for Business, Security, and Civil Society”

A mutually beneficial Transatlantic Partnership on AI *Proposal for a Transatlantic AI Moonshot Sandbox*

The United States (US) and the European Union (EU) are at different points along their journey towards advancing AI¹ innovation and adoption. Their institutions have different approaches towards regulation and funding, and the public perception of the potential and dangers greatly differ. Despite these differences, the US and the EU have a strategic imperative to create and execute a joint vision based on shared democratic values that achieves a proper balance between regulation and innovation. The current geopolitical moment demands transatlantic partnership that spans government, academia, and the private sector. To this end, we propose a Transatlantic AI Moonshot Sandbox.

Transatlantic AI Moonshot Sandbox

Sandboxes provide a "safe space" for businesses to test innovative products, services, business models, and delivery mechanisms without immediately incurring all the normal regulatory consequence². The proposed Transatlantic AI Moonshot Sandbox is a financial, regulatory, and operational infrastructure fostering accelerated, high-impact AI innovation. The Sandbox is a collaboration between governments, academic institutions, and private companies, all financed through a public-private partnership. The intended result is a collection of moonshot AI innovations funded, developed, and operated by transatlantic teams for a mutually beneficial AI future. The following paper will outline how such a sandbox might be regulated, operationalized, and financed.

Regulatory

The current transatlantic data privacy framework is based on an executive order by President Biden, slated to be reviewed by the European Court of Justice. EU data governance, data protection, content, and planned AI policies (will) govern the innovation ecosystem within the EU, while innovation born and operationalized in the US can take place in regulatory vacuum. To even the playing field and practice a regulatory environment designed for innovation, Transatlantic AI Moonshot Sandbox/Fund members can apply for case-by-case regulatory carveouts necessary to improve regulatory conditions for their

¹ The OECD defines an Artificial Intelligence (AI) System as a machine-based system that can, for a given set of human defined objectives, make predictions, recommendations, or decisions influencing real or virtual environments (<https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0449>)

² Cf. <https://www.fca.org.uk/firms/innovation/regulatory-sandbox>

technology. FAIR principles for data flow, will guide any AI Moonshot Sandbox regulatory carve-outs. The potential impact of carveout conditions practiced in the Sandbox will be monitored closely by US and EU agencies. Results of the AI Moonshot Sandbox will be shared with the Trade and Technology Council (TTC) and can contribute to an iterated transatlantic regulatory framework for AI.

Operational

To ensure the proper governance of an AI sandbox, it is necessary to establish oversight and guardrails similar to those employed in the sandbox conducted by the Financial Conduct Authority (FCA) in the United Kingdom in 2016 BK³ and the German Federal Ministry of Economic Affairs and Climate Action's handbook⁴. To effectively operate the sandbox, clear eligibility criteria must be defined, and a well-defined application process must be established. Applications should be reviewed by key stakeholders from academia, policy-makers, and participating companies. Additionally, clear testing parameters and consumer safeguards must be established, and guidance and support should be provided to companies applying to be part of the sandbox. Other potential impacts on the success of implementation include the resilience and scalability of the transatlantic supply chain through the US and EU CHIPS Acts and the future state of immigration laws fostering visas promoting the expansion of tech talent.

Funding

On both sides of the Atlantic, there is a growing gap in funding AI-driven innovation. The US government's investment is microscopic compared to that of other countries, namely China⁵. In the EU, there is a noted annual €10 billion investment gap⁶. Addressing this gap requires a long-term and 'deep' commitment of *all* key stakeholders in a single funding body that transcends both borders and stages of company development (the "AI Moonshot Fund"), which serves as the €100 billion financial layer of the Sandbox. The key to realizing the AI Moonshot Fund lies in leveraging a balanced anchor investment from the relevant US and EU public funds (e.g.: European Investment Fund), which will serve as the catalyst to drive investment from private stakeholders (e.g.: financial institutions, pension funds, family offices, and corporates). All parties are driven by financial return on investment. Participating private stakeholders have early access to innovation to drive further growth.

³ Cf. <https://www.archives.gov/founding-docs/declaration-transcript>

⁴ Ibid.

⁵ Cf. <https://techcrunch.com/2023/05/14/u-s-tech-policy-must-keep-pace-with-ai-innovation/>

⁶ Cf. <https://www.eib.org/en/press/all/2021-181-new-eib-report-eur10-billion-investment-gap-in-artificial-intelligence-and-blockchain-technologies-is-holding-back-the-european-union>