Proposals for the implementation of the EU's industrial strategy

Executive summary

The European Commission published in May 2021 an updated EU's industrial strategy that focusses on lessons learnt from the pandemic and thereby complements the strategy published a year earlier. The strategy highlights the need to remove the barriers to a digital single market, to strengthen EU's open strategic autonomy and to speed up the green and digital transitions to foster recovery and sustainable growth.

Industries and businesses play a key role when Europe is striving to become climate-neutral by 2050 and a trailblazer in the implementation of the twin transitions. Therefore, in the implementation of the EU's industrial strategy the priority needs to be given to measures that will foster industry's renewal and competitiveness and make Europe more attractive for investments and today's and future talent. Every action and all funds must be targeted at the renewal of Europe.

To succeed, the implementation of the EU's industrial strategy needs to maximize synergies between relevant policy measures e.g., the ones for research and innovation, internal market, climate, energy, competition, trade, and employment.

The industrial strategy needs to serve as the foundation of the recovery and to build on Europe's key assets, self-confidently developing our global competitiveness instead of an inward-looking, defensive or protectionist approach. The Commission has during its industry policy revision developed a tool to assess the European value chains and technological dependencies. The analysis of the results should be used to identify the focal areas when striving for a sound and resilient strategic autonomy in the global economy.

Technology Industries of Finland (TIF) propose the following focal points for the implementation of the EU's industrial strategy: efficiency and smooth-functioning of the digital single market, investments in R&I, fast uptake of green and digital technologies and scaling up of market-driven breakthroughs, measures to pursue the EU's interests effectively globally.

In Finland, the national industry-led work for low-carbon roadmaps is an excellent example of coordinated public-private partnership, which strengthens common understanding of the current stage, the target stage, and suggest the needed actions without specifying technologies in advance. TIF and technology industry companies are actively involved also in strengthening cross-border and European research and innovation and business development collaboration in strategic areas that are essential to achieve the climate targets and foster sustainable and smart growth.

TIF's key proposals for the implementation of the EU's industrial strategy are the following:

1. The EU and the Member States need to step up public and private investments in the green and digital transitions and to ensure that the target of 3,0 % of GDP for the R&D intensity will be reached by 2025.
2. A strong focus on strategic value networks and transversal technologies that cut across many of the identified ecosystems is needed. The critical role of advanced manufacturing technologies should be fully reflected to that end in the implementation of the industrial strategy. Advanced manufacturing needs to be given a high priority also in the implementation of Horizon Europe and Digital Europe programs including the HEU partnerships and European digital innovation hubs.

3. Technology infrastructures are the backbone for dynamic RDI ecosystems. It is important that the Industrial Forum and the European technology industry at large are actively engaged in the implementation of the European technology infrastructure strategy now included in the new ERA strategy.
4. The Industrial Forum needs to work out a governance model, key principles, and a transparent and agile mechanism for identifying, amending, and phasing out policy and financial support measures for European industrial ecosystems and value networks.
5. The transformation to climate neutrality and sustainable circular economy calls for fundamental changes to all sectors and players in our society. The EU and the Member States must ensure long-term and systematic policy measures and significant investments in low carbon technologies and their uptake in private and public sectors.
6. The further development of the Fit for 55 package must establish a strong basis for emissions reductions, ensure European technological leadership in green transition, and support industries' low carbon investments. There are several specific aspects that need to be further addressed.
7. The EU must rapidly create a digital, sustainable, open, and efficient internal market, respecting European values and enabling free flow of data. It will form the basis for European digital businesses to scale up and grow their muscles, making them fit for global competition.
8. Europe needs to develop both hard digital infrastructure – fibre networks and next generation cellular networks – and soft digital infrastructure consisting of standards, data networks, standard contractual clauses and rulebooks and APIs to facilitate functioning multi-player data economy.
9. Europe must be the winner in the global competition for talent, and this requires concerted action from the EU and the Member States. Our ageing continent will need new professionals, and roughly hundred million employees will need upskilling or re-skilling in very near future.
10. European tax system must be fair and compatible with the rest of the world and must not hamper the competitiveness of European companies or countries.
11. Revision of the energy taxation directive should be well designed to prevent overlapping with Emission Trading System. Changes to energy taxation must not lead to double taxation.
12. A sustainable finance regulation and taxonomy need to be prepared transparently and in a manner that is technology neutral, consulting and interacting with industry and other stakeholders.
13. The Carbon Border Adjustment Mechanism should consider existing support systems designed to help heavy industry bridge the green transition. Having said this, we also propose that the CBAM (or equivalent) should be carefully tested and developed with a small number of CL-products at least for 2-3 years before implementing a full-blown system.
14. Europe is the second biggest economy in the world. The EU must use its economic power boldly to ensure fair competition and level playing field in all global markets.
15. EU's trade and foreign policies should be designed to convince its trading partners to share the EU climate, biodiversity, and circular economy targets. Make partnerships with African countries a strategic goal for the EU.

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1 Putting innovation at the heart of the EU

1.1 Step up investments in the green and digital transitions

Increased public and private investments in research and innovation are necessary to seize global technological leadership and for the EU's ambition to become a trailblazer in the implementation of the twin transitions. The EU's and Member States' ambition must be to at least align its investments in RDI with that of its main competitors. There needs to be rigorous monitoring of the progress in the R&D intensity ensuring that the target of 3,0 % of the GDP will be reached latest by 2025.

The transformation to climate neutrality and sustainable circular economy calls for fundamental changes to all sectors and players in our society. The EU and the Member States must ensure long-term and systematic policy measures and significant investments in low carbon technologies and their uptake in private and public sectors. Furthermore, we need to effectively capitalize our strengths in intertwining the green and digital transitions and related enabling technologies.

It is applaudable that the EU has agreed to target at least 30 % of the EU budget 2021-27 and 37 % of the Next Generation EU (NGEU) funding at the implementation of the European Green Deal Program.

The COVID-19 pandemic has highlighted the importance of digitisation across all areas of the economy and society. New technologies have helped businesses and public services to keep functioning and have made sure that international trade could continue. It is expected that the pandemic has triggered permanent social and economic changes: more remote working, e-learning, e-commerce, e-government. It has, therefore, become imperative for businesses and governments to increase their investments in digitalisation and data economy. At least 20 % of the NGEU funding should be used for catalyzing and speeding up the digital transition of industries. Furthermore, by 2025 at least 10 % of research and innovation spending in the EU should be targeted at ICT technologies and digitalisation as compared to the current percentage of 6,8 %.

To maximise the impact of the NGEU funds they should be used primarily to stimulate green and ICT investments, industrial renewal and competitiveness, and to encourage cross-border and European cooperation between companies and other entities. EU-wide open calls for public funding and fair public procurement procedures will allow European companies to offer the best solutions for combating climate change and speeding up the data economy. Open competition improves Europe's competitiveness.

30 % of the recovery and resilience funding should be targeted based on the progress made in the implementation of investment and reform plans in the first phase.

1.2 Promote competitive European value creation networks

European technology industries have great opportunities to create low carbon and smart solutions that can also be exported and contribute to the global green transition. The global competition is, however, fierce and the transition also involves risk-taking. For this reason, it is important that the European innovation ecosystem becomes more agile, allowing and encouraging multisectoral and multidisciplinary collaboration and self-learning. Technology industry companies are increasingly looking for new collaboration platforms and innovation ecosystems where global firms, SMEs, start-ups, NGOs, and research institutes can jointly work on research, development, and innovation challenges. Such collaboration is also an effective way to improve the resilience.

A focus on key transversal technologies, such as advanced manufacturing technologies, cybersecurity, AI, would speed up the industrial renewal and unlock value across different industry verticals. The transversal aspects of the twin transitions need be included also in the blueprint for the industrial transition pathways of the 14 ecosystems. TIF therefore welcomes the EC's decision to set up five Task Forces for the Industrial Forum including the one for advanced manufacturing. Effective tools and KPIs for monitoring and assessing the progress, outcome, and impact of the implementation of the industrial strategy should be established.

European strategic value networks in connectivity and microelectronics, hydrogen, low carbon industries, critical raw materials and data capabilities are expected to provide industry with new market opportunities and means to address the challenges caused by the twin transitions. The Finnish industry too is investing in European collaboration in these areas.

The instrument of Important Projects of Common European Interest (IPCEIs) gave a cooperation framework to Member States to invest in EU industrial priorities. The IPCEIs should bridge the gap between RDI and economically viable production. IPCEIs need to be used, however, only when market forces are not sufficient and an exemption from state aid rules is justified. The IPCEIs need to drive investments into innovative areas.

The Industrial Forum needs to work out a governance model, key principles, and a transparent and agile mechanism for identifying, amending, and phasing out policy and financial support measures for European industrial ecosystems and value networks. The framework needs to be flexible enough to enable European ecosystems and strategic value networks to emerge from bottom up.

Significant increase in investments in low carbon technologies and their uptake in private and public sectors are needed by the industries, the EU, and the Member States. The first calls for EU Innovation Fund large- and small-scale projects in 2020 turned out to be immensely popular demonstrating the commitment of industries and businesses to the climate targets and the twin transitions. To catalyze the expected economic recovery the increased EU revenues linked to the potential extension of and changes in the EU Emissions Trading System should be used to significantly increase the resources available for Innovation Fund until 2030.

Europe also needs investments to build, strengthen and make technology infrastructure available for testing and demonstrations. Schemes that require joint investments by businesses and public sector stakeholders are to be preferred, in that they provide better indication of where investments are really needed and give more certainty on the effective utilisation of the facilities. As technology infrastructures are the backbone for dynamic RDI ecosystems, it is important that the Industrial Forum and the European technology industry at large are actively engaged in the implementation of the European technology infrastructure strategy now included in the new ERA strategy.

1.3 Industrial strategy and SME policy must go hand in hand

Improving the competitiveness of European SMEs is important as they create 85 per cent of the new jobs and 3/5 of the value-added in the EU. Competitive SMEs are also needed to diversify production and supply chains in Europe and reduce possible critical and strategic dependencies.

To support scaling up research and new inventions into successful, exponentially growing business, the public and private venture capital funds need to be pooled together more effectively. The different EU instruments should support the different phases of the innovation process of businesses and industrial value networks.

The internal market barriers faced by SMEs, one-stop shops for business services, access to testing and demonstration environments and need-based services for development of skills and capabilities need a clear focus in the implementation of the updated industrial strategy.

Digital Innovation hubs have the potential to create new operating models and services that facilitate the development of the digital business operations and productivity of SMEs. TIF and the other Finnish stakeholders have prioritized three areas for European Digital Innovation Hubs – advanced manufacturing, health, and private sector services.

To make the EU the true home market to businesses of all sizes the Member States need to ensure that companies and investors can digitally and easily take care of the information requests, permits and other obligations related to new business operations in other Member States and that no data will be asked twice by the different sectors of the Government.

Key messages and action points:

- The EU and Member States need to step up public and private investments in the green and digital transitions and to ensure that the target of 3,0 % of GDP for the R&D intensity will be reached by 2025.
- A strong focus on strategic value networks and transversal technologies that would cut across many of the identified ecosystems is needed. The critical role of advanced manufacturing technologies should be fully reflected to that end in the implementation of the EU's industrial strategy and in the work of the Industrial Forum. Advanced manufacturing needs to be given a high priority also in the implementation of Horizon Europe and Digital Europe programs including the HEU partnerships and European digital innovation hubs.
- The increased EU revenues linked to the potential extension of and changes in the EU Emissions Trading System should be used to significantly increase the resources available for Innovation Fund until 2030.
- The Industrial Forum needs to work out a governance model, key principles, and a transparent and agile mechanism for identifying, amending, and phasing out policy and financial support measures for European industrial ecosystems and value networks.
- The internal market barriers faced by SMEs, one-stop shops for business services, access to testing and demonstration environments and need-based services for development of skills and capabilities need a clear focus in the implementation of the updated industrial strategy.
- We call upon policy makers to keep the EU RDI programs as open as possible and keep restrictions to the absolute minimum. EU RDI must remain an open and attractive platform and not a playing field for protectionism.

2 Reducing environmental footprint and increasing the handprint

The European Green Deal Program sets out a detailed vision to make Europe the first climate-neutral continent by 2050, safeguard biodiversity, establish a circular economy and eliminate pollution, while boosting the competitiveness of European industry and ensuring a just transition for the regions and workers affected.

The revisions and initiatives linked to Green Deal and its climate actions are presented under the Fit for 55 % package put forward by the Commission in July 2021. The Fit for 55 package is one of the most ambitious and largest groups of measures the EU has ever released in one go. It will completely revise the basis of EU climate and energy policies in attempt to bring them into line with the EU's political ambition. The EU's Climate Law approved by the Member States and the European Parliament earlier this year increases the EU's 2030 emissions reductions target from 40% to at least 55% as compared to 1990 levels. This has resulted in the need to revise the EU Emissions Trading System (ETS) and Effort Sharing Regulation, the need to consider a Carbon Border Adjustment Mechanism (CBAM), to revise the Energy Tax Directive, and to amend the Renewable Energy and Energy Efficiency Directives, among others.

Key messages and action points:

- We are satisfied with the comprehensive approach of the Commission towards carbon neutrality. However, there are several specific aspects that need to be further addressed. The further development of the Fit for 55 package must establish a strong basis for emission reductions, ensure European technological leadership in green transition, and support industries' low carbon investments.
- The proposed actions must be implemented in a way that enable affected European industries to carry out their transformation to carbon neutrality without endangering their economic competitiveness. Some proposed actions e.g., reduction of free ETS allocations, will markedly increase energy-intensive industries' ETS costs.
- Indirect costs incurred due to the electricity pricing mechanism create a risk of carbon leakage in energy-intensive sectors highly exposed to international competition. Indirect costs shall be therefore offset at benchmark level via harmonized rules in all Member States.
- Revision of the energy taxation directive should be well designed to prevent overlapping with ETS, which is the most important and the most effective market driven tool for reducing GHG emissions. Changes to energy taxation must not lead to double taxation.
- All heating fuels should be included in the ETS and no CO2-taxes should be collected in the heating sector. Energy taxes on heating fuels shall be set by Member States within the frames of Energy Taxation Directive. District heating and cooling are already within the ETS. The Commission should perform a comprehensive impact assessment on the extension of EU ETS to heating of buildings.
- There is a considerable potential of reducing CO2-emissions in the heating sector of buildings in certain EU countries at low cost. Investments in energy efficiency of buildings in these countries are needed. The Renovation Wave initiative should be endorsed and supported by EU funding.

- When designing taxation to hydrogen and power-to-x-fuels, it is important to avoid overlapping and cumulative tax burden. Hydrogen is not an energy source. It is an energy carrier just like electricity. Therefore, energy used for hydrogen production should be tax-free, just like in the case of electricity production.

- The exceptional conditions of Nordic winter sea transportation must be taken into account when considering the extension of the ETS to maritime transport.

- All sectors outside the ETS system must bear their share in reducing emissions.

- The Carbon Border Adjustment Mechanism should consider existing support systems designed to help heavy industry bridge the green transition. Having said this, we also propose that the CBAM (or equivalent) should be carefully tested and developed with a small number of CL-products at least for 2-3 years before implementing a full-blown system.

- New digital energy services to customers need to be fostered by private and public sector stakeholders by integrating and taking advantage of flexibilities in the energy consumption, energy storage potentials, small scale electricity production and modern building automation systems, and aggregated at large scale to support the electrification of energy consumption and the optimization of the overall energy system.

- There should be incentives to promote CCU in cases where bioenergy is used and there are industries that could use the captured CO2 as a feedstock.

3 Reaping the benefits of digital solutions and putting data into use

The most effective tools to reform European industries are digital. Many digitally advanced companies have succeeded at reaching their growth and sustainability targets even during the pandemic. Companies are taking accelerated steps towards secure digital environments.

Europe needs to develop structures for digital environment that help European companies to reap the benefits of digital solutions and put data into use to serve better efficiency and productivity, helping to effectuate green transition. Europe needs to develop both hard infrastructure – fibre networks and next generation cellular networks – and soft infrastructure consisting of standards, data networks, standard contractual clauses, rulebooks and APIs. The soft infrastructure needs to be business-driven and address true needs of companies including SMEs, and advance balanced rules and practices, helping to build environment that embodies European values.

Digitalisation in industries and in the public sector requires change of culture and long-term investments. The EU must avoid too detailed and rigid regulation, especially on the developing market of data, including the use of AI. Focus should be on establishing trustworthy, modular, and flexible foundations for the use of industrial data that are easy for companies to integrate to. Data sharing requires trust and knowledge of data. Trust exists in value or delivery networks of each company. There are various parallel and partly interconnected value networks in each sector. The EC should keep a keen eye on what the industry needs and step in to accelerate development in areas that are not addressed by the supply on the market. Data mappings are big projects especially for SMEs – data sharing does not happen overnight and as a rule, should not be forced.

It is highly advisable to build European Data Spaces based on industry-driven soft infrastructure (schemes, APIs, standards, and legal arrangements). Industry-developed models should be promoted, leveraged, and prepared for processing of mixed datasets that contain also personal data. Importance of trust between all parties is crucial and can be advanced by technological trust solutions. Infrastructure for data should promote European values: flexible and competitive multi-player market and avoid building of rigid one-size-fits-all data monoliths.

The biggest handicap of European 'data union' is the poor ability to scale up research and new inventions into successful exponentially growing business. Most of the European inventions are transformed into lucrative business in the US or China. The EC's Action Plan for Better Implementation and Enforcement of Single Market (03/2020) must be completed rigorously. The poorly functioning European digital home market paralyses European companies in global competition. We believe that to support the green and digital transitions, it is of utmost importance to remove the current challenges of the Digital Single Market and services sector.

Key messages and action points:

- European Structures for Data should be flexible and stem from companies' needs.
- Trustworthy identities, networks and standards help to build soft infrastructure that is true to European values.
- Nascent technologies such as AI that are needed to reboot European industries and facilitate twin transition, should not be subject to overtly strict regulation.
- Implement without delay the Action Plan for Better Implementation and Enforcement of Single Market and build up funding and other instruments to scale up digital business and services in Europe.

4 European tax system must be fair

European businesses must become climate neutral, digital, resource efficient and competitive, and the EU a well-functioning internal market. Taxation tools must be considered when pursuing these goals. The European Commission published in May 2021 the Communication on Business Taxation for the 1st Century (BT 21st Century) setting a long-term vision for an EU tax system. It delivers a positive message for the business about the aim to provide a fair, efficient and sustainable business tax framework supporting companies' recovery, investments, and growth. For example, the recommendation to Member States to allow loss carry back for businesses could boost recovery.

The EC suggests that revenues from several new EU taxes under discussion would be allocated directly to finance the EU recovery package and the EU's budget. The proposed new own resources are Digital Levy, Single Market Tax, Carbon Border Adjustment Mechanism CBAM, expanding the Emission Trading System ETS and Financial Transaction Tax. The new BEFIT proposal (Business in Europe: Framework for Income Taxation) replaces the old CCCTB proposal which was previously on the new own resources list.

Globally unique tax models are an extra layer of taxation rules to companies doing international business, causing more compliance costs to SMEs. It might also harm the EU's competitiveness by making the EU less appealing for companies to reside. For example, BEFIT, Digital Levy and Single Market Tax are such globally different tax models. The latter two might also be considered protectionist taxes and might trigger counter actions and trade wars. 131 countries of the OECD/G20 Inclusive Framework on BEPS (base erosion and profit shifting) have joined the OECD's two-pillar plan reforming international taxation rules. Pillar One of the Inclusive Framework re-allocates a share of rights to tax MNEs to market countries, regardless of whether the MNE has a physical presence there. Pillar Two introduces a global minimum corporate tax rate. Precondition for the global agreement is that all digital services taxes and similar will be removed. EU digital levy would jeopardize the global agreement and should be abandoned.

Taxation is considered a crucial part of Member States' sovereignty. Enabling the EU to have its own taxing right would in turn limit Member States' rights in their unilateral finance politics. The same effect would be triggered if the qualified majority voting system (QMV) would be used in decision making in taxation matters. The Member States are capable of making unanimous decisions also in taxation when the goal is important enough. Climate neutrality, digitalisation and a well-functioning internal market are such goals. QMV would significantly limit small Member States' possibilities to effect EU's taxation legislation.

Europe's climate neutrality and digitalisation targets require heavy investments. Tax incentives to RDI investments would support investments in green technologies and digitalisation. Tax incentive for RDI investments should be carved out of the BEFIT proposal and promoted as an individual directive, to ensure a swift passage. The best innovations towards carbon neutrality would increase export to outside of the EU (increasing tax revenues) and boost climate neutrality effects globally.

The Europe should be the home market for European companies. However, despite good intentions the internal market is not functioning well enough when it comes to taxation. Different tax reporting and compliance within the EU causes high compliance costs for companies and hinders EU trade, growth and competitiveness. Thus, we are pleased that the EC has in their BT 21st Century proposal highlighted this challenge. We suggest taxation to become simpler and more effective by using digital taxation tools, and by harmonising and digitalising the tax reporting and taxation processes.

Key messages and action points:

- An international (OECD) tax model should always be preferred and supported.
- EU digital levy would risk reaching the global agreement on the OECD two-pillar model and should be abandoned.
- EU taxation should be fair to all EU Member States.
- The EC must always make a reliable impact assessment to evaluate the new tax proposal's effects on growth, competitiveness, and trade relations of the EU.
- No qualified majority voting to taxation matters.
- The EU should not be granted its own taxing right. In case new own resources will however be implemented, the national tax administrations must be the authority collecting tax revenues and handling the taxation procedures. The EU should not add bureaucracy by establishing its own tax administration.

5 Global Level playing field for the European Industry

TIF welcome the Commission's concept of open strategic autonomy acknowledging the need for the EU to evaluate and further develop its trade policy and related capacities to build up resilience and to pursue and protect, without protectionism, its interests effectively.

Wellbeing in the EU relies on trade of goods – final, intermediary, and raw materials – as well as services. A prerequisite for a flourishing international trade is that all parties play by the same rules and respect the legal rights of the trading partners. It is therefore essential for the EU to be able to defend the rules-based and fair global trading system. In this respect, the new trade policy and the EU's industrial strategy should be mutually supportive and reinforcing. Europe with open and attractive business environment can best attract key investments. The EU can lead by example and promote its high economic, environmental, and labor standards globally, while also ensuring that foreign companies operating in the Single Market respect the EU's rules.

How trade and industrial policies are connected could not be better exemplified than in the European Commission's White Paper on levelling the playing field as regards foreign subsidies. Any action developed under the White Paper on foreign subsidies in EU public procurement procedures should be complementary to the efforts concentrated under the EU's International Procurement Instrument. Moreover, a careful balance should be found between the regulation on the acquisition of EU companies and the EU's Foreign Direct Investment screening regulation, making sure that concerns over predatory take-overs are tackled appropriately.

WTO definition of actionable and countervailable subsidies must be updated. The most important task is the joint EU-USA-Japan statement on industrial subsidies. Significant leverage needs to be built up by forming a broad alliance of like-minded economies pushing this critical topic as a top priority. Self-declared development country status is currently exempting an important group of emerging economies from existing WTO obligations and undermining negotiations of new rules.

The Commission should aim at simplifying the rules of origin in its Free Trade Agreements, taking the conditions of different sectors into account, however without compromising the purpose of the rules.

Access to raw materials is key in ensuring that the EU can remain competitive in important areas of the industry including high-end, low carbon manufacturing, ICT, and the necessary infrastructure to enable the spread of 5G-6G and AI. The EU's raw materials initiative, the European innovation partnerships in raw materials and the European raw materials alliance all contribute to ensuring the sustainable supply of raw materials to the European economy whilst also increasing benefits for the whole society. It is important to make bilateral agreements on raw materials between the EU and a number of trading partners, as well as to include specific provisions on access to non-energy raw materials in the EU's FTAs.

We encourage the EU to implement environmental and regulatory standards into its free trade agreements. Europe's environmental and social leadership results in inherently higher production costs, which in the short term can disadvantage EU businesses versus cheaper, non-sustainable production outside the EU. Hence the EU's initiatives and efforts to stimulate and enshrine the market for sustainable products while keeping a level playing field, are important. We must also ensure that Europe's waste is only recycled by operators that meet our own environmental and quality standards.

The EU's Generalized System of Preferences (GSP) is currently undergoing a modernization process. TIF support the objective of the GSP to offer easier access to the EU market and at the same time promote sustainable economic, social and environmental progress in developing countries. EU should promote its high standards of sustainability worldwide and help developing countries to alleviate poverty and create jobs based on international values and principles, including human rights, labor rights and diversity.

European Industrial AI will increasingly be exported to third countries. A trustworthy AI should be promoted by all players. To facilitate this development, TIF underline the need to develop international technical standards to harmonize the technical requirements of AI.

The creation of carbon border adjustment mechanism (CBAM) should reinforce, not replace the existing measures helping European industries to remain globally competitive during the transformation into carbon neutrality. As it is very difficult to measure the carbon footprint of complex products the measure should be first carefully tested with the sectors mostly exposed to carbon leakage and with measurable CO2-emissions. Equally the possible carbon leakage knock-on effects on sectors further down the production chain should be assessed. Therefore, we recommend the Commission to propose CBAM as a supplement to other carbon leakage measures like ETS carbon leakage measures, Contracts for Difference, and consumption charges.

Key messages and action points:

- Formulate a new Trade policy to support and reinforce the EU's industrial strategy and transformation.
- Complement the EU International Procurement Instrument with the EU foreign subsidies policy and work actively to redefine WTO definition of actionable and countervailable subsidies.
- Coordinate between trade and industrial policies in access to raw materials.
- Simplify the rules of origin in EU FTAs without compromising the purpose.
- Reach a new agreement on transatlantic data flows, an agreement on a collective trade and investment agenda, and work more closely on regulatory frameworks.
- Offer through GSP an easier access to the EU market and promote sustainable economic, social, and environmental progress in developing countries.
- Develop international standards for the technical requirements of AI.
- Strengthen the existing carbon leakage measures by developing CBAM and other measures, to facilitate the green transition.