

Economic Security through Technological Competitiveness

In turbulent times, the European business environment needs to focus on safeguarding its critical know-how. Technology Industries of Finland (TIF) advocates for a market-driven approach to de-risk industrial value chains. Excessive governmental intervention should be minimized, focusing instead on fostering conditions conducive to technological leadership and long-term global competitiveness. When taking cautious measures in foreign direct investments, outbound investments or export control, the EU must provide compensating measures and make sure that critical technologies may grow in additive ways.

TIF's key messages are:

Promoting Economic Security

- Boost EU RDI funding, especially in critical technological areas, to ensure economic competitiveness and resilience.
- Do not divert resources away from competitive sectors of European industry.
- Bolster digital transformation by investing in critical technological infrastructure.

Protecting Economic Security

- Implement balanced protective trade and investment measures to shield against economic vulnerabilities and security threats after careful joint assessments with industry.

Partnering for Economic Security

- Forge strategic global partnerships and actively pursue new free trade agreements.
- Lead in setting international norms and standards that favor innovation, fair competition and European values.

1 Promoting economic security

Research and innovation create a more secure Europe

EU funding for RDI and security must be horizontal in its approach and follow the criteria of excellence and expected impact. Throughout the business environment, the EU needs to make funding more attractive for cross-border partnerships.

We should increase industry-driven projects in Framework Programme 10. Programmes such as the Digital Europe Programme (DEP) should be developed into more strategic direction. On the other hand, underperforming funding schemes need to be deprioritized. The Commission should analyse their performance and introduce adjustments. On critical technologies, vertical approach on funding can be used, also covering manufacturing phase but always under criteria of excellence and impact, to secure European excellence and competitiveness.

Market-driven de-risking of supply chains

Besides the Single Market, the EU must enable European companies to establish strategic roles in global value chains to minimize Europe's vulnerability to economic coercion. However, EU industrial policy should not disrupt market and industrial network operations. For example, the Net-Zero Industry Act risks diverting resources (financing, skilled labour, energy) away from competitive sectors of European industry, without improving supply chain resiliency. Excessive state interventions, especially those that misallocate crucial assets, should be avoided.

Investments in leading-edge technologies and critical digital infrastructure

The EU should emphasize investments into groundbreaking foundational technologies. Areas that we would like focus are quantum computing and space technologies but also advanced communication networks are ripe for wide scaling, presenting an opportunity for the EU to lead these innovative fields. To remain frontrunners, EU companies need further funding, comparable to those of competing economies.

There's a pressing need to invest in the modernization and expansion of critical digital infrastructure. This includes enhancing mobile networks, submarine cables, and satellite technologies, which are essential for catering to the growing European demands and aiding in a seamless green and digital transition. The Arctic region's unique advantages – its cool climate, clean energy sources, and efficient resources – could greatly benefit data centers and the development of a robust technological infrastructure. One of Europe's HPC computers, Lumi in Kajaani, Finland, should be utilized to build strong company network around it. The Arctic region is also the powerhouse of wireless communications technologies such as 6G.

The development of EU-wide capabilities in generative AI and Large Language Models (LLMs), particularly for underrepresented language groups, is a strategic imperative. Such advancements are key not only to boosting the reliability and trustworthiness of AI systems but also to attracting a diverse, skilled workforce.

2 Protecting economic security

TIF recognizes the importance of well-targeted protective measures in safeguarding Europe's economic interests and security. However, we also advocate for a balanced implementation that carefully considers the potential impact on industry dynamics and international trade relations.

- In Foreign direct investment screening

TIF acknowledges the transparency and fairness but expresses caution over the proposed revision of the FDI Screening Regulation so soon after its implementation. The reassessment of this regulation without a thorough evaluation of its current effectiveness might affect the industry negatively, in access to finance and manufacturing equipment. It's crucial to maintain the EU's appeal to international investors.

- In Outbound investment screening

TIF is concerned about the administrative load it could place on technology companies, such as restricting their international diversification and investment, while we should build strategic resilience. Commission should consider the potential adverse effects on the European industry before implementing any OIS mechanism.

- In Export controls for dual-use products

Additionally, TIF is wary of revising the dual-use export control regime soon after its recent update. Such changes could increase regulatory burdens, create uncertainty, and disrupt value networks. We suggest that any future revisions or harmonization in national export control regimes be based on evidence and only after an extensive evaluation period of the current framework. Lastly, we emphasize the need to involve industry stakeholders in technology risk assessment consultations.

3 Partnering for economic security

TIF endorses measures that strengthen European economic security through enhanced international trade partnerships and robust tech diplomacy. European companies require flexibility to build resilient and sustainable networks, and the EU should resolutely pursue free trade policies with various global partners to reduce dependency and foster multilateral collaboration.

The fast conclusion of free trade agreements should be a priority. The scope should have a view on critical technologies. International partnerships on critical raw materials with key supplier countries like the US and Australia have become more important than before. More ambitious partnership with the global south is not happening fast enough. Global Gateway -program must be taken as a main tool to grow and bring SMEs along. Here, Europe should package the technological offer, such as digital communications technology, digital services, including smart sensing technologies, and funding to create an offer that would be competitive and build long-term partnerships.

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Technology Industries of Finland (TIF) represents Finnish technology industries and counts over 1,800 member companies, ranging from SMEs and start-ups to world leading MNEs. The technology industry is comprised of five subsectors: electronics and the electrotechnical industry, mechanical engineering, the metals industry, consulting engineering, and information technology. Technology industry is the most important export industry of Finland, with operations constituting over 50 % of all Finnish exports and accounting for 70 % of all private investments.