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OPEN STRATEGIC AUTONOMY

HOW TRADE POLICY CAN BEST SUPPORT EUROPEAN COMPETITIVENESS

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POSITION PAPER

KEY MESSAGES

1 Trade policy for decades has played a key role in **supporting the EU's competitiveness** and in influencing investment decisions in Europe. We should renew our commitment to trade policy to complement and underpin other important EU policies on climate, digital, innovation and industrial policy by achieving the following objectives: increasing resilience through diversification of imports; creating market opportunities for European companies; improving security and mitigating geopolitical risks; promoting more sustainable standards and ensuring a level playing field. In a similar vein, other EU policies should also consider their impact on trade. Action is also critical at global level and the EU should work with its trading partners to renew a shared commitment to rules-based trade order to effectively address the challenges we face today.

2 There cannot be strategic autonomy without openness. The EU should continue to pursue a positive trade agenda that aims at increasing market access in third countries. The EU trade agreements with New Zealand, Chile, Mexico, and Mercosur **should enter into force during this institutional cycle**, while ongoing negotiations with Australia, India, and ASEAN countries must accelerate and possibly be concluded. Greater focus should be placed to ensure effective implementation of agreements already in force, including a better take-up and use of these agreements by businesses. Existing trade agreements should remain effective and stand the test of time through continuous work to meet the challenges of decarbonising and digitalising the economy and to ensure trade barriers do not arise in the future. The EU should urgently work to reduce the costs of doing business with the US and ensure a balanced relationship with China that takes into account the increasing risks while remaining engaged.

3 The EU should assess the impact on competitiveness before introducing **additional export restrictions** on certain goods and critical technologies. Export restrictions should be adopted on a case-by-case basis. **Coordination** across member states and key international allies should be ensured, as well as **consultation** with the private sector, to avoid fragmentation and ensure legal certainty for companies. The EU must define ways to increase European and international coordination and exchange of information on **export controls** in order to avoid not only market fragmentation, but also trade diversion and potential competitive advantages for those countries adopting less stringent measures. The legal framework for screening of Foreign Direct Investment can be a good benchmark in this regard.

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4 In view of the current geopolitical context, the EU should join or promote **informal alliances** open for other countries that are equally committed and share the objectives, on issues where global rules development is not possible. The EU's informal alliances should be open to **developing countries**, where the focus on higher standards would go hand in hand with capacity building support and financial schemes that could facilitate countries to achieve the Sustainable Development Goals.

5 The EU should carry out an **assessment of the investment screening mechanisms** at EU and national level before considering adopting stricter conditions to screen inbound foreign direct investment. The instruments already in place should be given time to be thoroughly applied and tested before new control mechanisms are proposed, particularly to avoid further burdening EU businesses with additional reporting requirements. Furthermore, BusinessEurope does not support by principle introducing **limitations on outbound investment**. Only in exceptional cases where serious security concerns are effectively proven this could be a last resort measure. The private sector should be consulted to ensure that the measures adopted are effective whilst fully preserving the EU's global competitiveness.

6 The EU should continue promoting sustainability objectives by connecting market liberalisation to the fulfilment of certain sustainability criteria, or through the introduction of **"minimum sustainability standards**" based on measurable, transparent and well-established international conventions, to be fulfilled by trading partners during negotiations, such as the Paris Agreement and the fundamental ILO Conventions.

7 The EU should continue to fully support the multilateral rules-based system, while making use of the flexibilities provided for under WTO rules where appropriate and on a case-by-case basis. The EU should not exclude a priori **non-MFN plurilateral arrangements** in key areas, e.g., those related to sustainability or state subsidies, where results are not achievable within the WTO framework and companies competing globally cannot count on a level playing field.

8 The EU should support Europe's innovation-driven economy by a) promoting **effective protection of intellectual property** both bilaterally and multilaterally and b) adopting **ambitious digital trade policies** that promote the legitimate and secure movement of data across borders as well as address digital protectionism, including through bilateral agreements. In addition, the moratorium on customs duties on electronic transmissions should be made permanent at the WTO ministerial planned to take place in 2024.

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Open Strategic Autonomy - How trade policy can best support European competitiveness

A) The context - why such a strong focus on European competitiveness now

Ever since the adoption of the U.S. Inflation Reduction Act (IRA) there have been intense discussions regarding its impact on the European economy and to what extent it would pull investments away from Europe and threaten the **long-term competitiveness** of its green and low-carbon manufacturing industry as well as enabling sectors.

While BusinessEurope has been vocal in highlighting the factors challenging the competitiveness of companies in Europe (like high energy costs, an overly complex regulatory framework that leads to significant administrative burden, lengthy procedures to obtain permits, and difficulties to grasp and access available funding), this paper focuses on the trade related aspects of open strategic autonomy and **how trade policy can best support European competitiveness** and have an impact on investment decisions in Europe.

The successive crises starting with COVID-19 and more recently Russia's invasion of Ukraine changed the **global landscape impacting EU policies**. Certain issues have become very prominent in the political debate: supply chain fragility as a result of the Covid crisis; some input dependencies, which were exposed first by the pandemic and then by the war in Ukraine and further exacerbated by rising geopolitical tensions; stronger role and intervention of the state in the economy, as we have seen in China and more recently even in the United States with the adoption of the Inflation Reduction Act and the Bipartisan Infrastructure Law; expanding security concerns; increased unilateralism and protectionism putting in question multilateral rules and the WTO.

Furthermore, the **multilateral trading system remains at risk** despite some positive outcomes from the last WTO Ministerial Conference. Without a functioning dispute settlement system and a shared objective to agree on new avenues for further market liberalisation and horizontal rules (e.g., domestic regulation, investment facilitation, e-commerce), it is difficult to fight increasing unilateralism and protectionism, as well as ensuring a level playing field.

At the same time, the EU industry needs to undergo a fundamental transformation to digitalise and decarbonise to **achieve the ambitious goals of the Green Deal**. Companies are already taking significant steps as part of their business model and in response to customers' preferences. However, the EU legislation requires substantial investments while dealing with higher energy and regulatory costs than most of our competitors.

In view of this challenging competitive environment, the EU is taking several **initiatives**, many of them unilateral, to try **to level the playing field** in different areas: access to procurement (International Procurement Instrument), distortive subsidies (Instrument on Foreign Subsidies), coercive measures (Anti-coercion Instrument), climate and sustainability (CBAM, deforestation, forced labour ban). Although the underlying objective is positive, these initiatives have a significant impact on trade. Furthermore, when they are excessively burdensome, they have a negative impact on the competitiveness of businesses operating in the EU and the attractiveness of the EU as a place of investment. The EU should engage in a **constructive** dialogue with its partners to better explain those initiatives in order to facilitate compliance and prevent possible frictions.

In view of growing geopolitical risks, companies are assessing their exposure to certain markets, mitigating risks and reorganising supply chains. Security objectives are increasingly determining political decisions superseding economic interests.

A strong trade policy has been a major element of the EU's global economic and political influence and it should be reinforced given the current geopolitical environment.

Against this background, this paper looks at ways to ensure that the EU remains an open and competitive economy, while undergoing the transformation to net zero. It also explores how the EU can retain global leadership in an increasingly unstable world.

B) The role of trade policy in supporting European competitiveness in an increasingly unstable world

Trade policy can and should play a key role in supporting the EU's competitiveness, complementing and underpinning other EU policies (e.g., climate, digital, innovation, industrial) namely by achieving the following **objectives**:

1) **Increasing resilience through diversification of imports**: The diversification of import markets is paramount to source raw materials and inputs at reasonable costs, to make European supply chains more resilient as well as to reduce current dependencies and prevent new ones from arising in the future. Openness of the EU market is also critical to support economic development in third countries and to ensure that Europe retains its place as a major trade and investment partner for many countries and regions around the world.

2) **<u>Creating market opportunities for European companies</u>**: There cannot be strategic autonomy without openness. The diversification of export markets creates economies of scale and mitigates the risks associated with geopolitical tensions and fluctuations in consumers' demand. The EU must maintain its strong position as a reliable trade and investment partner and offer a credible alternative to other players that are gaining ground in many regions around the globe. This is also an opportunity for the EU to assert its leadership in services and technologies related to the green and digital transitions and to help others build more ambition in their decarbonisation goals. The EU should monitor and take action as appropriate on third markets openness and competition distortive measures created by (forced) localization provisions or subsidies, especially in sectors like semiconductors, AI, biotechnology, green energy and quantum computing.

3) **<u>Improving security and mitigating geopolitical risks</u>**: The current geopolitical context is creating many challenges that have an impact on international cooperation and multilateral institutions. The EU remains a strong supporter of multilateralism, respect of international rules and commitments. With the war in Ukraine and increasing tensions in other regions, the EU needs to keep a close dialogue and cooperation with third countries to ensure they remain committed to similar principles, including the support of multilateralism, respect of the rule of law, human rights, democracy. In this sense, EU trade policy can serve as an important tool to promote cooperation and geopolitical alignment of key partners, and third countries in a broad range of areas. Joint action and possible alignment of positions in key topics like how to respond to breaches of international law, how to reform rules-based trade and the WTO, and also how to respond to climate change, digital transformation challenges and global pandemics should be key topics for cooperation between the EU and third countries.

4) **<u>Promoting more sustainable standards</u>:** Trade can be a powerful tool to encourage the EU's partners to adopt higher sustainability standards by giving them more privileged access to our market, for instance through trade agreements or the Generalised System of Preferences (GSP). In view of increasing unilateral measures the EU is taking in this area, it is important to promote and strengthen a proactive dialogue with like-minded countries and trading partners. The EU should show openness, ranging from information exchange to concrete support that helps third countries adapt, including through reasonable transition periods. This will increase acceptance and compliance with the new EU legal frameworks that set more ambitious sustainability standards e.g., deforestation, sustainable food, due diligence in addition to climate-related instruments like Carbon Border Adjustment Mechanism (CBAM).

5) **<u>Ensuring a level playing field:</u>** through the fight against unfair trade practices, the promotion of rules and standards that foster a more sustainable economic model, and ensuring that partners respect their commitments - both

multilaterally, for instance in the World Trade Organisation, but also bilaterally through our trade agreements. It is also important to ensure the rules of the game are adjusted to today's trade challenges. **The development of new technologies, the expansion of e-commerce and digital tools**, the growing intervention of states in the economy, either through distortive subsidies or the extended use of national security exceptions, are also posing new challenges. These various factors constitute a compelling case for updating and revising existing trade rules.

C) Can trade policy do more to support European competitiveness? How can trade policy adapt to increasing geopolitical risks?

a) Promoting a positive trade agenda to increase market access

Bilateral trade agreements are a key instrument to diversify both imports and exports markets, ensure legal certainty, and create economic opportunity. They can also contribute to responding to sustainability concerns and to our trading partners being more ambitious when it comes to respecting human rights, fighting climate change and safeguarding labour standards.

EU trade agreements with New Zealand, Chile, Mexico, and Mercosur should **enter into force during this institutional cycle**. Ongoing negotiations with Australia, India and Indonesia if conditions are met, have to accelerate and hopefully be concluded. We welcome the relaunch of negotiations with Thailand and hope progress can be achieved with Malaysia and the Philippines.

In addition to broadening the spectrum of trading partners through the conclusion and ratification of new bilateral deals, there should be a greater focus on the **enforcement and implementation** of agreements currently in force including a better take-up and use of these agreements by businesses. In specific cases, i.e., in Japan and South Korea, market access issues and non-tariff trade barriers related to government procurement remain significant and should be addressed swiftly. Existing trade agreements should remain effective and stand the test of time through continuous work to ensure trade barriers do not arise in the future. They should also respond to the challenges of decarbonising and digitalising the economy. One clear example is given by the EU-Türkiye Customs Union modernisation process that should cover digital and green policies as well as include an effective and neutral dispute settlement – this would support Türkiye's alignment with the EU acquis.

The EU should urgently work to reduce the costs of doing business with the US by addressing non-tariff barriers, finding permanent solutions for long standing trade conflicts e.g. steel and aluminium, aircraft subsidies and making the Trade and Technology Council deliver concrete results on trade, for instance on conformity assessment, as well as technology. The EU should ensure a balanced relationship with China that takes into account the increasing risks while recognizing the need to engage and safeguard the economic and political interests of the EU.

- The trade agreements with New Zealand, Chile, Mexico, and Mercosur should **enter into force** during this institutional cycle, while ongoing negotiations with Australia, India, and ASEAN countries must accelerate and hopefully be concluded.
- Greater focus should be placed to ensure effective implementation of agreements already in force.

b) Adapting to increased geopolitical risks

The increasing geopolitical risks faced by Europe raise the question whether sanctions and export control regulations on trade in dual use items should continue to be the basis for export restrictions. Should the EU adopt additional tools aiming at reducing its exposure to countries that do not share the same goals of democracy, respect of rule of law or human rights? Introducing **additional export restrictions** on certain goods and critical technologies, **creating trade and investment alliances with like-minded partners** and **adopting limitations on outbound investment flows** are being discussed as possible tools to mitigate increased geopolitical risks. But before moving forward, they need to be carefully assessed to avoid a negative impact on Europe’s competitiveness.

Export restrictions

In principle, BusinessEurope does not support a general restrictive stance. The EU has traditionally been one of the strongest supporters of a rules-based global trade system and this stance should be maintained as the EU tries to revive the WTO. Further restrictions on exports of critical technologies and dual-use products need to be carefully thought out especially when done outside a multilateral context e.g. Wassenaar agreement. We should be careful avoiding the assimilation of the concept of national security to that of economic security.

Furthermore, at the EU level the new Export Control Regulation upgrades and strengthens the EU's export control toolbox by taking evolving security risks and emerging technologies into account. Current rules (Regulation 2021-821) include the updated EU control list of dual-use items.

However, the multilateral level is facing challenges (with countries like Russia blocking proposals on which the G7+ agree) and therefore we must find alternative solutions. One of the main challenges in this field stems from the fact that security is a **national competence**. It is reasonable to expect that national security concerns may arise that will take precedent over trade policy interests and that multilateral fora will not be able to cover today or in the future. Therefore, stronger coordination between EU member states and key trading partners, in particular in the G7, should be a priority.

The private sector should be **consulted** before such decisions are taken to ensure **legal certainty for companies,** effective and smooth implementation and least possible disruptions to trade, cooperation and economic operations. The war in Ukraine has shown how important it is that implementation is equal across all EU member states and that companies are regularly consulted throughout implementation. It is also paramount that the EU work **closely together with likeminded partners** so that rules are aligned as much as possible and companies do not have to abide by different schemes. Strong cooperation between private and public sector is also needed to prevent circumvention and promote better compliance.

Another point of discussion is whether and how we want the EU's approach to export controls to be closer to the US regime. That regime is not only intended to avoid the undue use of civil technologies for military purposes or the repression of the population, but also to avoid sharing key technologies with systemic rivals. We can expect that this will increasingly be a point of friction with the US in the future and it will require a united European stance. This is not going to be easy considering that national security remains a national competence. However, to ensure that European interests and competitiveness are preserved, **we must define ways to increase European coordination and exchange of information on export controls. The legal framework for screening of Foreign Direct Investment can be a good benchmark in this regard**. The recent trilateral agreement between the US, the Netherlands and Japan to stop some of the sales of advanced microchip-printing equipment to China is an example why. While we don't see the US route as a viable alternative for the EU, we acknowledge that the fact that the US now controls exports in technology in a completely different way than Europe creates dilemmas that need to be addressed. The EU-US Trade and Technology Council could serve as a **platform** for transatlantic partners to jointly identify risks, discuss where to impose controls and how to effectively prevent regulatory arbitrage.

- Export restrictions should be adopted on a case-by-case basis. **Coordination** across member states should be ensured, as well as **consultation** with the private sector, to avoid fragmentation and trade diversion - and ensure legal certainty for companies.
- The EU must define ways to increase European coordination and exchange of information on **export controls**. The legal framework for screening of Foreign Direct Investment can be a good benchmark in this regard.

Informal alliances

A question that has emerged in the public debate, linked to the notion of "friendshoring", is whether it would be preferable for the EU to trade and invest **only with countries that share the same principles** of democracy and rule of law. BusinessEurope is very critical towards this suggestion, as we do not see how the principles of democracy and rule of law could be defined in a global or generally agreeable way, making it impossible to base our trading relationships on criteria that are not clearly defined.

BusinessEurope supports the creation of informal alliances of countries that would align and coordinate disciplines on market access, rules, sustainability and would work in synergy to set up reliable and resilient supply chains, as long as such alliances remain open for other countries to join. The EU's trade and investment relations with third countries should be based on the Most Favoured Nation principle. We warn against the creation of exclusive clubs that would have a negative impact on both the EU and third countries, especially developing countries. Exclusive clubs would limit our options for trade, constrain companies' flexibility and ability to cope with disruptions, thereby reducing our open strategic autonomy; they would counter the achievement of economies of scale and by that they would thwart innovation; they would limit the EU's ability to set standards and create a level playing field; and they would lead developing countries to strengthen trade and investment relationships with other powers.

For the expansion of informal alliances to developing countries, the focus on higher standards will have to go hand in hand with capacity building support and financial schemes that facilitate countries to achieve the Sustainable Development Goals. Some of these mechanisms are already in place: the US, the EU and Japan, among others, have approved mechanisms with Indonesia and South Africa, so that they can gradually close coal power plants and replace them with renewable energies.

- The EU could join or promote **informal alliances** open for other countries to join, on issues where global rules development is not possible.
- The EU's informal alliances should be open to **developing countries**, where the focus on higher standards would go hand in hand with capacity building support and financial schemes that facilitate countries to achieve the Sustainable Development Goals.

Investment screening

Foreign direct investment (FDI) supports the EU's economy, employment and competitiveness overall and we therefore need to avoid creating new obstacles and ensure the EU remains an open and attractive destination to FDI. An **assessment** of the regulation and screening mechanisms on inwards investment at EU level and of the screening mechanisms currently in place at national level **must be carried out before a decision on possible stricter conditions** can be taken. In some member states, these instruments are being introduced only now, and their effectiveness has not deployed fully yet. Furthermore, part of the assessment should focus on whether national mechanisms function in a harmonised manner across the EU. Further coordination may be necessary to ensure a level playing field and avoid fragmentation of the single market.

In the same vein, the presence in foreign markets through affiliates is a necessary component of business operations for global companies, and investing in third markets should not be made more cumbersome or difficult. BusinessEurope does not support by principle introducing **limitations on outbound investment** unless such provisions form part of a sanctions or anti-coercion legal framework. Only in exceptional cases where serious security concerns are effectively proven this could be a last resort measure. The private sector should be consulted to ensure measures adopted are effective and impacting competitiveness as little as possible.

For similar reasons, we call on the EU to make the case for US and other countries to narrowly define their outbound screening systems and to limit the impact on European companies.

- ➢ The EU should carry out an **assessment of the screening mechanisms** at EU and national level before considering adopting stricter conditions to screen inward foreign direct investment.
- ➢ BusinessEurope does not support by principle introducing **limitations on outbound investment**. Only in exceptional cases where serious security concerns are effectively proven. The private sector should be consulted to ensure measures adopted are effective and impacting competitiveness as little as possible.

c) <u>Fostering sustainability standards</u>

Unilateral measures aiming at promoting higher sustainability standards in third countries give the EU leverage and promote a change on the ground, but they have limits, too. The EU's trade policy can and should support other EU policies' objectives and strengthen their impact, but it should not replace them (for instance, development policy, EU neighbourhood policy etc.), and it should not aim to replace multilateral agreements.

The Generalised System of Preferences (GSP) already provides products originating in certain developing countries with preferential access to the EU. The same logic could be introduced in future bilateral free trade agreements conditioning extra market access to countries fulfilling certain sustainability criteria.

Sustainability objectives can be promoted through **connecting market liberalisation** in trade agreements to the fulfilment of certain sustainability criteria, or through the introduction of "**minimum sustainability standards**" to be fulfilled by trading partners during negotiations, such as the Paris Agreement and the fundamental ILO Conventions, at a time when the EU has maximum leverage, in order for them to gain access to our market.

A positive aspect of the new Trade and Sustainable Development disciplines is the adoption of a tailored approach for each country, and the outline of roadmaps with clearly identified milestones. This approach could be reinforced further, conditioning more favourable trading conditions to continued efforts towards these milestones. Capacity building in and close dialogue with developing countries will also be crucial to facilitate implementation of TSD disciplines.

It is important for the EU to strive for reciprocity and a level playing field with its trading partners. However, we are against the introduction of **"mirror clauses**" requiring our trading partners to fulfil EU-equivalent sustainability criteria to have access to our market. The review of Trade and Sustainable Development (TSD) chapters is already making it very complicated to negotiate agreements with third countries, for example with India, Indonesia and Malaysia. Against this backdrop, it is important to keep an ongoing dialogue with those countries, reinforce efforts on capacity building and funding to improve sustainability standards. The EU must maintain a realistic approach. If it is unrealistic in its demands and expectations, developing countries will have no other alternative than strengthening ties with countries that have lower sustainability standards. This will worsen the situation on the ground on a global scale.

Furthermore, building on the experience of the WTO negotiations for an Environmental Goods Agreement, the EU approach will have to be based on measurable, transparent and well-established international standards (e.g. palm oil), avoiding reliance on a patchwork of overlapping or potentially conflicting standards that are not applied in practice.

- The EU should promote sustainability objectives through connecting market liberalisation in trade agreements to the fulfilment of certain sustainability criteria, or through the introduction of "**minimum sustainability standards**" based on measurable, transparent and well-established international conventions, to be fulfilled by trading partners during negotiations, such as the Paris Agreement and the fundamental ILO Conventions.

d) <u>The WTO and ensuring a level playing field</u>

The EU is a strong supporter of the multilateral trading system and the WTO, recognising that trade with our two largest trading partners China and the USA is still governed by WTO rules. We need to remain committed to the rules-based trading system and work to ensure a sustainable future for the WTO. However, countries all over the world are increasingly taking unilateral actions. **Subsidies** are on the rise and attempts to further develop multilateral rules regarding distortive subsidies have not been successful so far.

BusinessEurope warns against the temptation to introduce **local content requirements** as this will only lower the EU's manufacturing edge and undermine our climate ambitions. It is critical that Europe now stands by the core principles of free and fair rules-based trade. The risk of full collapse of the trading system will increase substantially should the EU choose to disregard the principles of most-favoured-nation and national treatment.

However, WTO disciplines provide for exceptions. For instance, GATT article XX on exceptions (protection of public morals; protection of human, animal or plant life or health; conservation of exhaustible natural resources if such measures are made effective in conjunction with restrictions on domestic production or consumption or essential to the acquisition or distribution of products in general or local short supply), GATTS article V on economic integration (that set the legal ground for the negotiation of a non-MFN agreement like the Plurilateral Service Agreement) or GATS article XXI on national security. The EU should continue to fully support the rules-based system, while making use of the **flexibilities** provided for under WTO rules where appropriate and on a case-by-case basis.

Furthermore, current multilateral rules are not up to speed with the most recent developments in international trade, and do not cover many relevant areas. This poses serious concerns for companies that are competing globally and cannot count on a level playing field. In light of this, where results are not achievable within the WTO framework (including through MFN plurilaterals) we should not exclude *a priori* non-MFN **plurilateral arrangements in key areas**. This is especially the case in the areas related to sustainability or state subsidies. In these fields, the G7+ can and should play a leadership role. Furthermore, in the absence of a definitive agreement to overcome the current blockage of the Appellate Body of the dispute settlement mechanism of the WTO, we encourage the European Commission to continue reinforcing the multi-party interim appeal arrangement (MPIA).

The EU should use its Trade Defence Instruments more effectively, while ensuring that their application is in accordance with WTO rules. The most recent trade defence instruments in a broader sense like the International Procurement Instrument, the Instrument on Foreign Subsidies have not been used yet. We must ensure these new tools are effective in addressing the most distortive practices and that they also contribute to rebalance the situation in the market.

- The EU should continue to fully support the rules-based system, while making use of the **flexibilities** provided for under WTO rules where appropriate and on a case-by-case basis.
- The EU should not exclude *a priori* **non-MFN plurilateral arrangements in key areas**, e.g. those related to sustainability or state subsidies, where results are not achievable within the WTO framework and companies competing globally cannot count on a level playing field.

e) Supporting innovation by adopting ambitious digital trade and intellectual property policies

EU ambitions to lead as a global trading power and to take leadership in digital technology development must be reflected in its trade policy. No trade can be done in the 21st century without digital trade and, at its core, the legitimate and secure movement of data across borders. Simply put, where data flows, growth and innovation follow. Cross-border data flows have made a bigger contribution to global GDP than trade in manufactured goods, for almost a decade now.

Digital trade will continue to accelerate: the European industry is going through a massive digital transformation, leveraging emerging technologies such as the cloud or AI, which are boosting its competitiveness. It is also clear that technology will lead the energy transition and Europe's ability to achieve its NetZero goals. Technology is also essential to help businesses better tackle exposure to geopolitical risks: from the global pandemic to climate change and increasing cyber-attacks, digital solutions and data ensure businesses can make their operations more resilient and efficient, as well as better inform risk management and business strategies.

The EU's trade policy should reflect this reality by adopting ambitious digital trade policies[1]. These would help achieve open strategic autonomy, by enabling the free flow of data, supporting innovation through the protection of source code and algorithms, prohibiting the forced transfer of technology, as well as avoiding digital protectionism, which could negatively impact the global competitiveness of European businesses.

Alongside this, world-class intellectual property (IP) provisions could result in export growth, a significant rise in investments into R&D intensive industries, and access to state-of-the-art technologies that enhance EU manufacturing capabilities and global competitiveness, which will all strengthen EU resilience. For SMEs who lack the resources of larger firms and have limited ability to defend against IP infringements, a combination of IP protections in EU FTAs and SME chapters in recent EU FTAs are particularly relevant.

[1] BusinessEurope is developing a position paper on digital trade.

Together with FTAs, it's also critical to keep multilateral rules on IP protection in the context of the WTO TRIPS Agreement. We caution against watering down existing provisions on intellectual property through waivers or relaxation of rules.

- ➢ The EU should adopt **ambitious digital trade policies** that promote the legitimate and secure movement of data across borders as well as address digital protectionism, including through bilateral agreements.
- ➢ The EU trade policy should promote innovation through effective protection of intellectual property both bilaterally and multilaterally.

BusinessEurope is the leading advocate for growth and competitiveness at the European level, standing up for companies across the continent and campaigning on the issues that most influence their performance. A recognised social partner, we speak for all sized enterprises in 35 European countries whose national business federations are our direct members.

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