

rights, in order to maintain a level playing field³⁷. Altogether, this reflects the EU's drive towards Open Strategic Autonomy.

Trade openness is an essential element of our strategy to maintain the EU's position as a leader in net-zero technologies. Trade policy keeps the Single Market connected to growth poles outside of our continent while securing access to the inputs critical for the green transition. On the one hand, open trade creates opportunities for our industry by opening new export markets and creating economies of scale. On the other hand, it provides access to raw materials, parts, components as well as services that our industry needs, given that two-thirds of our imports consists of intermediates.

The EU will work with its partners to promote stability in international trade and strengthen legal certainty for investors and companies by continuing to **support the World Trade Organization (WTO)**, including through its reform. The WTO has a role in supporting climate neutrality by providing a forum for deliberations on trade aspects of the green transition, by clarifying how to promote green investments in a manner that minimises trade distortions, as well as by reinforcing disciplines on subsidies that negatively impact both trade and the climate.

The Commission will also continue to advance the EU's network of **Free Trade Agreements**, while making the most of those already in place through effective implementation and enforcement. In particular, the Commission will work to conclude negotiations with Australia by summer 2023 and make significant progress with India and Indonesia, while exploring possibilities with other partners in the Indo-Pacific. The Commission will also put forward for ratification the agreements with Chile, Mexico and New Zealand and seek to make progress with Mercosur. The Commission will also aim to finalise its Economic Partnership Agreement with Kenya.

The Commission will support the clean transition by continuing to develop other forms of cooperation with partners, beyond more traditional trade agreements. The Trade and Technology Council with the US, and that under preparation with India, establish a new tool for cooperation. Through the work of the dedicated **EU-US Task Force on the Inflation Reduction Act**, the EU and the US are working towards pragmatic solutions to EU concerns, with a view to maintaining and reinforcing Transatlantic value chains and ensuring positive cooperation on the shared interest to achieve net-zero.

The EU has developed **Sustainable Investment Facilitation Agreements (SIFA)** in particular with partners in Africa, in order to make it easier to attract and expand investments while integrating environment and labour right commitments. Climate and energy is a key area for partnerships under **Global Gateway**, the EU's contribution to narrowing the global investment gap worldwide. Moreover, the EU will support developing countries in their efforts to adapt and comply with the EU's autonomous sustainability requirements. The EU will further develop its policy dialogue and concrete actions on research and innovation with the Union for the Mediterranean and the African Union to promote co-operation on renewable energies and green hydrogen³⁸. The Commission proposes that investments in other key partnership areas such as digital or transport should be further aligned with the goal of net-zero. The Commission will continue to support sustainable investments in energy, transport and digital connectivity through the implementation of Economic and Investment Plans for the Western Balkans, the Eastern Partnership and the Southern Neighbourhood.

³⁷ This requires, along other things, strengthening the EU's capacity to control and protect the EU border, which is a key objective of the upcoming Customs reform.

³⁸ The EU has launched under Horizon Europe a dedicated "Africa initiative" and a "Mediterranean Initiative", each with a total EU investment of around EUR 300 million.

A number of **new initiatives** will also be developed:

- We will work with like-minded partners to establish a **Critical Raw Materials Club** to deliver on a secure, sustainable and affordable global supply of raw materials essential to our green and digital transition with a competitive and diversified industrial base. Building on existing international initiatives, the Club will develop principles to bring together raw material 'consumers' and resource-rich countries and foster co-operation to allow resource-rich developing countries to move up the value chain.
- We will develop **Clean Tech/Net-zero Industrial Partnerships**³⁹ promoting the adoption of net-zero technologies globally and supporting the role of EU industrial capabilities in paving the way for the global clean energy transition.
- We will develop an **export credits strategy** including an **EU export credit facility** and **enhanced coordination of EU financial tools**. These can foster coherence with EU policies such as the European Green Deal or Global Gateway which pledged to invest in infrastructures aligned with pathways towards net-zero emissions.

Openness only thrives where fairness survives. Countries around the world have developed new initiatives to support the green transition. Where the public footprint in private markets is outsized, distortions create an unlevelled playing field and unfair competition emerges. A particular concern exists in respect of non-market economies. The EU wants to lead a robust response to address these trends.

In the first place, the Commission will continue to make full use of **trade defence instruments** (TDI) to defend the Single Market from unfair trade practices like dumping and distortive subsidies, with a focus on sectors that are key for achieving the EU's net-zero goal. We will also take further steps to ensure that our measures are not circumvented.

As green incentives proliferate around the world, the Commission will ensure that foreign subsidies do not undermine the competitiveness of the European industry unfairly. The **Regulation on Foreign Subsidies** entered into force on 12 January 2023 and provides an additional tool to investigate subsidies granted by third countries, by considering their specific impact in the internal market. The EU will also work with partners to identify and address distortive subsidies or unfair trading practices relating to IP theft or forced technology transfer in non-market economies, such as China.

The Commission will also promote reciprocity for access to public procurement markets. The Commission stands ready to deploy the **International Procurement Instrument** for the first time in 2023, in order to make the case for the EU companies to have equal access to procurement markets in third countries.

Finally, at the time of rising geopolitical tensions, the EU and its Member States should act together to defend their interests. The **EU framework for screening of foreign direct investment** enables effective coordination to safeguard key European assets and protect collective security. We are reviewing the functioning of the mechanism and assessing how its effectiveness can be further improved without jeopardizing our openness to FDI. At the same time, we will coordinate with allies, including in the work programme on economic security put forward by Japan, which holds the Presidency of the G7. The EU's **Anti-Coercion Instrument** will, once adopted, provide proper tools to rapidly respond to economic intimidation.

³⁹ As developed by the Coalition of trade ministers for climate:

https://ec.europa.eu/commission/presscorner/detail/en/IP_23_248

3. CONCLUSIONS

The EU remains an attractive destination for sustainable investments. The European Single Market over the last 30 years has delivered very significant economic benefits, raising annual EU GDP by 8-9% on average.⁴⁰ The European business model is based on openness, the European social model provides education, social protection of workers, as well as health and environmental protection. We offer a business-friendly environment (e.g. quality of infrastructure, rule of law). Together with fair competition and an unparalleled regulatory framework geared towards the twin digital and green transitions, this is helping to provide the necessary predictability for investors.

The Green Deal Industrial Plan aims to simplify, accelerate and align incentives to preserve the competitiveness and attractiveness of the EU as an investment location for the net-zero industry. Together, the EU and its Member States can send a strong signal to business, while also accelerating the twin transitions.

In the short term, and especially facing unfair competition against the background of high energy prices, temporary and targeted additional measures are warranted to support European industry. The regulatory environment has to be adapted for a new reality. It should be simpler and faster to better serve the objectives of the EU towards a sustainable net zero economy and society.

This Communication is a further step in the implementation of the Versailles Agenda⁴¹. It presents the Commission's response to the short-term challenges European industry is facing. The Commission will also heed the European Council's call to present before its March meeting a broader strategy to boost long-term competitiveness in the Single Market, as it celebrates its 30th anniversary. The Commission also calls on Member States for agreement on the Economic Governance Review.

The Commission stands ready to support industry and society in its transition towards sustainability, promoting investments in new technologies and providing funding where possible and necessary. Investments in a skilled population require training and education to be a crucial part of our future. Because we live in an interconnected world and because the green transition is a reality beyond the EU's borders, the Commission will keep engaging and working with our trade partners, in an open but assertive approach.

The Commission calls on leaders, governments, lawmakers and social partners to support the implementation of this plan and is ready to translate it into concrete proposals based on the ongoing needs assessment before the March European Council.

⁴⁰ Discussion Paper 094: [Quantifying the Economic Effects of the Single Market in a Structural Macromodel](https://ec.europa.eu/economy_finance/discussion_papers/quantifying_the_economic_effects_of_the_single_market_in_a_structural_macromodel) (europa.eu), Jan in't Veld, 2019.

⁴¹ Informal meeting of the Heads of State or Government, Versailles Declaration, 11 March 2022.