




EU Policy Brief

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The background image shows a close-up of a semiconductor manufacturing process. A wafer is being processed by a machine, with a bright yellow and orange light source illuminating the surface. The wafer has a grid of small, glowing spots. The machine components are dark and metallic, with some yellow accents. The overall scene is industrial and high-tech.

Key Policy & International Highlights

Industrial Policy

-  Chips Act 2.0 leak suggests extending state aid instrument to the entire semiconductor value chain, supporting demand creation, industrialization and fast-tracked permitting
-  European Parliament’s Socialist and Democrats (S&D) group identify policy priorities for semiconductors, and broader EU tech sovereignty
-  The European legislative and policy agenda reflects major EU shifts towards technological sovereignty

Trade and Geopolitics

-  The European Parliament Endorses New FDI Screening Regulation
-  EU institutions reach more defensive compromise on EU–US trade deal
-  The EU Trade Defense shift on China

June Policy Agenda



Industrial Policy

[Leaked Chips Act 2 proposal suggests extending state aid instrument to the entire semiconductor value chain, supporting demand creation, industrialization and fast-tracked permitting procedures](#)

A leaked draft of the EU's Chips Act 2.0, which final text is expected on June 3, suggests the European Commission will introduce updated priorities and new policy tools aimed at strengthening semiconductor R&D, industrialization, and manufacturing across the full value chain. A key shift is the stronger focus on industrial uptake and vertical integration, with new pilot lines and measures designed to stimulate semiconductor demand and support end-users alongside manufacturers. The expanded Pillar II broadens the "first-of-a-kind" (FOAK) state aid instrument to cover the entire semiconductor value chain, including design, equipment, materials, and both front- and back-end manufacturing activities. Although no dedicated budget has yet been proposed, funding levels are expected to depend on the outcome of ongoing EU budget negotiations. The draft also introduces mandatory information-sharing obligations for companies, strengthens coordination across policy areas and legislative instruments, and seeks to better connect the different pillars of the Chips Act framework. Notably, the leaked text does not include obligations for end-user industries, such as carmakers, to diversify semiconductor supply chains.

[European Parliament's Socialist and Democrats \(S&D\) group identify policy priorities for semiconductors, and broader EU tech sovereignty](#)

In a late draft position paper entitled "A Progressive Roadmap for a Sovereign and Democratic European Digital Public Infrastructure", the Socialist and Democrats (S&D) political group of the European Parliament identify their tech policy priorities to guarantee inclusive digital society and a strong industrial digital and tech sovereignty. The S&D emphasizes on digital sovereignty as a democratic priority that must safeguard European values and protect against hybrid threats while delivering a strong industrial and investment strategy, including through reformed public procurement, state aid and "Buy European" instruments. For semiconductors, the document especially highlights the need for long-term financing to scale up EU-based chip design, manufacturing and innovation while expanding the scope of EU state aid instruments to cover projects across the full value chain. The proposed measures call for stronger public investment and demand-side support (e.g. strategic public procurement, targeted assistance for SMEs and open-source solutions). They also advocate for streamlining permitting procedures, increasing investment in skills and R&D and remaining ready to deploy protective instruments to safeguard fair competition and technological sovereignty.

The European legislative and policy agenda reflects major EU shifts towards technological sovereignty

By the end of 2026, the European Commission is expected to introduce new support measures aimed at strengthening semiconductor capacities across the value chain, advancing AI computing and cloud leadership, and promoting quantum computing and enabling technologies. At the same time, the European Parliament is intensifying discussions on EU cybersecurity preparedness in light of the rapid development of advanced AI systems and quantum (communication) technologies. While Members of the European Parliament increasingly warn that AI models are reshaping the cyber-threat landscape, these technologies are also consistently portrayed as essential tools for strengthening European defense and digital security. In the meantime, national initiatives are also intensifying support measures for these sectors. France has recently called for stronger EU action to advance technological sovereignty, advocating for a larger EU budget for critical technologies and robust “EU Preference” rules in public procurement. Taken together, these initiatives and debates reflect a broader shift in how EU institutions approach advanced technologies such as AI. They are increasingly framed not only as regulatory challenges, but also as strategic assets central to Europe’s security and competitiveness.

Trade & Geopolitics

The European Parliament Endorses New FDI Screening Regulation

On 19 May, the European Parliament approved the provisional interinstitutional agreement on a new [Foreign Direct Investment \(FDI\) Screening Regulation](#), which will replace the current 2019 framework and significantly strengthen the EU approach to foreign investment control. The reform confirms and deepens the policy direction already outlined earlier this year, notably by introducing a harmonized obligation for all Member States to screen investments in strategic sectors, thereby reducing existing fragmentation across national regimes.

Semiconductors are explicitly referred to as a critical technology, meaning that investments across the entire value chain will systematically fall under mandatory screening. In addition, the regulation establishes a strict ex ante screening requirement, whereby transactions must be notified and cleared before completion, and are likely to undergo more in-depth scrutiny given their strategic sensitivity. This is combined with enhanced coordination at EU level, as Member States will be required to notify the

Commission and each other, allowing for comments and non-binding Commission opinions, thereby increasing convergence in risk assessments. As regards the next steps, the text still requires formal adoption by the Council, after which an 18-month implementation period will apply before the new regime becomes fully operational.

EU institutions reach more defensive compromise on EU–US trade deal

The European Parliament and Council [have reached](#) a provisional agreement on the legislative text implementing the tariff elements of last summer’s EU–US trade deal, as confirmed in the Council press release. The deal implements commitments under the EU–US Joint Statement of 21 August 2025, which set out a framework for reciprocal, fair and balanced trade between the two sides.

The final compromise is more defensive than the Commission’s original proposal, reflecting sustained pressure from the European Parliament. It introduces a dedicated safeguard mechanism allowing the Commission to suspend the regulation, fully or partially, if increased US imports cause or threaten serious injury to EU producers. A key political issue remains steel and aluminium derivatives. If the US continues to apply tariffs above 15% on EU steel and aluminium derivative products after 31 December 2026, the Commission will be able to suspend the relevant EU trade concessions. This clause was among the most contested points in the negotiations, with US tariff rates on some derivatives reportedly well above the agreed threshold.

Parliament also secured a sunset clause: the regulation will automatically expire at the end of 2029 unless renewed. MEP Bernd Lange, Chair of the Parliament’s International Trade Committee and lead negotiator on the file, presented the agreement as a [necessary safety net](#) for the EU in a more unpredictable transatlantic trade environment. The agreement appears to have broad support across the main political groups, while The Left remains opposed. However, uncertainty remains over the U.S. response: according to [EY’s Washington Council Trade Lines](#), USTR said it would continue reviewing “certain limiting amendments” in the EU legislation to assess whether they comply with the Joint Statement

Next, the text will undergo technical finalisation before an extraordinary INTA Committee meeting on 2 June, with a plenary vote expected during the 15–18 June session. If approved, Member States will formally adopt the regulation, which will enter into force the day after publication in the EU Official Journal.

The EU Trade Defense shift on China

This Friday, the [European Commission will hold an orientation debate](#) on EU–China relations at the level of the College of Commissioners. This closed-door, strategic discussion is intended to set the EU’s political direction in response to recent tensions and evolving dynamics between Brussels and Beijing.

In this context, a new non-paper (see attached) signed by Spain, Italy, the Netherlands, France, and Lithuania aims to shape the discussion by calling for a more assertive and strategic use of EU trade defense instruments—particularly to address production relocation and loopholes in the current framework. In the short term, the paper advocates stepping up enforcement using existing tools, including more safeguard investigations and stronger action through WTO channels. In the medium term, it proposes targeted reforms to anti-circumvention rules, adjustments to the lesser duty rule, and closer integration of economic security considerations. Over the longer term, it calls for more structural solutions, including new tools to address complex global production patterns and systemic distortions.

Overall, the initiative highlights growing Member State momentum toward a stronger, more forward-looking EU trade defense approach in the run-up to this key strategic debate on China.