

# EU Policy Brief

**June 2026**



# Key Policy & International Highlights

## Industrial Policy

- 🍃 Europe unveils its strategic approach to Europe’s technological sovereignty
- 🍃 The European Commission consolidates the European Chips Act framework and introduces new priorities on chip design, leading edge and AI chips
- 🍃 The European Commission releases its plan to create sovereign European cloud computing and AI data centre capacities
- 🍃 Council of EU and European Parliament slowly progress on their final position for the future EU budget

## Trade and Geopolitics

- 🍃 The European Union, Germany, the Netherlands and Greece have joined the US-led initiative Pax Silica
- 🍃 The European Commission plans new tools to counteract supply chains dependencies and overcapacity threats
- 🍃 Chinese control of CRM supply chains: Gallium and Germanium case study

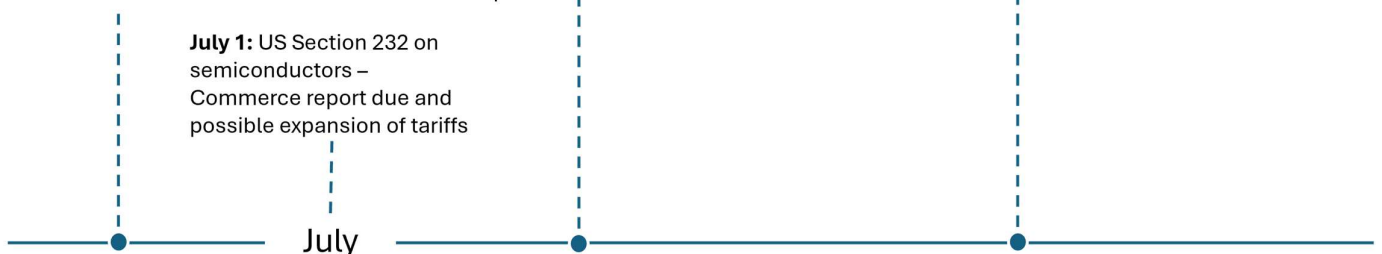
## July Policy Agenda

**June 26:** Council of the EU is expected to adopt the EU-US Trade Deal

**July 1:** US Section 232 on semiconductors – Commerce report due and possible expansion of tariffs

**July 7:** Publication of the European Innovation Act Proposal

**July 24:** US Section 122 tariff regime expires - 150-day limit



## Industrial Policy

### [Europe unveils its strategic approach to Europe's technological sovereignty](#)

On June 3, 2026, the European Commission published the [European Tech Sovereignty Package](#), aiming to strengthen the European Union's capacities in semiconductors, artificial intelligence (AI), data centres, cloud and open source. The package includes proposals for a **Chips Act 2.0**, a **Cloud and AI Development Act (CADA)**, an **Open-Source Strategy** and a **Strategic Roadmap for Digitalisation and AI in the Energy Sector**. Whereas the first two proposals are binding legislative texts, the two strategic documents are non-binding but are meant to provide general objectives and guidelines for the interpretation and implementation of EU's technological and digital frameworks. The Chips Act 2.0 and CADA proposals are closely interconnected. The former is designed to deliver the hardware design and manufacturing capacities needed for the development of a European cloud and data centres ecosystem, supported by a robust semiconductor supply-side policy. In parallel, the CADA is designed to act as a demand driver for EU-made chips, especially in the sphere of AI, that are developed and produced with the support of the various instruments of the Chips Act 2.0.

### [The European Commission consolidates the Chips Act framework and introduces new priorities on chip design, leading edge and AI chips](#)

With the publication of the **Chips Act 2.0 proposal**, the European Commission builds upon the instruments and measures of the first Chips Act, seeking to boost the semiconductor ecosystem, reduce strategic dependencies and support advanced chip production in the EU. The 2026 re-enactment of the text seeks to widen the policy toolbox available to the EU and Member States, by focusing on the industrial uptake of key R&D results and broadening the scope of the state aid mechanism (First-of-a-Kind) to cover the entire value chain. The proposal also emphasizes stimulating EU chip demand, developing and increasing chip design and AI chips capacities for data centres, cloud services, physical AI, supercomputing and AI gigafactories. Finally, the text consolidates the governance structure of the Chips Act, introducing a new consultative mechanism of the industry by EU Member States, and suggests introducing additional risk-mitigation and crisis-response measures in high-risk and highly critical sectors.

### [The European Commission releases its plan to create sovereign European cloud computing and AI data centre capacities](#)

The **Cloud and AI Development Act (CADA)** proposal will complement the ongoing deployment of AI factories and AI gigafactories, aiming to develop Europe's high-capacity, next-generation computational resources. The Act seeks to expand Europe's

cloud and data centre capacity, to support the wider deployment and diffusion of AI. In this regard, it directly supports the R&D and industrial deployment of next generation of cutting-edge, sustainable cloud and AI technologies, via the establishment of “Grand Challenges”. It also features the creation of “*Acceleration Zones*” and “*Strategic Projects*” dedicated to the deployment of data centres across the EU, and introduces a preferential public procurement and a four-tier certification scheme (Union Assurance Levels) that conditions which cloud services can be procured by public bodies. Through this latter mechanism, the proposal aims to leverage the public sector needs in cloud computing to stimulate demand, supporting the emergence of European cloud champions and securing the adoption of sovereign cloud services in the public sector.

### [European Council agrees on a “partial” negotiating position on the European Competitiveness Fund \(ECF\)](#)

On 16 June, the [European Council agreed on a “partial” general approach](#) (Negotiating position) on the European Competitiveness Fund (ECF), a key funding instrument that will be part of the 2028-2034 Multi-Annual Financial Framework (Long-Term EU Budget).

The ECF is designed to help address the EU’s innovation gap with its main global competitors, reduce dependencies, and increase the overall competitiveness of the European economy. Under a **single rulebook and a single application gateway**, it will channel EU investment to the strategic technologies and industries necessary for Europe to strengthen its global position (Ex. Semiconductors). The ECF will also draw on **private investment** alongside public funding to maximise the impact of every euro.

The ECF proposal received broad support from many EU Member States, strengthening their role in the governance of the Fund and clarifying synergies with other EU funds such as Horizon Europe. Nevertheless, the Council’s general approach remains “partial” because it excludes the crucial discussions on budgetary allocations, which will continue in the course of the next few months under the Irish Presidency of the Council.

## Trade & Geopolitics

### [The European Union, Germany, the Netherlands and Greece have joined the US-led initiative Pax Silica](#)

The latest developments around Pax Silica—the US-led coordination framework on AI and critical supply chains—indicate a shift toward closer transatlantic alignment on industrial and trade policy. [The accession of the EU, Germany, Greece and the Netherlands](#) extends the initiative to key European industrial and logistical nodes.

This evolution coincides with the imminent long-awaited approval of the EU–US trade agreement. Taken together, these developments suggest a gradual convergence

between the EU and the US strategies for supply chain security, where trade instruments and industrial policies are increasingly coordinated. The official signatures of Germany and the Netherlands represent a clear signal of alignment with the transatlantic partner, effectively strengthening economic and political relations. However, they come at a time of renewed tensions involving both Member States. Germany is facing a recently announced [USTR investigation](#) under Section 301 into “Germany’s persistent underpayment for innovative pharmaceutical products.” Meanwhile, [the Dutch Trade Minister Sjoerd Sjoerdsma came to Washington](#) to formally join Pax Silica and to meet with US Commerce Secretary and lawmakers, expressing concerns over the bipartisan Match Act proposal.

### **[The European Commission plans new tools to counteract supply chains dependencies and overcapacity threats](#)**

[Eurostat trade figures](#) show that, following a temporary reduction in 2023, imports from China have surged again over the past two years, with a trade deficit [estimated](#) to approach €400 billion by the end of the year. This trend has been coupled with the [increasing worry](#) about the critical dependencies that Europe has with Beijing. In response to these concerns, the Commission has committed to redesigning its economic security and trade defense toolkit. [In May](#), the initial discussion was on the so-called “overcapacity instrument”, aimed at countering state-subsidized production flooding strategic sectors. In turn, this approach spurred [threatening responses from Chinese authorities](#), and the menace of a looming EU-China trade war has been more [openly discussed](#). More recently, the 18-19 June [European Council](#) meeting provided a clear mandate to the bloc’s executive body to strengthen trade defence measures. As a result, the Commission’s newest agenda plans a “proposal on addressing supply chain dependencies” under EVP Séjourné’s leadership, which supposedly refers to the “diversification instrument” that has been discussed in the past few weeks. This Proposal will probably be handled by the Lithuanian Competition attaché(s) during the Lithuanian Presidency (H1 2027).

### **[Chinese control of CRM supply chains: Gallium and Germanium case study](#)**

[Recent export data on gallium and germanium](#) indicate a shift from market-driven trade to administratively controlled allocation. Over the past four months, Chinese export volumes have displayed extreme volatility, culminating in a near halt in April, when gallium exports dropped to 3 kg globally and germanium shipments were effectively negligible. For European buyers, the practical implication is a two-month absence of meaningful supply of gallium, demonstrating a clear reinforcement of the role of licensing as a gatekeeping mechanism. For reference, in both January and February,

[Germany had been the sole recipient](#) of gallium, [while in May](#) the exports were almost entirely directed to Japan (6,000kg out of 6,200kg) and it was its first receipt of Chinese gallium since last year.

This pattern reflects well-known structural characteristics of [these two critical raw materials' global markets](#). China accounts for ~90% of global gallium production and ~60% of germanium. [Policy responses are converging at the G7 level](#) but remain in an early phase. Current initiatives include coordinated stockpiling, recycling targets, and improved transparency mechanisms, alongside proposals for joint procurement and financial support for upstream projects. A dedicated platform, supported by the IEA and OECD, is intended to provide market monitoring and early-warning capabilities. In parallel, G7 members have set a target to reduce reliance on any single external supplier to below 60% by 2030.