EU Policy Brief



Key Policy & International Highlights

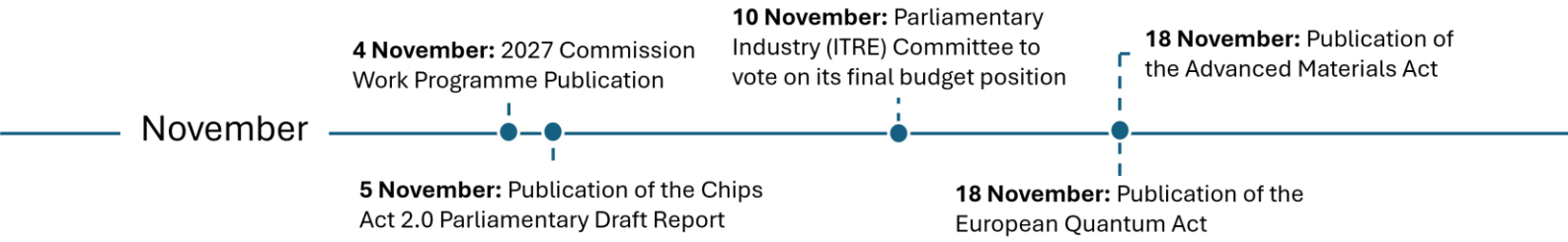
Industrial Policy

- EU Member States discuss first compromise text on the Chips Act 2.0, as the draft position of the European Parliament is expected on November 5.
- Member States take the axe to EU budget proposal as further cuts and negotiation delay loom.
- Leaked European Quantum Act reveals priorities for research, industrialisation and European preference rules.
- Parliament's Committee on Legal Affairs issues draft opinion on the European Cloud and Development Act (CADA).

Trade and Geopolitics

- European Parliament's Trade Committee delegation discusses EU-China relations.
- EU toughens its trade and economic security policy agenda to reduce critical dependencies and market distortions.
- U.S launches negotiations on import tariffs on robotics and industrial machinery.
- China to update its AI export controls in response to Taiwan-U.S alignment on AI servers and advanced semiconductor export rules.
- The European Union and Canada move to deepen critical raw materials partnership.

November Policy Agenda



EU Member States discuss first compromise text on the Chips Act 2.0, as the draft position of the European Parliament is expected on 5 November

The Irish Presidency of the Council of EU, the body in which EU Member States are represented, has circulated a first compromise text on the Chips Act 2.0. Among the proposed amendments, the scope of companies which are deemed European and could therefore be eligible to the Chips Act 2 support measures is narrowed. The state aid framework is expanded to explicitly cover semiconductor equipment product development activities and upgraded chip design facilities. While technological priorities remain broadly unchanged, Strategic Projects (the new kinds of projects in priority areas that could receive EU funding) would face additional requirements on intellectual property protection and skills development. Finally, dual-sourcing obligations for sectors deemed and designated as risk-prone are relaxed, industry involvement in supply chain monitoring and governance is reinforced and stricter conditions and safeguards for requests of value chain information to companies are suggested. In parallel, first draft positions in the European Parliament are emerging. Member of the European Parliament (MEP) Oliver Schenk, rapporteur on the file, is expected to publish a first draft position on 5 November whereas the Legal Affairs (JURI) Committee for opinion has published a first draft opinion on the text and the Internal Market (IMCO) Committee is expected to release its draft opinion in the next weeks.

Member States take the axe to EU budget proposal as further cuts and negotiation delay loom

On 10 October, the Irish Presidency of the Council of the EU circulated a revised proposal for the EU's 2028–2034 budget, trimming its overall envelope by 8%. The move follows an initial reduction proposed by the Presidency in June 2026 and a joint call from Denmark, Germany, Austria, the Netherlands, Finland and Sweden, collectively known as the "frugal states", for a more "realistic" budget amid domestic fiscal consolidation, advocating an overall 20% cut. Among the various funds of the EU budget, the European Competitiveness Fund (ECF) faces the largest cut in absolute terms, with its proposed budget reduced by 13%. Its dedicated digital envelope, which will fund semiconductor-related programmes, would shrink from €54 billion to €39.7 billion. The cuts are also casting uncertainty over the negotiation timeline. While Member States initially aimed to reach a Council agreement by December 2026 before entering interinstitutional negotiations with the European Parliament, persistent divisions over the budget's size could push a deal back to February or March 2027. Failure to reach an agreement by this

date could see negotiations slip beyond the French presidential elections, potentially delaying a final deal until the second half or even the end of 2027.

Leaked European Quantum Act reveals priorities for research, industrialisation and European preference rules

A few weeks ahead of the publication of the European Quantum Act, the EU's upcoming flagship initiative to strengthen Europe's quantum ecosystem, expected on 18 November, a first draft of the text has circulated in Brussels. Although the text may differ from the final proposal, it provides an early indication of the priority instruments and objectives of the future Act. The leaked document establishes a framework to accelerate R&D and industrialisation, stimulate market demand, and reinforce supply-chain resilience. It focuses on R&I, coordinates national quantum strategies, supports R&D activities, and develops strategic research infrastructures, including for post-quantum cryptography (PQC). It also seeks to bridge the gap between research and industrialisation by supporting strategic industrial projects in priority areas, strengthening manufacturing capabilities, improving access to financing, and accelerating technology uptake. While the draft seeks to support quantum R&D and industrialisation, it also aims to stimulate demand for European quantum technologies, notably through public procurement. To this end, a definition of "Union-controlled entity" is introduced to restrict eligibility for the Act's instruments, excluding companies controlled by third countries, non-EU legal entities or non-EU nationals. This criterion applies to public procurement, strategic infrastructures and projects, and certain industrialisation support measures, potentially excluding EU subsidiaries of foreign-controlled companies, although limited exceptions exist for international partnerships.

Parliament's Committee on Legal Affairs issues draft opinion on the European Cloud and Development Act (CADA)

While the European Parliament has endorsed the European Commission's objective to expand Europe's cloud and AI capacity under the Cloud and AI Development Act (CADA), negotiations are likely to focus on technological sovereignty, public procurement and data-centre acceleration zones. An early draft opinion prepared by Greens/EFA MEP Sergey Lagodinsky, the Legal Affairs (JURI) Committee's rapporteur for opinion, proposes a substantially stricter approach to third-country dependencies. It would reduce the number of Union Assurance Levels from four to two, remove the associated third-country mechanism, centralise recognition and supervision under the European Commission, and strengthen European-preference criteria in public procurement. It would also reserve at least 80% of capacity in acceleration zones for EU-established operators not controlled from third countries. The Internal Market (IMCO) and Industry (ITRE) Committees in the European Parliament are expected to publish their joint draft report

early December 2026. Amendments will follow in mid-December, ahead of parliamentary negotiations from January to late February 2027. A committee vote is planned for mid-March, followed by a plenary vote in April and trilogues thereafter.

Trade & Geopolitics

European Parliament's Trade Committee delegation discusses EU-China trade relations

A delegation of members of the European Parliament (MEPs) from the International Trade Committee has concluded a three-day visit to China on 29 October, discussing trade imbalances, market access, industrial subsidies, supply-chain security and critical raw materials. MEPs called for continued engagement and concrete results, including improved market access and greater transparency on public subsidies and supply chains. China's Commerce Ministry criticised the EU's increasing use of trade restrictions and unilateral trade tools, while stressing the importance of open trade and investment, greater Chinese imports from the EU and cooperation in emerging sectors. The visit demonstrated a shared willingness to stabilise trade relations through dialogue, although no substantive breakthrough was expected.

EU toughens its trade and economic security policy agenda to reduce critical dependencies and market distortions

Following the second meeting of the EU-China Trade and Investment Consultation (TIC), mechanism, the European Commission is moving to the implementation phase of several commitments covering market access, rare-earth and permanent-magnet licensing, and Chinese hybrid vehicle exports. Meanwhile, the European Commission is working with sectors facing import pressures, including chemicals and machinery, and has signalled that it will make a greater use of the trade-defence instruments and safeguards. It is notably expected to publish a its new DiversifyEU mechanism in December to support supply-chain diversification and reduce critical single-supplier dependencies. The Commission has also announced a new instrument enabling faster restrictions on Single Market access, alongside a solidarity mechanism for Member States facing economic pressure. Their design and relationship with the existing Anti-Coercion Instrument remain unspecified. Separately, France and Germany published a joint paper calling for actions against severe and systematic market distortions.

U.S launches negotiations on import tariffs on robotics and industrial machinery

President Trump signed a proclamation under Section 232 of the Trade Expansion Act concerning imports of robotics, industrial machinery, and related parts and components. The measure identifies national security risks arising from import dependence, limited domestic capacity and cybersecurity vulnerabilities, while highlighting the importance of

these technologies for defence and critical infrastructure. No immediate trade restrictions were introduced. However, the Department of Commerce and U.S Trade Representative were instructed to negotiate agreements with trading partners and report on progress within 180 days, by approximately 26 April 2027. Depending on the outcome, the administration could subsequently consider tariffs, quotas, fees, or incentives for domestic investment. The accompanying White House fact sheet provides further details.

China to update its AI export controls in response to Taiwan-U.S alignment on AI servers and advanced semiconductor export rules

On 16 October, China opened a consultation on revisions to its catalogue of prohibited and restricted technology exports. The draft covers 40 technologies, including 23 AI-related areas such as large models, AI agents, computing clusters and information-processing technologies. Exporters must register relevant technology transfers pending adoption of the revised catalogue. China's consultation, which will close on 15 November, takes place as Taiwan is preparing to add AI servers and advanced semiconductors to its export control items list, partly reflecting commitments under its trade agreement with the United States. Once adopted, unauthorised exports of covered hardware to China will become illegal under Taiwan's Foreign Trade Act. These developments coincide with ongoing consideration of tariff measures on semiconductors, manufacturing equipment and related products. The semiconductor industry, via a joint call of five U.S technology associations on 2 October asked to adopt targeted measures rather than broad tariff lists.

The European Union and Canada move to deepen critical raw materials partnership

At the Montreal summit on 29–30 October, the European Union and Canadian leaders have launched an "Alliance for the Future", covering trade, digital cooperation, critical raw materials, defence, research and innovation. The initiative would build on the EU-Canada Comprehensive Economic and Trade Agreement (CETA) and the existing Strategic Partnership on Raw Materials, which promotes integrated value chains, research cooperation and common sustainability standards. Whereas the EU remains highly dependent on concentrated foreign suppliers for several critical raw materials, including gallium, magnesium, lithium and rare earth elements, further cooperation with Canada could offer more stable supplies of lithium, graphite, nickel, cobalt, copper and rare earth elements. These materials support semiconductors, batteries, renewable-energy technologies and advanced manufacturing. The European Investment Bank is also expected to sign a framework agreement with Canada, creating the institutional basis for potential EIB financing of Canadian critical-raw-material projects. The agreement would follow a non-binding letter of intent signed in March 2026, under which the two sides agreed to explore arrangements allowing the EIB to operate in Canada.