



2022/02

# CCCEU Policy Bulletin

*In the Policy Bulletin, the China Chamber of Commerce to the EU (CCCEU) presents and analyses the latest items in the EU legislative process, which are the result of the work of the institutions of the European Union.*

## Growth prospects for 2022

February opens with good news for the EU: according to the [Winter 2022 Economic Forecast](#), following a notable expansion by 5.3% in 2021, the EU economy will grow by 4.0% in 2022 and 2.8% in 2023. Growth in the euro area is also expected at 4.0% in 2022, moderating to 2.7% in 2023. The Forecast highlights that the EU reached its pre-pandemic GDP level in the third quarter of 2021, and that all EU countries are projected to reach the same milestone by the end of 2022.

## EU-AU Summit

In February, the 6th edition of the European Union-African Union (AU) Summit took place in Brussels. Held on 17-18 February, the [EU-AU Summit](#) was co-chaired by the European Council President Charles Michel and the President of Senegal Macky Sall, who holds the rotating AU Chairmanship for 2022. At the Summit, EU and AU leaders agreed on a [joint vision for 2030](#) and announced an Africa-Europe Investment Package of EUR 150 billion to support their common ambitions for 2030 and the AU Agenda 2063. The leaders also discussed vaccines and the COVID-19 pandemic. The EU reaffirmed its commitment to provide at least 450 million vaccine doses to Africa, and to mobilise EUR 425 million to ramp up the pace of vaccination in the continent.

## Sustainability: due diligence of supply chains

On 23 February, the European Commission presented a [proposal for corporate sustainability due diligence](#), which aims to push companies and private actors toward a “sustainable and responsible behaviour” in global value chains, whereby tackling issues such as child labour, exploitation of workers, pollution, and biodiversity loss. To this end, the new Directive will require companies to identify, prevent, end or mitigate the negative impacts of their activities on human rights and on the environment.

National administrative authorities appointed by EU countries will be in charge of supervising the new rules and may impose fines in case of non-compliance. The new due diligence rules will [apply to both EU and foreign companies](#) active in the EU market. The new reporting rules will apply to each company's own operations, to its subsidiaries and to its value chains, i.e. direct and indirect established business relationships. Small and medium enterprises (SMEs) are excluded from the scope of this proposal, which applies to companies falling into the following two categories:

		LARGE EU LIMITED LIABILITY COMPANIES	NON-EU COMPANIES	SMALL AND MEDIUM ENTERPRISES
GROUP 1	500+ employees and more than €150 million of turnover*	+/- 9,400 companies	+/- 2,600 companies	Micro companies and small and medium enterprises (SMEs) are not directly concerned by the proposed rules. However, the proposal provides supporting measures for SMEs, which could be indirectly affected.
GROUP 2	250+ employees and more than €40 million of turnover*, operating in defined high impact sectors such as textiles, agriculture, extraction of minerals. The rules will apply to this group 2 years later than to group 1.	+/- 3,400 companies	+/- 1,400 companies	

\*Worldwide turnover for EU companies, and EU-wide turnover for non-EU companies

The new rules require companies to identify actual or potential adverse human rights and environmental impacts of their activities, to prevent or mitigate potential impacts, to bring to an end or minimise actual impacts, to establish and maintain a complaints procedure, and to publicly communicate on due diligence. Companies belonging to Group 1 will also need to have a plan to ensure that their business strategy is compatible with the Paris Agreement, in particular with the goal of limiting global warming to 1.5 °C.

The proposal will now be presented to the European Parliament and the Council of the EU for negotiation. Once adopted, Member States will have two years to transpose the Directive into national law.

### Strategy against forced labour

On the same day, the Commission also published a [Communication on Decent Work Worldwide](#). With this strategy, the EU aims to champion higher labour standards both inside the EU and globally, for instance by pushing for the elimination of child labour and forced labour. In parallel, the Commission is preparing a new legislative instrument to ban products made by forced labour from entering the EU market, as President von der Leyen announced in the 2021 [State of the Union address](#).

Overall, the EU's renewed attention to higher labour standards is part of a wider strategy through which the bloc aims to push for more accountability of the industrial sector. The Commission openly states that it aims for the EU to be a responsible global leader in sustainability and human rights. With the Presidency of von der Leyen, this is taking the form of more stringent rules for the private sector, in an effort to shape the behaviour of companies and global supply chains.

### Digital policy: Chips Act and Data Act

In developing the EU's digital economy, the Commission is focusing specifically on chips, which are considered strategic assets for key industrial value chains, and data, which is the new "oil" of the digital economy. The most recent legislative proposals of the Commission fall precisely in these fields.

Delivering on the promise made in the State of the Union speech, on 8 February the Commission unveiled a proposal for the [European Chips Act](#), a comprehensive set of measures to ensure the EU's security of

supply, resilience and technological leadership in semiconductor technologies and applications. According to the Commission, the [European Chips Act](#) will ensure that the EU has the necessary tools, skills and technological capabilities to become a leader in this field, while securing its supply of semiconductors and reducing its dependencies. The package is composed of: a “Chips for Europe Initiative” to pool resources from the EU, EU countries and third countries associated with the existing Union programmes, as well as the private sector, through the enhanced “Chips Joint Undertaking”; a new framework to ensure security of supply by attracting investments and enhanced production capacities; a Chips Fund to facilitate access to finance for start-ups; and a coordination mechanism between the EU countries and the Commission for monitoring the supply of semiconductors, estimating demand and anticipating the shortages. The Parliament and the Council of the EU are now tasked with the negotiations to turn the proposed package into law.

On 23 February, the Commission presented its proposal for the Data Act, which will set the rules on the use of and the access to data generated in the EU across all economic sectors. With this Regulation, the Commission aims to ensure the EU's rules on data will be enforced while stimulating a competitive data market and data-driven innovation in the EU. The proposal will now follow the ordinary legislative procedure, thus moving on to the negotiations between the Parliament and Council of the EU.

The Data Act is the second main legislative initiative resulting from the February 2020 [European strategy for data](#), which aims to make the EU a leader in a data-driven society. It follows the [Data Governance Act](#), which was presented on 25 November 2020 and agreed by the Parliament and Council of the EU in November 2021. The two legislative items will work in tandem: while the Data Governance Act will create the processes and structures to facilitate data sharing by companies, individuals and the public sector, the Data Act will clarify who can create value from data and under which conditions.

### **Industrial policy: strategic dependencies**

On 23 February, the Commission published the second edition of its in-depth analysis of [Europe's strategic dependencies](#). This follow-up report builds on the first analysis conducted in the framework of the [2021 Updated Industrial Strategy](#): continuing the work initiated there, the document looks at five areas – rare earths and magnesium, chemicals, solar panels, cybersecurity and IT software - where Europe faces strategic dependencies on third countries.

The reports highlights that the EU's strategic dependencies on rare earths, magnesium and PV panels stem from a strong concentration of global production in China, also due to limited options for supply diversification or substitution, including from EU countries. Dependencies are also identified for a number of chemicals that are of critical importance across a range of industrial ecosystems. Furthermore, the report identifies weaknesses in comparison with the EU's global competitors for key technologies such as cybersecurity and IT software.

The reports also assesses the actions the EU initiated to address its strategic dependencies, and finds that significant progress has been achieved, including: investment pipelines through existing industrial alliances on raw materials, [batteries](#), hydrogen, semiconductors and cloud services; the adoption of

regulatory proposals on batteries, hydrogen and semiconductors; and new international partnerships, such as in the area of raw materials.

## Trade policy

On 18 February, [the European Union filed a case against China at the WTO](#) for restricting EU companies' access to a foreign court to protect and use their patents. The Commission argues that "China severely restricts EU companies with rights to key technologies (such as 3G, 4G and 5G) from protecting these rights when their patents are used illegally or without appropriate compensation by, for example, Chinese mobile phone manufacturers. The patent holders that do go to court outside China often face significant fines in China, putting them under pressure to settle for licensing fees below market rates."

According to the Commission, this praxis is illegal under WTO rules, hence the decision to recur to its dispute settlement mechanism. [In the related press release](#), the Commission also stated that "this Chinese policy is extremely damaging to innovation and growth in Europe, effectively depriving European technology companies of the possibility to exercise and enforce the rights that give them a technological edge." The dispute settlement consultations that the EU requested are the first step in WTO dispute settlement proceedings. If they do not lead to a satisfactory solution within 60 days, the EU can request the WTO to set up a panel to rule on the matter.

## Space and defence

The von der Leyen Commission has been dedicating considerable attention to the development of a EU space and defence policy. Flagship initiatives in this regard are the [EU Strategic Compass on Security and Defence](#), which is expected to be presented in March 2022, and the [EU Space Programme, adopted in April 2021](#) with a budget of EUR 14.88 billion for the period 2021-2027.

In the past month, the Commission continued with the development of both policy areas. On 15 February, it put forward [a number of Commission-led initiatives](#) in areas critical for defence and security within the EU. These comprise a Contribution to European defence, covering the full range of challenges, from the conventional defence industry and equipment on land, sea and air, to cyber, hybrid and space threats, military mobility and the relevance of climate change; and a [roadmap on critical technologies for security and defence](#). In this way, the Commission aims to boost the EU defence market, to stimulate EU countries' investments in key strategic capabilities, and to incentivise the joint procurement of defence capabilities.

On the same day, the Commission tabled two initiatives for its space policy, on secure connectivity and on space traffic management, respectively. The first is a proposal for a [Regulation on a space-based secure connectivity](#), which calls for the establishment of an EU space-based secure communication system that will ensure the long-term availability of worldwide uninterrupted access to secure and cost-effective satellite communication services. In the Commission's view, this space-based communication system will enable access to advanced, reliable and fast connections to citizens and businesses across Europe, including in communication dead zones.

The second is a [Joint Communication on Space Traffic Management \(STM\)](#), which lays out a EU strategy to promote the safe, secure and sustainable use of space. In fact, the Commission argues that the



exponential increase in satellites in orbit and in private initiatives in space might put the resilience and safety of EU space assets at serious risk. The strategy builds on four elements: assessing the STM civilian and military requirements and impacts for the EU; strengthening our technological capability to identify and track spacecraft and space debris; setting out the appropriate normative and legislative framework for STM; establishing international partnerships on STM and engaging at a multilateral level.

---

## Public consultations

*During its legislative work, the Commission welcomes the feedback of all relevant stakeholders, including companies and business associations. If you are interested in providing your feedback on any item, please contact the CCCEU Secretariat.*

- Before publishing its proposal, the Commission welcomes views on its plans for the certification of carbon removals. [[link](#)]
- The Commission is working on a digital VAT, which will cover VAT reporting obligations and e-invoicing, VAT treatment of the platform economy, and a single EU VAT registration. [[link](#)]
- The Commission is working on the revision of the REACH Regulation – which regulates chemicals and hazardous assessment substances – with the aim to achieve a toxic-free environment. [[link](#)]
- The Commission welcomes views and opinions on the EU solar energy strategy. [[link](#)]
- To facilitate renewable energy production projects, the Commission welcomes feedback on existing barriers, such as the length of permitting procedures, the complexity of rules and processes, grid-connection issues, and staffing of permitting authorities. [[link](#)]
- The EU aims to set more ambitious emission-reduction targets for heavy-duty vehicles. [[link](#)]
- The Commission put forward an initiative to tackle microplastics unintentionally released into the environment, focusing on labelling, standardisation, certification and regulatory measures for the main sources of these plastics, to reduce environmental pollution and potential health risks. [[link](#)]
- By 2022, the Commission will carry out a deeper analysis into whether the current EU rules achieve robust and comprehensive consumer protection at all times. The analysis will cover the rules governing insolvency protection and will take into account the relevant actions announced in the Sustainable and Smart Mobility Strategy to protect passengers' rights. [[link](#)]
- The Commission is working on standard-essential patents (SEPs), which are patents that protect technology essential to a specific standard. Patent-holders commit to licence their SEPs to users of the standard on fair, reasonable and non-discriminatory terms and conditions. However, the Commission believes that some users have found that the system for licensing SEPs not transparent, predictable or efficient, and it seeks to create a fair and balanced licensing framework and may combine legislative and non-legislative action. [[link](#)]
- The Commission proposes to modify the current framework that applies to EU central counterparties (CCPs) and market participants who use their services. According to the Commission, the changes to the framework will aim to make the EU a more attractive clearing hub. They will include measures to enhance EU CCPs' liquidity and strengthen the EU's CCP supervisory framework. [[link](#)]