



Trade and Technology Council

Working Group: Investment Screening Cooperation



ISSUE

Trade and investment flows across the Atlantic are particularly important to ensure prosperity in the context of the post-COVID-19 recovery. Openness between like-minded partners is the building block of transatlantic cooperation and a cornerstone for stability and success. This is especially true for foreign direct investment (FDI) and increased cooperation on investment screening.



PRIORITIES

The areas in which the working group can and should strive to achieve immediate results are:

Preserving open markets among like-minded countries

Open markets remain a key priority to provide the best technologies available. Excluding like-minded third-country entities from major public research and development (R&D), acquisition and sustainment programmes could lead to the exclusion of vital economic contributors and undermine the EU's objective to strengthen its European Defence Technological and Industrial Base (EDTIB). This exclusion could cause market distortions and ultimately weaken the transatlantic relationship. Any future regulation on economic support coming from third-country entities should be balanced and proportionate and avoid creating undue burdens for low risk, like-minded third countries. Finally, closer cooperation between the EU and US on foreign investment screening would provide for more legal certainty, openness and the right incentives for shared prosperity. Governments should support the best investment projects which can enhance the appropriate interdependence and resilience of the industrial sectors on both sides of the Atlantic.

FDI review consultation mechanism

A consultation and information sharing process would allow for a shared understanding of the national security risks posed by investments from strategic rivals in emerging technology, critical infrastructure and essential industrial sectors. It would also provide a mechanism for the parties to notify each other when a proposed transaction is, or should be, subject to a national security review. Finally, it would allow parties to provide input to the reviewing party on how the transaction could affect their national security interests, including the impact on affiliates of the target company in their respective jurisdictions.

Open strategic autonomy

The EU and the US have identified many areas in which FDI may cause concerns, including critical infrastructure (whether physical or virtual; eg, energy, transport, water, health, communications, media, data processing or storage, aerospace, defence, electoral or financial infrastructure and sensitive facilities), critical technologies and dual-use items, supply of critical inputs as well as access to sensitive information. Increasingly, companies in sectors concerned by these areas notice the impact of technological sovereignty and open strategic autonomy when aiming to invest. Any mechanism targeting foreign entities should be balanced since it could otherwise dampen investment and reduce fair competition. To ensure that openness is the baseline between like-minded partners, stronger cooperation on investment screening on both sides of the Atlantic would provide a valuable opportunity.