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DIGITALEUROPE's response to the call for evidence on the proposed DiversifyEU Trade Instrument

Executive summary

DIGITALEUROPE supports the EU's objective of strengthening economic security and resilience through the diversification of critical supply chains. Reducing concentrated dependencies and developing alternative sources of supply are essential to Europe's long-term competitiveness and security of supply. However, to achieve these objectives, the proposed DiversifyEU package and the trade diversification instrument should be targeted, proportionate, evidence-based and grounded in market realities. It should address clearly demonstrated critical dependencies while preserving the benefits of open trade and globally integrated supply chains. Diversification should not mean blanket restrictions on third countries, but rather aim to build appropriate capacity and capabilities at European level, without creating unnecessary costs, market restrictions or administrative burdens for companies operating in Europe.

DIGITALEUROPE recommends prioritising the following principles in the design of the instrument:

1. Target clearly evidenced critical dependencies and provide legal certainty

The instrument should focus on **clearly identified products and supply chains presenting the highest levels of critical dependency**, rather than broadly defined sectors. Any intervention should be based on objective, transparent criteria and a robust assessment of supply concentration, strategic importance, substitutability and potential disruption risks.

The Commission should provide clarity from the outset on the products and dependencies covered, the economic operators subject to obligations, and the conditions triggering potential measures. Binding measures should apply to existing dependencies, not to specific industries. Emerging or potential dependencies should generally be addressed through monitoring, risk assessments and enabling measures, unless robust evidence demonstrates a material risk requiring intervention.

2. Recognise international partnerships as an integral part of diversification

Diversification should recognise the global nature of digital supply chains and the importance of **international partnerships**. Complete regional self-sufficiency in high-tech industries is neither technically feasible nor economically sustainable. Sourcing from a wider range of international partners, including the US, Japan, UK, South Korea, India, Vietnam and Singapore, among others, should be recognised as contributing to diversification where it demonstrably reduces critical dependencies and meets applicable security and continuity requirements. EU Free Trade Agreements also play an important role in supporting diversification and expanding market access. For defence and dual-use supply chains, these requirements should be transparent and verifiable and cover the ability to operate, maintain and adapt capabilities throughout their lifecycle.





The instrument should preserve companies' ability to organise efficient and resilient global production networks. Any anti-circumvention provisions should be clearly defined and targeted at demonstrated circumvention practices, while distinguishing these from genuine manufacturing and investment in third countries. Legitimate production in trusted partner countries should not be inadvertently penalised.

3. Prioritise enabling measures and ensure realistic diversification requirements

Diversification cannot happen overnight. Developing alternative supply chains, particularly in technologically complex sectors, requires significant investment, technical expertise and time. **Positive market incentives should therefore be prioritized over restrictive measures**, including through R&D co-funding, investment incentives, support for alternative suppliers and strengthened international partnerships.

Any binding diversification requirements should reflect the availability of technically and commercially viable alternatives at sufficient scale, quality and reliability. Where such alternatives are not yet available, flexibility and enabling measures should take precedence over mandatory sourcing or concentration requirements. Where a critical dependency is demonstrated, the EU should address it primarily through targeted incentives that improve the commercial case for diversification, while leaving sourcing decisions to companies. Before considering any new mechanisms, the European Commission should assess existing, established frameworks in partner countries to avoid additional burdens on businesses.

Realistic transition periods should account for investment cycles, supplier qualification and production capacity development. For example, for network infrastructure equipment, supplier qualification can take as long as 18 to 36 months. Where hardware is redesigned to diversify supply chains, streamlined conformity assessment and re-certification procedures under relevant EU frameworks should be explored without compromising safety or security.

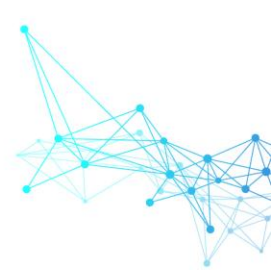
4. Safeguard European competitiveness and avoid disproportionate trade restrictions

The instrument must balance economic security with the competitiveness of businesses manufacturing and operating in Europe. Restrictive sourcing requirements, tariffs or quotas could increase input costs, disrupt established supply chains and delay the deployment of critical digital infrastructure, potentially undermining the EU's objectives and increasing costs for businesses and consumers.

Tariffs and other restrictive measures should not be the default response to supply chain dependencies. Where considered, their necessity and proportionality should be rigorously assessed against the availability of viable alternatives, downstream economic impacts and potential retaliation by trading partners. Any tariff-based mechanism should be governed by objective, transparent conditions, thresholds and triggers established in the basic regulation, with appropriate procedural safeguards and legal certainty for affected operators. Measures should be introduced progressively, with sufficient time for industry to adapt and without undermining the very competitiveness and security of supply they seek to strengthen.

5. Ensure proportionate implementation through industry consultation and regulatory simplification

Effective diversification policy requires a detailed understanding of complex, multi-tier supply chains. Products and suppliers are not necessarily interchangeable, and regulatory assumptions should be validated against technical and commercial realities.





DIGITALEUROPE encourages the Commission to establish **structured public-private dialogues**, including technical advisory groups with relevant industry stakeholders, to map dependencies, assess alternative supply sources and evaluate the practical implications of proposed measures before binding obligations are introduced. For defence and dual-use supply chains, this dialogue should also support secure information-sharing and coordinated stress-testing to assess continuity under cyber and hybrid threats.

Any reporting requirements should be strictly necessary, proportionate and targeted, with robust protection of commercially sensitive information, including supplier relationships, sourcing strategies and contractual arrangements. Consistent with the EU's simplification agenda, the instrument should avoid duplicating obligations under existing or forthcoming sector-specific legislation and rely on information already available to public authorities wherever possible.



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About DIGITALEUROPE

DIGITALEUROPE is the leading trade association representing digitally transforming industries in Europe. We stand for a regulatory and investment environment that enables European digitalising businesses across multiple sectors and citizens to prosper from digital technologies. We wish for Europe to grow, attract and sustain the world's best digital talents, investment and technology companies. Together with our members, we shape industry positions on all relevant policy matters, and contribute to their development and implementation. Our membership represents over 56,000 businesses who operate and invest in Europe. It includes corporations and scaleups who are global leaders in their field of activity, as well as national trade associations from across more than 30 European countries.

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