SPAIN-NETHERLANDS NON-PAPER ON STRATEGIC AUTONOMY WHILE PRESERVING AN OPEN ECONOMY

I. CONCEPT

The EU Strategic Agenda 2019-2024 sets forth that "the EU needs to pursue a strategic course of action and increase its capacity to act autonomously to safeguard its interests, uphold its values and way of life, and help shape the global future"; and the European Council Conclusions of 1-2 October 2020 stressed the need to achieve "strategic autonomy while preserving an open economy".

For a long time, the concept of strategic autonomy was linked to European security and defence, and comprised three dimensions: political (strategy), operational (capabilities) and industrial (equipment). However, the COVID-19 pandemic and other recent geoeconomic and geopolitical developments have placed a broader debate on the table, revealing the risks of asymmetric dependencies in strategic sectors.

These global events, including the current crisis, mark a turning point in the debate on the need for the EU and its Member States to have the capacity to take and implement autonomous decisions, preferably in coordination with its global partners, but without being compromised by one-sided dependencies. More than ever, it is necessary to reach a consensus on how to strengthen Europe's open strategic autonomy in order to make Europe a global player that is resilient and in charge of its own future. Strategic autonomy does not mean isolation or retreat, but, rather, a reformulation of how to understand sovereignty, advancing towards operational sovereignty, i.e. the capacity to promote an agenda of its own.

II. PRINCIPLES

- The European Union must be a global player, with the capacity to decide and act for itself in order to safeguard its public interests. Rather than independence, what strategic autonomy must foster is greater resilience and interdependence, in the context of more balanced, and better governed globalization, in which interoperability must prevail over uniformity.
- Strategic autonomy must be a means for this, not an end in itself.
- The aim is to guarantee the EU's security, and sustainable and inclusive growth, to preserve its values and way of life, and to ensure that peace and international stability prevail. To achieve this goal, we must seek greater coherence between the EU's internal and external policies. This will entail modifying rules and procedures, and strengthening the EU's structures, which were originally conceived for Europe's economic activity to be separate from its geopolitical activity.
- At the same time, the EU must uphold its commitment to open economies and societies. The EU's strategic autonomy does not imply isolationism or economic protectionism; rather it should be built on principles of

multilateralism, cooperation and rules-based free trade, without undermining the interests of the least developed countries.

- The EU's action must be guided by the principle of proportionality. Global value chains make the EU's economy more efficient and enable European consumers to enjoy a competitive Single Market.
- Actions must be rational and tailor made to specific challenges. The EU and the Member States must conduct an in-depth analysis to identify those sectors that are most vulnerable to asymmetric dependencies. To guarantee an appropriate response, risk-monitoring systems must be strengthened, and procedures for joint and combined actions must be activated. In this context, the European Union must fine-tune its joint procurement procedures, guarantee strategic reserves of key products when needed, and equip itself with strategic and interoperable databases to facilitate identification and assessment of potential threats and risks. At the same time, in those spheres in which this would be useful, the EU must study the implementation of rapid response networks, understood as flexible structures to facilitate public-private collaboration and strengthen smooth coordination in responding to crises.
- Other partners in society, in particular social partners, must be taken into account when designing a strategic autonomy for an open and competitive Europe.
- Open strategic autonomy must be included in the debates of the Conference on the Future of Europe.
- In order to make progress on the debate on an open strategic autonomy we propose the following to the Presidents of the European Council and the Commission:
    - To discuss our strategic relations with important allies along the lines of the abovementioned principles at upcoming meetings of the European Council.
    - To further harmonise our internal and external instruments in the context of strengthening our strategic autonomy, and to have a profound discussion on this at the level of the European Council.
    - To make a thorough analysis to determine the areas where greater European strategic autonomy is desirable for the economy; to include a first analysis in the update of the industrial strategy and to involve Member States closely in the process.

III. KEY POLICY AREAS FOR ACTION

The range of policies that may contribute to ensuring the EU's strategic autonomy is very broad, and must cover both the internal and external dimensions. A stronger, more resilient and internally solidary Europe will, in turn, be able to establish a stronger, more assured international presence, exerting influence in those contexts of interest to it. Therefore, the commitments to preserve and reinforce the Schengen area, strengthen the rule of law, to combat inequality, and to bolster the Single Market constitute a basic starting point for strengthening Europe and ensuring that it remains an attractive partner. In the external dimension, it is not a matter of projecting force, but influence; that is, of investing

the necessary political and financial capital to establish lasting relationships, for the mutual benefit of the EU and of our international partners.

In particular, the following sectors are key:

1. **The Single Market.** A fully functional and resilient Single Market is the cornerstone of Europe's competitiveness. Both the Commission and Member States play a crucial role in future proofing the Single Market, focusing on the digital and green transitions. In the digital age, it is even more crucial to strengthen the Single Market (including the market for services), managed by a strong Commission that is able to safeguard the general European interest. This means:

    - Strengthening the Single Market by removing existing barriers, improving enforcement and ensuring fair and effective taxation.
    - Accelerating the resilience and crisis preparedness of the Single Market by learning from the current COVID-19 crisis, and identifying external risks in the context of protectionist geo-economic changes and other challenges.
    - Developing robust and new competition rules to safeguard a level playing field and to counteract the dominance of digital giants.
    - Intensifying the monitoring of investments from outside the EU, especially in sensitive sectors and of subsidies granted by third countries not subject to state aid control distorting a level playing field.
    - Identifying strategic dependencies regarding the raw materials and essential components of critical industrial value chains, with a view to reducing these dependencies, including by diversifying production and supply chains, ensuring strategic stockpiling, as well as fostering production and investment in Europe.

2. **Digital transformation.** To become more digital and digitally sovereign, and to address market fragmentation and European dependence on foreign technologies and digital solutions, the European Union and the Member States must take decisive action towards full digital transformation by:

    - Developing and implementing appropriate (legal) frameworks in order to maintain the pace of digitalization, and ensuring confidence and legal certainty, as well as fair and secure access, to businesses and citizens. These frameworks, based on our shared European values, can be used as a competitive advantage for Europe. Moreover, we need to safeguard and promote fundamental rights, while ensuring cybersecurity, privacy and trust of citizens in digital solutions. Trust and innovation are two sides of the same coin.
    - Identifying the key technologies of the future and developing common roadmaps to strengthen European capacities in these technologies and the diversification of the supply-chain and its security, thus reducing

unwanted dependency in our relationship with third countries on technologies, knowledge and applications.

- Stepping up the coordinated access to spectrum and deployment of a secure and trustful 5G infrastructure, seeking the interoperability and accessibility of networks across borders, developing common cybersecurity criteria, and promoting the development within the EU of software, components, and platforms for its operationalization in order to boost innovation and competition seeking to reduce dependence and a potential interruption of supply.

- Identifying and addressing Europe's vulnerabilities with respect to digital infrastructures, foreign data infrastructures, emerging technologies, 5G and AI.

- Intensifying efforts to boost investment in a distributed, interconnected and interoperable next generation of cloud and edge infrastructure throughout the EU, involving Member States, industry and citizens, and developing harmonised rules and governance based on the vision and values of Europe.

- Strengthening the international connectivity of the main European connectivity hubs with relevant international partners, to reap the benefits of data sharing and data storage, with full respect to European values.

- Leading the development of a robust, secure and unified quantum communication infrastructure, both in satellite and terrestrial networks, to guarantee the cross-border transmission and storage of important information within the EU, and to increase broadband coverage in remote territories.

- Boosting investment in artificial intelligence and robotics via an ethical and a human centric framework and innovation to exploit the competitive advantage they offer in the development of its applications.

- Supporting R&D and investment to boost the production capacity of microelectronics and European high performance computing processors.

- Enhancing data protection and privacy, and defining high standards in the protection of fundamental rights in the digital age.

3. **Innovation.** We are living in an era of great transformations and require innovations that help address societal challenges, increase our productivity, resource efficiency, security of supply and reduce our dependencies. By selecting a limited number of ambitious missions for Europe, such as climate neutrality in 2050, we can focus our combined efforts and secure our future well-being. We must cooperate more closely on disruptive, frontier innovations that help address societal challenges and have subsequent commercial applications. We must improve the way we leverage European funds and cross-border innovation projects and investments. This joint effort encompasses a wide range of technological domains, from the fight against cancer—with biomedical advances—to the use of robots to improve our

wellbeing, and the creation of new materials and sources of energy that could improve our transport resources, in particular hydrogen and batteries.

4. **Future-oriented industrial policy.** Supporting critical sectors and technologies through an ecosystem approach will help us facilitate more industrial and technological cooperation across Member States. In order to do this, we should ensure strong foundations in education and skills, research, a well-functioning Single Market with state-of-the-art harmonised standards, stable and future proof legislation, and easy access to finance that form the basis of a favourable investment climate for companies and entrepreneurs. We should foster engagement in cooperation with all stakeholders via Industrial Alliances, European partnerships and cluster collaboration, including through adequate consideration and integration of the particularities of SMEs and start-ups. From an industrial and technological standpoint, in order to advance towards true open strategic autonomy, we need a robust European industry, fostering its competitiveness and creating the conditions for the modernization of our industrial fabric and its adaptation to the current economic and technological context.

5. **Capacity to set international standards.** The EU is already a key actor with the capacity to lay down and project rules and standards internationally, regarding not only economic aspects, but also labour rights, the environment or privacy. The next step must be to better leverage the EU's market power and lay down and project standards in the technological sphere. To this end, it will also be essential for the EU to invest in R&D&I.

6. **Health.** The COVID-19 pandemic has laid bare existing vulnerabilities and the importance of securing the European supply in the field of health, in particular as regards areas such as pharmaceuticals, medical technology, protective equipment, and chemical precursors. The proposals presented by the Commission in November 2020 to strengthen the EU health security framework and its crisis preparedness and to secure the supply of medicinal products, constitute a starting point for further discussion.

7. **Energy and climate.** The EU needs to enhance its efforts with regard to its energy security (including supply) and resilience, including the need to secure access to the critical raw materials and technologies necessary for the energy transition whilst avoiding new dependencies. Furthermore, to achieve climate neutrality and avoid carbon leakage we need to decarbonize all sectors of the economy and to mobilize funding to mitigate and adapt to climate change. To this end, we must increase electricity interconnections, promote the scale up of hydrogen, support the Commission on its work towards a carbon border adjustment mechanism, ensure respect for the Paris Agreement as an essential element for all future comprehensive trade agreements of the EU and invest in green innovation.

8. **Migration.** It is essential that the EU has the capacity to adopt a migration policy of its own, based on the principle of fair sharing of responsibility and solidarity. The EU should control more effectively who is entering its territory by establishing partnerships with important transit and origin countries,

coupled with a strengthened Schengen as an area of free movements, and an effective common migration management. Within those relationships with key third countries, as part of comprehensive and mutually beneficial partnerships, the EU should make effective use of all relevant EU instruments in order to strengthen cooperation, striving for clear goals and tangible mutually beneficial results.

9. **International role of the euro.** We must protect our economies against economic coercion measures for political purposes, and sanctions with extra-territorial effects. To this end, internationalizing the euro is a priority and we welcome the European Commission's overarching goal to foster the openness, strength and resilience of Europe's economic and financial system.

   A stronger international role for the euro should be based on the reinforcement and advancement of the foundations of the Economic and Monetary Union and further strengthening the economies of the Eurozone and its Member States. The wide acceptance of the debt issued by the EU in the context of the programmes to combat the COVID-19 pandemic, and the agreement on Next Generation EU, constitute an opportunity to promote the euro's role in international financial markets in the years to come.

   Additionally, given the technological advances in the financial sector, it is essential to guarantee the unique role of the euro in the Eurozone. To this end, it is necessary to take clear steps on two parallel fronts: regulating crypto-asset markets and studying the possible issuance of a digital euro.

   Moreover, to guarantee the strategic autonomy of Europe's economy, it will also be necessary to act in the following spheres:

   - Reinforcing the resilience of market infrastructures and strengthening the sovereignty of economic policies. In this context, making rapid progress in the negotiations on the Regulation on digital operational resilience for the financial sector will be key.
   - In the payments market, cross-border, competitive, safe and innovative EU payment solutions must be further promoted, to minimize the risks of an excessive dependency on foreign means of payment and technology.

10. **International taxation.** The European Union must continue to defend internationally, as part of the work of the OECD, a fair system that addresses the problems stemming from tax avoidance by multinationals, and which redefines a new international playing field taking into account the digitalisation of the economy. In the event that the negotiations in the OECD do not move forward in the upcoming months, the EU must advance swiftly to design and implement its own tax framework to address these problems.

11. **Common Security and Defence Policy.** From a security and defence perspective, European strategic autonomy means that the EU will enhance its global strategic role and its capacity to act autonomously when and where necessary and together with partners wherever possible.

The Strategic Compass will help the EU and its Member States to take the necessary steps in order to gradually work towards fulfilling that ambition. This includes, amongst others, closer cooperation on crisis management (including missions and operations and the gradual reinforcement of command and control structures), resilience, capability development and partnerships. Further development of the Permanent Structured Cooperation (PESCO) and of other European defence instruments and policies will be crucial to achieving these objectives.

The EU needs to achieve the necessary capabilities, while taking into account the prior obligations undertaken by Member States, notably those corresponding to the signatories of the North Atlantic Treaty. It must be understood that a Europe that shoulders its responsibilities in the area of defence is a Europe whose actions will strengthen NATO and its objectives.

These capabilities comprise, amongst others, the development of the European Defence Technological and Industrial Base; the human, technological and, above all, financial resources required to support it; and the establishment of a clearly defined and transparent framework for relations with third parties.

The EU must strengthen its cooperation with partner countries; including countries among the most technologically advanced nations, but it is also essential that they share the principles and values that the EU associates with such strategic projection.

12. **External relations.** The EU must act as a global leader in addressing global challenges, safeguarding the multilateral rules-based order and promoting our values and fundamental rights. We must pay particular attention to our neighbourhood, where we need to invest greater political capital and increase our leverage. Our goal must be to consolidate relations with our geographical neighbourhood, like-minded countries and strengthening the transatlantic relationship. Similarly, the EU must continue to pursue ambitious trade agreements with third countries that contribute to sustainable development in all its dimensions, and commit to effective implementation of existing agreements. By facilitating access to third markets, trade agreements will contribute significantly to trade diversification, thus enhancing the resilience of European supply chains and protecting Member States from future shocks.

13. **Multilateralism.** In a context of rising populism and nationalism and the COVID-19 pandemic, the EU must champion active and effective multilateralism in order to provide a collective response with a focus on Building Back Better and achieving the Sustainable Development Goals. This calls for the promotion of a rules-based international order and the development of common strategies to reform and strengthen key multilateral institutions such as the UN (inter alia WHO) and the WTO.

Strengthening the ability of the EU to defend its public interests and increasing its open strategic autonomy calls for effective decision-making mechanisms. It

could therefore be useful to explore in which areas the extension of qualified majority voting is possible, limiting – where possible and desirable- the instances where unanimity hampers the EU's capability to act.



The second decade of the 21st century has clearly shown that the European Union is facing a number of challenges calling for a common response. In the face of these challenges, the EU must guarantee the safety and wellbeing of our citizens. To achieve this objective, the EU must strengthen its strategic autonomy while preserving an open economy, in order to guarantee the stability of Europe and confirm its position as a key global actor.