

Strategic sovereignty for Europe

SUMMARY

The current coronavirus pandemic has exposed the vulnerability of the European Union to external actors, and has enhanced its progress towards 'strategic sovereignty'. This notion signifies the ability to act autonomously, to rely on one's own resources in key strategic areas and to cooperate with partners whenever needed. To fully develop such strategic sovereignty, the EU needs to show political will and strengthen its capacity to act. It has to give up its silo approach to policies and address them in a more coordinated manner. It also needs to move progressively towards 'smart power': relying on 'soft power' tools, whilst incrementally developing 'hard power' ones, including a fully-fledged EU defence instrument. Deepening the European project, including by tapping into the still unused/under-used potential of the Lisbon Treaty, will also bring the EU closer to strategic sovereignty, while also allowing it to reap the full benefits of the integration project. A strategically sovereign EU would represent a protective shield preventing powers that are increasingly influential on the global scene from turning it into their 'playground'.

Introduction¹

The coronavirus pandemic has triggered a [crisis](#) of unprecedented scale, which [has also affected](#) the EU and its citizens, and exposed some of the EU's dependencies on [external actors](#), notably China. Member States' old individualistic reflexes were visible during the early [crisis response](#), with analysts pointing at a [comeback](#) of 'bilateral diplomacy' and a regain of sovereignty. As the crisis went by, EU leaders emphasised the importance of keeping unity and jointly addressing the medium- to long-term common challenges. Achieving EU strategic autonomy became an essential element of the recovery effort, central to the [roadmap for recovery](#) jointly presented by the European Council President, Charles Michel, and the European Commission President, Ursula von der Leyen. Yet, the pandemic has only accelerated a trend that was already in motion. In its 2019 [China strategy](#), the EU was considering reinforcing its economic policy 'with strong European players, around strategic value chains' that are key to the 'EU industrial competitiveness and strategic autonomy'.

Over the next decade, the security landscape in the EU's immediate neighbourhood will most probably continue to be marked by uncertainty and volatility. The security situation will continue [deteriorating](#) worldwide, partly as a result of massive migration flows, scarce access to water and a food and climate emergency. Different global and regional powers will continue to gain influence, call [into question](#) the established international order and put an additional strain on transatlantic security.

¹ This paper is an abridged version of the forthcoming EPRS study, 'On the path to strategic autonomy: The EU in an evolving geopolitical environment'. The terms 'strategic sovereignty' and 'strategic autonomy' are used interchangeably in the paper.

The EU will have to give up its persisting [silo approach](#) to policies and address its economic and industrial policy, its climate and energy policy, its foreign policy and its security and defence policy in an inter-connected manner. The EU may continue to rely on existing 'soft power' tools – trade, sanctions, development and crisis management – but would also need to consider developing 'hard power' ones, including a fully-fledged EU defence instrument. Only the latter would allow the EU to credibly speak the '[language of power](#)', presented by High Representative Josep Borrell as a mandatory condition for the EU to effectively protect its values and defend its interests worldwide. In complementarity with NATO, for those Member States that are members of both organisations, EU Member States will have to accelerate their defence cooperation efforts in order to address shared future security challenges of a conventional or non-conventional (for example, cyber or hybrid) nature.

Strategic sovereignty – defined as the ability to act autonomously, to rely on one's own resources in key strategic areas and to cooperate with partners whenever needed – is thus a strength, which, if used effectively, could allow the EU to fulfil the goals [set](#) before it by the European Council in its Strategic Agenda 2019-2024, namely, to protect the EU's interests and to promote its values worldwide. It would furthermore enable the EU to live up to its self-set [level of ambition](#), namely to protect its citizens, to respond to external conflicts and crises and to build the capacity of its partners. Furthermore, the question is not only whether the EU should move towards building its strategic sovereignty but also what could the advantages from such a move be. The EU could thus reduce its existing dependencies, better promote its interests and values worldwide and multiply its economic benefits.

Cross-cutting aspects contributing to achieving strategic sovereignty

Strategic sovereignty allows an entity to act autonomously as well as to choose when, in what areas, and whether to act with like-minded partners. The capacity to act autonomously implies both the ability to decide and to implement decisions in an autonomous manner. Strategic sovereignty is not about self-sufficiency but about having the means and tools to [reduce](#) external dependencies in areas deemed strategic – such as foreign policy, security, energy or the economy. Its effectiveness derives from the ability to achieve the expected outcome. The prerequisites for effective strategic sovereignty are political will, common strategic vision and the capacity to act.

As regards the EU, its constitutional framework may prove an enabler or a stopper of its quest for strategic sovereignty, depending if used in full or not. As a parallel exercise, the EU needs to continue strengthening its foresight capacity, the only instrument allowing it to better anticipate and respond to future crises.

Political will and a common strategic vision

Political will is a key element in pursuing EU strategic sovereignty, particularly as it requires all players – the Member States and the EU institutions – to operate based on a common understanding of the concept. To date, political will remains limited to one sectoral item, the defence industry, for which consensus was brokered at the [European Council](#) in 2013, and reconfirmed since. In March 2019, the EU leaders recognised that the EU [needs](#) a long-term vision and assertiveness in its industrial policy, but they did not refer to it as a building block of strategic sovereignty.

In 2020, the coronavirus crisis further exposed the EU's vulnerabilities and some of its external dependencies in a horizontal, cross-policy manner. Despite its devastating effect, the crisis might act as a catalyst for a cross-policy political consensus on strategic autonomy as the EU tackles the challenges of post-crisis recovery. As a case in point, EU leaders [have started to recognise](#) that foreign direct investment (FDI) screening and the protection of strategic assets from foreign investments 'will contribute to the EU's strategic autonomy, during the crisis and afterwards'. The [roadmap for recovery](#), presented by Charles Michel and Ursula von der Leyen, confirmed that

industrial and economic policies are key enablers of strategic autonomy. Furthermore, President Michel [indicated](#) that it was of 'utmost importance to increase the strategic autonomy of the Union and produce essential goods in Europe'.

Build capacity to act autonomously

Interconnected internal and external vulnerabilities hamper the EU's capacity to act autonomously. The EU's slowness in getting its '[internal act together](#)' represents a vulnerability due to the length of the decision-making process and, in certain cases, difficulty to reach consensus as a result of persisting diverging national interests. This may place the EU in situations where its main global strategic rivals – Russia, China and even sometimes the US – could seek to capitalise on Member States' divergences of view in order to pursue their own interests. To mitigate this risk, the EU could streamline the existing decision-making process by moving to qualified majority voting (QMV) on a wider range of issues, including foreign policy, thus allowing for a swifter and more rapid decision-making process.

There are cases when the EU swiftly gets its 'internal act together' by means of consensus, but it may still face difficulties in protecting its interests internationally, as has been the case, for example, with the landmark agreement on Iran's nuclear programme – the Joint Comprehensive Plan of Action ([JCPOA](#)). The European Council was successful in building and maintaining unity in support of the JCPOA between May 2018 (when the US pulled out of the deal) and January 2020 (when France, Germany and the UK [triggered](#) the dispute resolution mechanism on grounds of non-compliance by the Iranian regime). Yet, the EU could not counter the US' threat to sanction EU companies trading with Iran. The initiative to adopt an instrument – the Instrument in Support of Trade Exchanges (INSTEX) – with the aim to support EU companies from targeted sectors (for example, the pharmaceutical sector), whilst mitigating the consequences arising from the US' unilateral introduction of sanctions, was launched by several Member States, but not the EU as a whole. Furthermore, its impact from its creation in January 2019 to date remains rather marginal, as it has only been used once. A strategically sovereign EU should be able to infuse trust and show ability to protect.

Deepen the European project

Greater EU strategic sovereignty can also be achieved by way of deepening the EU project. The EU could [tap into](#) the still underused/unused potential of the Lisbon Treaty. The European Council has a key role to play in triggering some of the Treaty provisions; for instance, in regards to foreign and security policy, it could give the greenlight to broaden the scope of the QMV to include the launch of civilian common security and defence policy (CSDP) missions. The Heads of State or Government could also advance EU cooperation in the field of defence and agree on the EU's move towards common defence, as stipulated in [Article 42\(2\)](#) of the Treaty on European Union (TEU). In areas such as energy and climate, more ambitious EU action is possible by using the *passerelle* clause in [Article 192](#) of the Treaty on the Functioning of the European Union (TFEU), which allows, provided Member States unanimously agree, to transfer energy competencies to the EU on environmental grounds. The forthcoming Conference on the Future of Europe may also offer an opportunity to further deepen the European project. Here again, Member States may wish to grasp the full potential of the Lisbon Treaty, including its [simplified revision procedure](#), and deepen integration in certain policy areas (for example, justice and home affairs) covered by Part Three of the TFEU. This would result in a Lisbon+ Treaty and not in a [new Treaty](#), for which there is limited political appetite.

Strengthen EU foresight capacity

The coronavirus outbreak showed, once again, the importance of crisis anticipation and preparedness. Foresight is essential to allow the EU to project itself to the 2030/2050 horizon, to increase its capacity to act autonomously as well as to adapt its policies and tools to an increasingly more volatile and demanding international environment. Both conventional and non-conventional

[threats to security](#) have to be considered and factored in to an equal extent in the EU's anticipation of and response to crises. The European Commission, through the creation of a [foresight portfolio](#) held by Interinstitutional Relations and Foresight Commission Vice-President, Maroš Šefčovič, has recognised the increasing importance of strategic foresight in detecting possible changes in the landscape the EU would be operating in a couple of years from now. Furthermore, the European Strategy and Policy Analysis System (ESPAS) [project](#) has been launched to foster interinstitutional communication, cooperation and coordination on foresight. Foresight analysis needs to go hand in hand with a common understanding and political agreement on the EU's long-term strategic goals.

Asserting a stronger EU in the world

The EU is operating in an increasingly volatile, complex and interdependent international context, and facing growing unilateral action from various global actors, including its closest ally, the US. Scholars see the US' decision to withdraw from the Paris Agreement on climate change and the Iran nuclear deal or to ramp up trade tensions, as the '[new normal](#)', a return to a more [pragmatic vision](#) of international relations where power, interests and geopolitics prevail. Russia is another player that has, on several occasions in recent years, severely challenged the established international order, first and foremost through its illegal annexation of Crimea. In its turn, China is also challenging the [world order](#) through an assertive economic policy and a [growing appetite](#) for acquiring foreign [strategic infrastructure](#). More recently, regional players, such as Turkey with its [activities](#) in the Eastern Mediterranean and [implication](#) in the Libyan and Syrian conflicts, have been adopting an increasingly assertive behaviour thus challenging international security.

Building strategic autonomy would allow the EU to better defend its interests and promote its values worldwide. It would also allow the EU to consolidate its foreign policy approach based on multilateralism and engagement with global and regional partners. To preserve its voice internationally, the EU needs to credibly speak the 'language of power', whilst relying on a mix of soft and hard power tools.

Promote EU values and defend EU interests in the world

A strategically sovereign EU would be able to act autonomously and thus to protect its interests and defend its values worldwide. Scholars stress that the EU's voice in the world is '[under threat](#)' and that the EU needs to act urgently if its views are to continue to count internationally. Furthermore, it needs to [adapt](#) to an increasingly dynamic and complex international context, maintain unity and speak with one voice to avoid becoming the '[playground](#)' of global powers as their rivalry mounts.

The EU can rely on its policies, regulatory capacity and shared principles in its effort to protect its interests and promote its values worldwide. An example are the EU's recent-generation free trade agreements, which include [climate-](#) and [human rights-](#)related clauses; consequently, a [substantial violation](#) of these clauses may result in the termination of such an agreement.

Another way to protect values and defend interests is through targeted policy initiatives. This is the case, for example, with EU climate diplomacy, aimed at supporting the EU's ambition to spearhead the international fight against climate change. It is also the case with the [cyber diplomacy toolbox](#), which has recently allowed to impose the first [EU cyber-related sanctions](#).

More needs to be done in protecting EU values, such as the transition to clean energy or the achievement of sustainable development, which, as a result of the ongoing coronavirus recovery process, might be stalled in some parts of the world. The EU actively [supports](#) climate action in third countries through climate and development funding, of which it is the main international provider to date.

Strengthen multilateralism

As mentioned above, there has been a return to a more pragmatic vision of the world, driven by geopolitical considerations, where global and even regional powers challenge the established

international order, whilst [rejecting multilateralism](#). The EU and its Member States remain [committed](#) to multilateralism but need to review their approach and increasingly work on a topic-by-topic basis with a wide range of partners. The EU can continue, for example, to [cooperate](#) with China on the implementation of the Paris Agreement. It can also work with like-minded partners on reforming different international organisations. As regards the World Trade Organization reform, elements of convergence could be found with several partners, including the [US](#) and [Japan](#). The coronavirus outbreak has shown that there is a need to reform the World Health Organization and strengthen its [pandemic preparedness response](#). Here, [synergies](#) could be found with the US in case it reverses its decision to [withdraw](#) from the organisation. A lot needs to be done with respect to preserving international peace and security. The [withdrawal](#) of the US from several landmark arms control treaties adds volatility and complexity to the security situation in Europe at a moment when NATO leaders have not overcome their [divergence of views](#) on the future of the alliance and the role that a [strengthened European pillar](#) could play.

Engage with global and regional partners

The European Council has [reiterated](#) several times that one way to strengthen the EU internationally is by engaging with global and regional partners. This includes increased cooperation with the UN, NATO and the African Union (AU) on a wide range of issues, among which crisis management. It also includes cooperation with global – such as the US, China and Russia – or regional – for instance, Turkey – players.

If the EU is to cooperate with other international organisations or individual countries on a bilateral level, achieving and maintaining unity on common positions is essential to ensure that the EU's international action is effective and credible. Hence, a common Russia and a common China policy that Member States would commit to effectively observe, would allow to counter attempts to surf on internal divisions and to strengthen the EU's ability to decide and/or implement decisions. It is also rather urgent for the EU to agree on strategies regarding different regional partners, particularly those situated in its close neighbourhood where instability is mounting. A case in point is Turkey, which, through its increasingly [assertive behaviour](#) in the eastern Mediterranean and unflinching policies in [Syria](#) and [Libya](#), is putting a strain on international security and stability. Turkey's behaviour, if unchanged, would sooner or later trigger a debate on values, interests and objectives both within the [EU](#) and [NATO](#), if both organisations were to offer an equal level of protection to all their members.

Move towards smart power

Some of the EU's external vulnerabilities, known well before the coronavirus outbreak, have been widely exposed and in some instances even deepened since. Scholars have [stressed](#) that, unless EU foreign policy is substantively and strategically upgraded and reviewed, reliance on its three pillars – multilateralism, transatlantic shared values and interests, and a level playing field in global trade – is likely to weaken the EU's position in an increasingly power-driven international world, where interests prevail over values and norms. In their view, the soft power approach centred on the EU's power of attraction, promotion of values and normative capacity needs deep rethinking, while some elements of hard power have to be featured in. Well before the pandemic, the [EU Global Strategy](#) stated that 'soft and hard power go hand in hand' but, given persisting Member States' [sensitivities](#), lacked clarity on what hard power stood for.

In their quest for a hybrid solution, where soft and hard power elements would come together in a unique manner and would allow the EU to reassert its position internationally, scholars and practitioners have advanced concepts such as that of '[smart power](#)'. Reaching consensus on and developing hard power tools may take time. Scholars have thus posited that the most flexible and rapid manner to ensure that the EU effectively defends its interests in a world increasingly dominated by geopolitical considerations would be by [using](#) its existing soft power tools, including inter alia its trade weight or its capacity to autonomously set sanctions, in a hard manner. There is

however very limited benefit with such an approach in the absence of a strategically sovereign EU, able not only to decide autonomously but also to effectively implement its decisions, and, whenever needed, in cooperation with partners.

Assume greater responsibility for EU defence

The EU needs to step up its security and defence cooperation in the next decade if it wishes to be able to act autonomously and in close cooperation and complementarity with NATO. The EU Member States will have to regularly assess the full spectrum of shared threats to security and periodically shape a common response. The EU will also have to spend better collectively and reduce the '[waste rate](#)', by avoiding duplication and increasing the share of collaborative defence equipment programmes, which falls short of the targets agreed in the EU and NATO.

Regularly assess common threats and risks to security

The EU and its Member States are confronted with complex and multidimensional (internal/external, conventional/non-conventional) threats. An assessment of the common threats to security is currently conducted as part of the '[strategic compass](#)' exercise. Its outcome should help determine the type of capabilities the Member States would need to develop jointly in the next decade in order to be able to respond to the threats they are confronted with, avoid duplication, and share the transatlantic burden within NATO.

The [EU Global Strategy](#) has already identified a number of non-conventional threats, including terrorism, hybrid and cyber threats. Most Member States' strategic documents already [mention](#) these threats. At the Future of Europe debates in the European Parliament (2018-2019), a majority of Heads of State or Government [spoke](#) of common threats to security the EU and the Member States were facing and called for a joint response. They stressed that only together and not in isolation could the Member States respond to the threats they were confronted with individually and collectively. Furthermore, the leaders debated the idea of meeting once a year in a European Security Council format, as had been [suggested](#) by the French and German ministers of foreign affairs back in 2016. The Franco-German proposal did not make it clear if the meeting should take place within the EU framework or outside of it. Meeting outside the EU framework would allow to engage on security issues with non-EU partners (Norway, the United Kingdom) and with EU partners that are not involved in the military CSDP (Denmark). This does not however prevent the European Council from holding, on a yearly basis, a meeting dedicated to security and defence to evaluate common threats, based on a report from the High Representative.

Agree on a EU defence instrument

An EU defence instrument combining [soft and hard power features](#) is absent so far. If built, it would allow the EU to become strategically autonomous, respond to the entire spectrum of threats to security, whether of a conventional or a non-conventional nature, and protect all EU citizens independently of their country's NATO (non-)membership in case of a new activation of the mutual assistance (defence) clause (Article 42(7) TEU). The EU would thus be able to share the burden of transatlantic security and build a robust European pillar within NATO, based on an enhanced level of interoperability. This would require national capabilities – equipment and troops – to interconnect more than is currently the case. Furthermore, a fully-fledged European defence instrument would inter alia require a common doctrine, strategic culture rapprochement, joint training, joint procurement, joint funding for military operations and an EU intelligence capacity.

Strengthen the defence market and the defence industry

The European Council [has recognised](#) that a more integrated European defence technological and industrial base (EDTIB) would allow to overcome fragmentation, share costs, foster cooperation on research and development, reduce growing and prevent further technological obsolescence, whilst contributing to enhancing the EU's strategic autonomy. Political consensus reached in the European

Council has led to the creation of the European Defence Fund (EDF), a mechanism intended to support the joint development of capabilities. Success or failure in the implementation phase could be determined by the type of capabilities that will be developed. Although High Representative Josep Borrell and Internal Market Commissioner, Thierry Breton, have [called](#) for an 'ambitious budget' for the EDF, only €7 billion, or 39 % less than the initial [estimate](#) of 2018, is about to be allocated.

The European defence industry remains [unevenly](#) located across the EU Member States. It has a small number of large-scale companies with a global reach and nearly [2 500 SMEs](#), which supply components. To offset the deleterious effects of the pandemic, budgetary efforts might be invested in economic recovery, whilst other sectors, such as defence – on which EU defence companies are quite dependent – could again face substantive cuts. Regardless of how big or small European defence companies are, their technical know-how is of strategic importance, and no gain of autonomy is possible for the EU without preserving this know-how. It is thus essential to continue strengthening these companies through efforts at national and EU level. The two directives adopted in 2009 – on [procurement](#) and on [transfers of defence-related products](#) – aimed to boost joint European procurement, to overcome the fragmentation present in the defence market and to support the defence industry. Analysts [emphasise](#) their poor implementation record and stress that this trend needs to be reversed in order to allow better value for money and to overcome persisting defence market fragmentation.

Strengthen EU resilience in terms of security and defence

Bolstering resilience to hybrid, cyber and terrorist activities is key to both the [EU Global Strategy](#) and EU-NATO cooperation. Scholars [stress](#) that collective defence is and will remain the core task of NATO, but that the EU could and should play an enhanced role in the hybrid, cyber and counterterrorism response. The NATO summit in London displayed the [diverging views](#) of the different leaders on the future of the alliance. Analysts [concur](#) that staff-to-staff cooperation on technical aspects, including on hybrid and cyber aspects, is running smoothly and that the implementation of the 2016 Warsaw [EU-NATO Joint Declaration](#) and of the 2018 Brussels [EU-NATO Joint Declaration](#) have led inter alia to [progress](#) on crisis preparedness, joint trainings and information exchange. Nevertheless, in the long run, unless overcome, the current political impasse might have a negative impact on the implementation of the two joint declarations.

Tackle existing and evolving vulnerabilities

The EU is part of a globalised environment characterised by interdependence, which is at the heart of its multilateral action, and therefore of its foreign policy action. Disruptions that transform interdependencies into dependencies lead to imbalances and could be countered through effective strategic sovereignty. The greater the EU's dependency in specific policy areas – trade, energy security or digital – the more vulnerable and unable it is to defend its interests and promote its values. In addition, the EU is increasingly facing non-policy related vulnerabilities that in turn may affect its policies and image. A case in point is disinformation, which, as a rule, originates outside the EU yet produces effects within it, having the potential to exacerbate nationalism and/or populism as well as contribute to EU citizens' disengagement from national and/or EU public affairs.

Address asymmetries and promote open trade

Trade is an area where global power competition has become increasingly visible in the past years. US-China relations have become particularly tense, and could escalate further as a result of the pandemic. In this context, the EU must ensure that it is not caught in between, that its interests are protected, and that it can respond to unfair competition practices if and when such arise. It is thus important for the EU to modernise existing mechanisms or even introduce new ones that would allow it to act autonomously and protect its interests. The recent reinforcement of the [trade defence](#)

[instruments](#) represents a step forward in ensuring that the EU can protect itself from dumping practices or effectively counter subsidised imports. As a promoter of multilateralism, the EU will [continue](#) 'to defend the concept of collective gains based on a level playing-field and a global environment that can bring benefits to all'.

Disruptions in EU trade relations with the rest of the world may be the consequence of growing asymmetries resulting from the absence of an effective level playing field, as it is currently the case in its trade relations with China. China has to commit to regulate the behaviour of state-owned enterprises and forced technology transfers; doing so may help remedy the existing [imbalance](#) and thus unblock negotiations on an [investment agreement](#) with the EU.

Reduce energy dependency

The EU's external energy dependency, all energy types included, [rose](#) from 56 % in 2000 to 58 % in 2018 despite the European Council's [call](#) in 2014 to reduce dependency from outside sources, in particular in the electricity and gas sectors. Russia remains the EU's main external supplier in the case of both crude oil (30 % of EU imports) and natural gas (40 % of EU imports). Analysts [point](#) to a tacit understanding, reached prior to 1989 among the largest western European countries, to limit for strategic purposes their gas dependency on the then Soviet Union to a maximum of 30 % of their consumption; this tacit understanding is still respected nowadays.

One way to further reduce dependency across the EU-27 and ensure security of supply is by diversifying sources of energy, reducing fossil fuel consumption, while also increasing the share of liquefied natural gas (LNG). Increasing LNG would result in reducing the share of gas supplied by pipelines, for which Russia is the main supplier. LNG is generally more expensive than gas supplied through pipes. Yet, in order to reduce dependencies and boost strategic autonomy, the economic cost of diversification needs to be considered in a broader context, as a long-term investment towards the EU's and its Member States' strategic interest. Such a move is expected to result in a multiplication of sources of energy, in particular renewable, and in a diversification of suppliers; both processes would lead to lower prices, thus offering Member States a negotiation leeway. Renewable energy is at the core of the [EU Green Deal](#), an economically and socially transformative project seeking to assert the EU as a leader in the international fight against climate change. Another way to further reduce energy dependency is, as already stressed in this paper, to activate the *passerelle* clause in Article 192 TFEU, thus using the still unused potential of the Lisbon Treaty.

Build the resilience of critical infrastructure

[Resilience](#) is the ability to renew, resist and be crisis-proof. To enhance the EU's resilience, the Council has [committed](#) to protect critical infrastructure, whilst the European Council has [stressed](#) that the EU 'must give itself the means to match its ambitions, attain its objectives and carry through its policies'.

[Military mobility](#), an initiative of [strategic importance](#) for both NATO and the EU, aims to facilitate, if need be, the rapid movement of military capabilities (troops and equipment) from one side of the continent to the other. It requires an upgrading and/or the development of critical infrastructure as well as the harmonisation of national legislation requirements. As a new dual-use project funded from the 2021-2027 multiannual financial framework (MFF) through the [Connecting Europe Facility](#) instrument, military mobility has an [envelope](#) of €1.5 billion, a decrease of 74 % from the Commission's initially proposal amount of €5.76 billion in 2018. Reduced funding will, most probably, impact project objectives in the medium and long term, hampering Member States' ability to quickly react in case of a crisis.

When it comes to resilience in terms of the EU's critical infrastructure, this is also about new technologies and their protection. The current pandemic has shed light on the urgency of addressing the EU's lack of digital sovereignty. Building critical digital infrastructure alongside

digital capacities and technologies is one of the central elements of the [recovery process](#), as stressed by the [roadmap for recovery](#).

Counter disinformation

The coronavirus outbreak has [triggered](#) a spike in online disinformation activities and hospital-related cyber-attacks originating from China. To address this issue, the Commission has published a [joint communication](#) on disinformation, clearly identifying China, alongside Russia, as some of the sources promoting misleading narratives, including on the EU's support to [third countries](#), in particular to its partners in the Western Balkans. Early on in the crisis, the European Council [recognised](#) that fighting disinformation with fact-based communication is a key element allowing to reinforce the resilience of European societies. Already prior to the pandemic, the European Council had [regularly](#) considered disinformation, at that time mainly originating from Russia. Similarly, EU leaders had stressed that there is a need for a coordinated [response](#) in implementing the [EU Joint action plan on disinformation](#), which inter alia calls for a clear mandate and sufficient resources for the strategic communication teams within the European External Action Service (EEAS). This requires rapid action and resources if the EEAS is to expand its strategic communication activity – so far mainly focussed on Russia, the Western Balkans and the South (Middle East, North Africa and the Gulf States) – to cover China in a more comprehensive manner.

Use domestic polices and tools to consolidate the EU's external position

The EU's strength resides in its domestic policies and tools, in particular its internal market, common currency and normative power. A further strengthening of domestic policies and tools would contribute to the EU's strategic sovereignty and ensure that its voice continues to count internationally. This can be achieved inter alia by increasing the level of common resources, by consolidating the international role of the euro, by strengthening the EU's standard-setting capacity or by undertaking a further review of the rules applicable to foreign direct investment screening.

Common resources matching the EU's level of ambition

In order to build its strategic autonomy and meet its self-set level of ambition, the EU needs an [appropriate](#) level of resources. The [Next Generation EU](#) (NGEU) instrument has been [agreed](#) as a one-time mechanism in response to the pandemic, having no *a priori* potential to be a game-changer in the long run. According to the Commission, NGEU 'temporarily lifts the own resources ceiling to 2.00 % of EU gross national income', [permitting](#) to increase the overall level of resources and boost recovery. It is not yet entirely clear if, jointly with the 2021-2027 MFF, it would allow the EU to meet its level of ambition, given that the European Council has thus far [allocated](#) less funding than expected to strategically important [policy areas](#) such as climate, defence and external relations. To be able to strengthen its external position, the EU would need to increase its level of resources in the long run in order to achieve economies of scale and make the most of integration benefits. A reform of the [own resources](#) mechanism is [supported](#) by the European Parliament and could allow to tap into new budgetary resources while also 'salvaging the EU budget'.

Consolidate the international role of the euro

In its over two-decade existence, the euro has gained international [recognition](#) and become the second most important international currency after the US dollar. However, the euro is more than just a simple currency or a tool for building strategic sovereignty. It is a measure of the EU's strength. Three out of four EU citizens [support](#) the euro and therefore the European project. Such high approval rates may come from the euro's ability to offer price stability, boost trade and lower transaction costs for both EU citizens and companies.

The [mechanisms](#) set in place following the financial crisis of 2008 enabled the [European Central Bank](#) to act [swiftly](#) during the early stages of the pandemic, using the euro as a [protective shield](#). Yet, the EU must continue to strengthen the euro in a dynamic economic environment where different powers, in particular China, may use both [classical](#) and [digital currencies](#) to challenge the current established international monetary order. The euro's international role could be strengthened by completing, as [requested](#) by the Parliament, banking union and by progressing on the capital markets union, which would help overcome the fragmentation of EU financial markets.

Promote the EU's standard-setting capacity

The EU can rely on its normative capacity and power of attraction to set standards worldwide. Analysts [consider](#) that increased use of its active capacity in support of standards-setting would allow the EU to move beyond its current soft power status towards that of a rule-maker able to promote its values worldwide. They argue that the EU has already shown assertiveness in this domain, as it became the main setter of 'the global agenda on consumer protection, financial services and data'. In other domains, such as climate change, the EU could, by enshrining the objective of carbon neutrality by 2050 in [EU law](#), encourage other parties to the Paris Agreement to include similar binding commitments in their national legislations.

Strengthen foreign direct investment screening rules

The EU's FDI regime is among the [most open](#) ones worldwide; the EU [introduced](#) FDI screening rules for the first time in 2019. These were followed in 2020 by [implementation guidelines](#), which recognised the importance of protecting strategic assets, and by a new [EU industrial strategy](#), which recognised the FDI's importance for safeguarding 'Europe's interests on the grounds of security and public order'.

The pandemic has shown the EU's growing asymmetry in its trade with its partners, notably China. The EU and its Member States need [unity](#), coordination and sharing of best practices in implementing the FDI screening exercise. Moreover, as [stressed](#) by the Parliament, the FDI screening regime needs further strengthening. This process should be carried out in parallel with constant updating of EU industrial policy. A robust EU industrial policy, including systematic FDI screening, could lead to more goods being produced in the EU and contribute to remedying asymmetries in trade relations with partners.

The way forward

The pandemic has accelerated the EU's quest for strategic sovereignty, a goal whose achievement requires a horizontal approach to policies. The EU has to be more assertive in the protection of its values and the defence of its interests. It needs to use soft power in a hard manner whilst building hard power elements allowing it to become a smart power. One possibility to build strategic sovereignty is by unlocking the unused/under-used potential of the Lisbon Treaty. There are multiple benefits to be reaped from a strategically sovereign EU, notably more balanced trade relations with partners.

Potential initiatives

	Project	Likely lead actor	What should be done?	
Cross-cutting aspects involved in achieving EU strategic sovereignty				
1	Build political will and foster a common strategic vision	EU institutions	Maintain the existing sectorial political consensus Extend political consensus to all EU policies	
2	Strengthen the EU's capacity to act autonomously	EU institutions	Streamline the EU decision-making; extend the QMV Support common investment/spending in key areas	
3	Deepen the European project	EU institutions/ Member States	Use the unused/underused potential of the Treaty Grasp the opportunity presented by the Conference on the Future of Europe to upgrade the Treaty to a Lisbon+ Treaty	
4	Strengthen the EU's foresight capacity	EU institutions	Continue to strengthen foresight capacities at institutional and inter-institutional (ESPAS) level	
A stronger EU in the world				
5	Promote the values and defend the interests of the EU in the world	EU institutions	Systematically include ambitious climate and human rights clauses in FTAs Use climate and cyber diplomacy toolboxes to promote the values and defend the interests of the EU	
6	Strengthen multilateralism	EU institutions/ Member States	Speak with one voice at different multilateral fora Lead the reform of various international organisations, including the UN, WTO and WHO.	
7	Engage with global and regional partners	EU institutions/ Member States	Cooperate with global or regional partners on a case-by-case basis Develop common EU-level strategies with respect to partners and ensure compatibility with national ones	
8	Move towards smart power	EU institutions/ Member States	Use soft power tools in a hard manner. Agree on hard power tools and develop them.	
Assume greater responsibility for EU defence				
9	Regularly assess common threats and risks to security	EU institutions/ Member States	Complete the strategic compass exercise Harmonise national security strategies based on the results of the strategic compass exercise	
10	Agree on a European Defence Instrument	EU institutions/ Member States	Build a common doctrine and strategic culture Build interconnected national defence capabilities Build a strong European pillar in NATO allowing to share the burden of transatlantic security and foster interoperability	
11	Strengthen the defence market and the defence industry	EU institutions/ Member States	Boost military as well as dual-use R&D/R&T. A more ambitious financial commitment to the EDF Reap the benefits of PESCO	
12	Strengthen the EU's resilience in security and defence	EU institutions	Strengthen the EU's hybrid and cyber response Implement the EU's joint declarations with NATO	
Tackle emerging and existing vulnerabilities				
13	Address asymmetries and promote open trade	EU institutions	Support multilateralism and a level-playing field Continue to strengthen trade defence instruments	

	Project	Likely lead actor	What should be done?	
14	Reduce energy dependency	Member States EU institutions	Diversify sources of energy Promote renewable energy	
15	Build the resilience of critical infrastructure	EU institutions	Use military mobility to modernise/build critical infrastructure; harmonise national legislation with regard to critical infrastructure Build and protect digital infrastructure	
16	Counter disinformation	EU institutions	Allocate the necessary financial and human resources that would allow to expand EEAS' strategic communication	
Use domestic policies and tools to consolidate the EU's external position				
17	Common resources matching the EU's level of ambition	EU institutions/ Member States	Allocate sufficient funding to strategic areas Reform the own-resources mechanism	
18	Consolidate the international role of the euro	EU institutions/ Member States	Complete the banking union Progress on the capital markets union	
19	Promote the EU's standard-setting capacity	EU institutions	Use the EU's normative capacity to set worldwide standards in a wide range of areas, including climate, digital and taxation	
20	Strengthen EU FDI screening rules	EU institutions/ Member States	Identify and share best practices in FDI screening Develop a more robust FDI screening regime	

REFERENCES

Fiott D., [Uncharted Territory? Towards a common threat analysis and a Strategic Compass for EU security and defence](#), Brief No 16, European Union Institute for Security Studies, July 2020.

Grevi G., [Europe's path to strategic recovery: Brace, empower and engage](#), European Policy Centre, April 2020.

Howorth J., 'Strategic autonomy and EU-NATO cooperation: threat or opportunity for transatlantic defence relations?', *Journal of European Integration*, 40:5, 2018, pp. 523-537.

Leonard M. and Shapiro J., [Empowering EU Member States with Strategic Sovereignty](#), European Council on Foreign Relations, June 2019.

Lippert B., von Ondarza N. and Perthes V. (eds.), [European Strategic Autonomy – Actors, issues, Conflicts of Interests](#), Research Paper 4, Stiftung Wissenschaft und Politik, German Institute for International and Security Affairs, March 2019.

DISCLAIMER AND COPYRIGHT

This document is prepared for, and addressed to, the Members and staff of the European Parliament as background material to assist them in their parliamentary work. The content of the document is the sole responsibility of its author(s) and any opinions expressed herein should not be taken to represent an official position of the Parliament.

Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the European Parliament is given prior notice and sent a copy.

© European Union, 2020.

eprs@ep.europa.eu (contact)

www.eprs.ep.parl.union.eu (intranet)

www.europarl.europa.eu/thinktank (internet)

<http://epthinktank.eu> (blog)

