

Joint Non-paper on Open Strategic Autonomy of the EU

Belgium, Finland, the Netherlands, Portugal and Slovakia

Introduction

- A geopolitically fragmented world demands a strong and resilient Union that is able to safeguard and promote its core interests, strive for a rules-based, open and interconnected economy and champion multilateralism and international cooperation. The concept of open strategic autonomy (OSA) was introduced to achieve just that.
- The EU must be able to respond to global challenges related to, *inter alia*, climate change, high-risk strategic dependencies on raw materials, energy, medicines, and strategic technologies, as well as to military, cyber and hybrid threats.
- The open strategic autonomy of the European Union stands for its ability to safeguard public interests and to be resilient in an interconnected world, in collaboration with international partners and on the basis of its own insights and choices.
- Belgium, Finland, the Netherlands, Portugal and Slovakia commend the Spanish Presidency for putting open strategic autonomy on top of the agenda and look forward to upcoming high-level discussions.
- Building on recent discussions and publications (such as the CIONs Joint Communication on economic security) this non-paper aims to A) provide a clear and comprehensive framework for OSA; B) identify policy areas that require increased attention; and C) propose a governance structure, allowing the EU to increase its capacity for action in an efficient and effective manner.
- In view of current and future challenges, in pursuit of a stronger and more resilient Union, it is important to promote the development of a general framework of OSA. This will serve to i) structure the EU debate on OSA; ii) give direction to our joint efforts ; iii) enable stocktaking of our progress; iv) challenge us to set and attain goals.
- We envisage a model that consists of three mutually reinforcing lines of effort: 1) structurally reinforcing the political-economic foundations of the EU; 2) mitigating the risks associated with strategic dependencies; and 3) expanding the EU's capacity for geopolitical action.



1. Reinforcing the political-economic foundations of the EU

- A strong single market is the foundation of a resilient Union. Preserving its integrity and ensuring participation by SME are paramount. Taking OSA into account in our policy making allows us to ensure an open economy, whilst applying protective measures where necessary, thus future-proofing our policy to limit the risks of future strategic dependencies. Facilitating better access to funding will further strengthen our efforts to build a more resilient union.
- **1) A strong single market and level playing field:** An open, sustainable, inclusive and fair single market fosters the EU's competitiveness and its capacity to innovate. We call on the Commission to provide a better overview of the state of play of the single market. To this end, the Commission should examine unsatisfactory progress and obstacles to further integration. This contributes to improving the governance, functioning and further integration of the single market, especially in the services sector, through input for actions that enable European businesses and SME to grow. Striving for maximum harmonization in the implementation of the European regulatory framework on the single market will further aid in removing unjustified barriers. Political commitment is required to successfully address unjustified barriers to free movement, among others in all fourteen industrial ecosystems and services, to enforce single market rules and to increase its resilience, also in times of crises. Examples of possible areas where addressing unjustified barriers could be investigated are territorial supply constraints, labeling and packaging and charging station metrology. A strong single market demands strong and secure infrastructure and interconnections, be it in transport, energy or telecommunications.
- **2) A fair social Europe:** Fostering upward social and economic convergence and a level playing field is essential. This requires that we ensure equal opportunities, invest in upskilling and reskilling our workforce, and in our ability to attract and retain highly skilled workers.

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- **3) A sustainable, net-zero Europe:** An ambitious environmental and climate policy should remain our goal and can contribute to Europe's open strategic autonomy.
- **4) Capital Market and Banking Union:** We call upon the Commission to make progress with deepening the Capital Market Union and the mobilization of private capital for investments in e.g. the sustainable and digital transition. Priority should be given to more local development and participation of investors, including institutional investors such as pension funds and businesses, supervisory convergence decreasing fragmentation and protecting consumers. Furthermore, we call upon the Commission to promote solutions to allow the completion of the Banking Union.
- **5) Excellence in Research and Innovation:** Considering that knowledge is crucial for working on a future-proof economy and society, we should strive to meet the public and private expenditure goal of spending 3% of the GDP on Research and Development. More European collaboration and an attractive business and investment climate on the basis of reduced barriers to start-ups and scale-ups as well as harmonized rules and reporting obligations would be conducive to reaching excellence in innovation. Particular focus should be given to investments in the field of sensitive emerging, digital and green technologies to boost an open, competitive and resilient economy.

2. Mitigating high-risk strategic dependencies and safeguarding economic security

- Impending or existing strategic dependencies require additional policies to mitigate specific risks. The Critical Raw Materials Act, Net Zero Industry Act and the EU Chips Act are important steps, as is moving towards a more circular economy. Similarly, trade agreements that facilitate diversification and Important Projects of Common European Interest (IPCEI) are essential instruments to mitigate high-risk strategic dependencies. Instruments such as the IPCEI should be used in a proportionate manner and should address a limited number of the Union's strategic objectives and challenges. IPCEI should fit the aims of OSA and not compromise the integrity of the single market.
- **1) Technological Leadership:** We need a comprehensive EU Technology Strategy to ensure a coordinated approach and coherent policies towards achieving technological leadership. It is of crucial importance to be a frontrunner on certain technologies. We can achieve this through excellence in research and innovation and by promoting technology transfer to the market and scale-up. The strategy should contribute to a more systematic and strategic approach to industrial policy and focus on technologies determined by the following considerations: 1) (national) economic security; 2) EU's position in the global ecosystem; 3) earning capacity and 4) societal and environmental challenges. Ethical principles and human rights should also be considered, strengthening the EU's worldwide norm-setting influence. Also, it should have a strong international focus, leveraging the EU's position in global technology development, building on the foundation of 2022 Council conclusion on the EU's Digital Diplomacy. The strategy should also be based on engagement with academia, civil society and industry, benefitting from the EU's strong research communities on new technologies.
- **2) Mitigating high-risk strategic dependencies:** Building on the Spanish-led Strategic Foresight (OSA-)project, we call upon the Commission to take on a stronger coordinating role in streamlining the efforts of MS and developing a shared analysis framework to identify and mitigate dependencies in crucial sectors through diversifying suppliers and developing recycling and substitution. It is necessary to take further steps to strengthen the extraction of critical and strategic raw materials in Europe, as well as sustainable refining capacity - in accordance with the CRMA. Our aim is for the EU to achieve a high degree of resilience to potential external shocks, resulting in shortages of key resources (energy, raw materials, technology, food, medicines, infrastructure). Ensuring solidarity and coordination in crisis situations is also crucial.
- **3) EU Economic Security:** The Joint Communication *An EU approach to enhance economic security* serves as a good basis for discussion; its three pillars (3Ps: *promote, protect and partners*) are vital for open strategic autonomy. The EU is as strong as its weakest link. This means that EU cooperation on economic security should include closer coordination between MS on inbound FDI screening and export control measures, as well as on countering unwanted knowledge transfer. Moreover, adequate policy on knowledge security should be a precondition when applying for EU funding. At the same time we must also ensure that the EU remains open to the world and continues to develop strong trade relations, taking into account social and environmental standards. Extending the EU trade agreements network will contribute to the

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resilience of our economy. A process to be framed by the multilateral rules-based international system, with a reformed WTO at its core.

3. Expanding the EU's capacity for geopolitical action

- The EU must be able to act swiftly and decisively to respond to external challenges and opportunities. The EU should translate its economic strength into diplomatic and geopolitical clout, to protect and promote its interests and values. The Anti-Coercion instrument is a good example of deepening our toolbox to this end. Importantly, stronger EU capacity for geopolitical action will also allow the EU to be a better partner for international partners such as the USA and other allies.
- **1) A more decisive Union:** Improving the effectiveness of the Union's Common Foreign and Security Policy (CFSP) is a necessary step to expand the EU's capacity for geopolitical action. This requires inter alia strengthening our decision-making processes.
- **2) More effectiveness of sanctions:** Effective use of sanctions will reinforce the EU's capacity to translate economic weight into geopolitical influence. In order to do this sound coordination, analysis and strict implementation is required. We call for a shift in resources to significantly increase EU capacity focused on sanctions circumvention. Within the institutions, a platform should be created for common analysis on trade flows and individual cases of circumvention, enabling a coordinated response and increasing the EU's international standing vis-à-vis third states and economic operators.
- **3) Stronger defence cooperation:** Stronger geopolitical action requires stronger defence cooperation on crisis management, resilience and the development and joint procurement of defence capabilities, as set out in the Strategic Compass. The EU has taken a pro-active role in providing Ukraine with military support and is ramping up the production capacity of its defence industry. A Europe that shoulders its responsibilities in the area of defence will strengthen NATO. Our policies should focus on the EU and NATO being mutually reinforcing, focusing on their added value, and building on comparative strengths. In this light, defence-industrial cooperation with NATO allies and other like-minded partners, should be pursued. EU-NATO cooperation needs to be further deepened and broadened, at political level (joint high-level meetings and statements), through institutional cooperation (including PSC-NAC meeting) and through a Roadmap that operationalises cooperation across the board (including on climate, hybrid, resilience and critical infrastructure).
- **4) Strategic partnerships to deepen engagement with third countries:** As highlighted within the European Union Global Strategy, a MS or group of MS should spearhead partnerships – including on raw materials -, under the responsibility of the Council, capitalizing on the diversity of MS relationships with third countries. Strategic partnerships with third countries on an equal footing should enable the EU to serve its core interests, such as diversifying sources of supplies for critical raw materials, while also serving third countries' interests. Crucially, tangible implementation of collective initiatives such as Global Gateway should enable these partnerships. Commitments on sustainability and a level playing field remain of utmost importance.
- **5) Promoting Diplomatic Solidarity:** Member States should develop an EU Solidarity Playbook which would coordinate, streamline and accelerate a unified diplomatic response to all forms of coercion at an early stage. This would allow the EU and its MS to demonstrate solidarity with targeted MS. The playbook should not be country-specific and facilitate coordinated and coherent diplomatic responses to coercive behavior.

4. Governance

- The EU's agenda on open strategic autonomy does not consist of one specific policy area, but rather of a multitude of interconnected policy areas that all take into account strategic considerations. Therefore, creating an effective EU-governance structure is key.
- The responsibility of spearheading the Union's open strategic autonomy should be explicitly included in the portfolio of an executive vice-president. This entails coordinating the EU's policy areas relevant to the EU's global competitiveness and economic resilience, while maintaining an open economy. The establishment of an inter-DG coordination structure for global competitiveness and resilience, with participation of EEAS, would facilitate geopolitically attuned outcomes.