EUROPEAN SOVEREIGNTY

Strategy and interdependence

Edited by
Daniel Fiott

With contributions from
Riccardo Alcaro, Niclas Poitiers, Jana Puglierin,
Pauline Weil and Guntram Wolff

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EXECUTIVE SUMMARY

'Strategic sovereignty' is a term that has emerged in a tumultuous international context; it seeks to encapsulate the idea that the EU needs to redouble its efforts to master technologies, manage critical supply, act in security and defence, and sustain multilateralism and partnerships. A whole array of new concepts has emerged alongside the idea of strategic sovereignty, but we know that this new term has wider implications than 'strategic autonomy', which tends to be used mainly in debates about security and defence. In contrast, strategic sovereignty appears to apply to questions about managing interdependencies in trade and critical supplies, reframing strategic partnerships and sustaining a multilateral order that is under significant pressure as a result of shifting global power. All of the chapters in this *Chaillot Paper* address these general points, but they also seek to show how the EU can deal with economic interdependencies, strategic partnerships and multilateralism through specific case studies on digitalisation and semiconductors, security and defence and the transatlantic relationship, and the Iran nuclear deal.

While Chapters 2–4 show, in concrete terms, how the EU's strategic sovereignty functions and can be extended, they also contribute to a wider reflection on the key challenges involved in debates about the concept of strategic sovereignty. In keeping with the idea that strategic sovereignty is contingent on political and economic circumstances, each of the chapters and case studies highlights profound tensions: the chapter on semiconductors (Chapter 2) points to a tension between economic and security interests, the chapter on security and defence (Chapter 3) outlines the tension between a desire for deeper EU integration in security and defence and a need to maintain sufficiently open cooperative frameworks for partners, and the chapter on the Iran nuclear deal (Chapter 4) highlights the tension that can exist between multilateral and normative

frameworks and great power competition and the laws of the jungle. These tensions require specific strategies that cannot be found in any single handbook on strategic sovereignty. They each require a careful political and economic balancing act, which implies that strategic sovereignty is more of an art than a science.

In this respect, this *Chaillot Paper* engages with some of the key elements involved in debates about EU strategic sovereignty. First, it shows that strategic sovereignty and strategic autonomy are different animals and that strategic sovereignty touches on profound debates about the existing social contract between citizens, states and institutions. Second, it counsels against seeing strategic sovereignty as an end in itself. Not only does doing so blunt much-needed criticism of EU international action, but it takes our gaze away from the economic, security and normative objectives already enshrined in the EU treaties. Finally, this *Chaillot Paper* also contextualises the notion of strategic sovereignty against choice and contingency in international relations. The EU is clearly subject to decisions taken elsewhere in the world that it dislikes, but it also has an obligation to engage in collective action problems. In essence, strategic sovereignty becomes less a question of achieving impossible goals such as autarky and more about the most effective way to manage interdependencies in terms of the EU's economic, security and normative interests and values.

Although this *Chaillot Paper* did not initially set out to propose concrete policy recommendations to enhance the EU's strategic sovereignty, inevitably there are specific ideas in the text and the conclusion. The chapter on semiconductors (Chapter 2) by Guntram Wolff, Niclas Poitier and Pauline Weil proposes an economic sovereignty committee and a security clause for defined merger and competition cases. Jana Puglierin's chapter on transatlantic

cooperation in security and defence (Chapter 3) calls for a more concrete definition of partnerships in the forthcoming EU Strategic Compass [1], an EU security and defence political framework that serves as a platform for wider European defence cooperation and a much greater European contribution to the North Atlantic Treaty Organisation (NATO) using EU security and defence tools such as Permanent Structured Cooperation and the European Defence Fund. In addition to these suggestions, this *Chaillot Paper* also draws out further political implications, including a need to avoid institutional fragmentation into the EU's economic, security and normative interests. Furthermore, the paper calls for the initiation of a dialogue with citizens on the meaning and extent of strategic sovereignty during the Conference on the Future of Europe [2]. Finally, this paper stresses the importance of technology roadmaps, critical supply monitoring, innovation and scientific skills.

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[1]   The EU Strategic Compass for security and defence is designed to provide greater operational clarity for defence planners in the EU, and it should detail what role is expected of the EU when it comes to military and civilian action. The compass will address the specific EU military contribution to crisis management, resilience, capabilities and partnerships. The process officially began in November 2020 with a threat analysis, and it should be delivered by March 2022.

[2]   The Conference on the Future of Europe is a citizen-led series of debates and discussions that will enable people from across Europe to share their ideas and help shape our common future (https://ec.europa.eu/info/strategy/ priorities-2019-2024/new-push-european-democracy/conference-future-europe_en).

IN SEARCH OF MEANING AND ACTION

by
DANIEL FIOTT

The notion of European strategic sovereignty, however contentious, is increasingly important in debates about the EU. Given rapidly shifting global geopolitical and technology trends, and the fragmentation of the multilateral order, the EU is being forced to confront its own position in international affairs. A number of concepts have been given life because of the deteriorating international scene, including 'European sovereignty', 'strategic autonomy', 'digital sovereignty', 'technological sovereignty', 'open strategic autonomy' and the 'geopolitical [European] Commission'. However defined, these concepts point to the fact that the EU needs to secure its values and interests in new and more determined ways. If it is accepted that the EU has dependencies in areas such as health, critical supplies, digital technologies, and security and defence, then there is a need to ensure that the EU can secure its interests in such a way as to strengthen the multilateral order and play a key role alongside core partners such as the United States.

A challenge for the EU will be maintaining the multilateral order, which is core to its existence, while other actors are conspiring either to damage it or to alter this order in such a way as to be detrimental to EU values and interests. In this respect, it is possible to understand strategic sovereignty as the EU's ability to decide and act in accordance with its own rules, principles and values. This means that there should be no real contradiction between the pursuit of European sovereignty and the EU's promotion of multilateralism, respect for rule of law, democracy, human rights and market openness. In fact, one could argue that greater European strategic sovereignty is a precondition for ensuring the continued promotion of these core values and interests.

The EU's ability to ensure its strategic sovereignty – now and in the future – is conditioned by at least three factors:

1. The EU's ability to comprehensively manage existing interdependencies in fields such as trade, the single market and critical supplies;

2. The EU's ability to take stock of existing strategic partnerships, such as the transatlantic link, and to think of new ways to enhance them, especially with regard to ensuring that strategic partnerships actively contribute to the EU's strategic sovereignty and positively affect the multilateral order; and

3. The EU's approach to sustaining the multilateral order in innovative and inclusive ways, and its ability to ensure that the rapidly shifting global power dynamics can be positively conditioned through multilateral

solutions. Overall, it appears as though a key task is to balance the EU's own strategic sovereignty while supporting multilateral solutions to global challenges and interdependencies.

However, it is important not to ignore the scale of the challenges facing the EU when it seeks to manage interdependencies and enhance its sovereignty. On the digital front, there are questions about the security risks posed by cutting-edge technological solutions such as artificial intelligence (AI) or 5G. There are concerns about, and challenges associated with, the underlying technologies required, especially semiconductors. There are also serious questions about the role of global digital and social media giants, and questions related to freedom of expression. In addition, there are concerns about the development of global norms and standards in the digital realm that may not work in the EU's best interests. In terms of trade and energy, there is continued debate about the balance between economic interests and the protection of fundamental rights and security, especially with regard to China and Russia. In diplomatic terms, the EU has also recently experienced the force of sanctions and extraterritorial measures that seek to shift its policy approach to challenges such as the Iran nuclear deal. Finally, there remain fundamental questions about the willingness of the EU to tackle serious and deep-rooted security problems in its neighbourhood, as well as questions about the effectiveness of EU foreign policy.

Therefore, anyone willing to understand the notion of European strategic sovereignty must get to grips with the idea of managing interdependencies in an increasingly hostile world that is largely uninterested in European values and interests. In particular, the EU must become even more serious when ensuring its strategic sovereignty in three core areas that are fundamental to its existence: economics, partnerships and multilateralism. In this respect, this *Chaillot Paper* asks three major questions deemed essential to any discussion about strategic sovereignty.

> How can the EU deal more strategically with economic interdependencies in a less cooperative world?

> How should the EU adapt existing strategic partnerships while also seeking to develop new ones?

> How can EU efforts to strengthen multilateralism reinforce both EU strategic sovereignty and global cooperation?

To address these three questions, this *Chaillot Paper* is organised into four chapters. Chapter 1 attempts to sketch out the main parameters of the debate about strategic sovereignty. First, the idea of 'strategic sovereignty' is contrasted with the concept of 'strategic autonomy', and it is argued that the two can be mainly distinguished by how they each touch on issues such as political authority and the relationship between citizens, states and institutions. Chapter 1 also highlights the risks associated with treating the pursuit of greater strategic sovereignty as an end in itself. It is argued that what should ultimately guide EU policy is how far strategies and policies help meet the well-founded objectives enshrined in the EU treaties. Finally, it is also stated in the chapter that strategic sovereignty reflects a spectrum of choice that is contingent on international political and economic circumstances. Strategic sovereignty is not about autarky.

Chapter 2 looks at economic interdependencies and European strategic sovereignty with a specific focus on the growing importance of semiconductors. In this chapter, Guntram Wolff, Niclas Poitiers and Pauline Weil focus specifically on the growing interdependence of digital spaces and hi-tech goods, and primarily consider the development of the EU's relationships with the United States and China in relation to critical technological goods. Given that the digitalisation of the global economy has far-reaching ramifications for economic policy, trade, investment, critical supply, norms, sustainability and more, this chapter seeks to provide greater clarity on how we should understand European strategic sovereignty today. Such clarity is especially needed given the rapid technological developments

under way and the need for the EU to economically recover after the Covid-19 pandemic.

Chapter 3 focuses on the EU's strategic partnerships and asks how the EU can strengthen its sovereignty without undermining the long-standing partnership with the United States and the post-Brexit relationship with the United Kingdom. Looking specifically at the security realm, Jana Puglierin probes the extent to which the EU needs to rethink how it classifies and pursues its strategic partnerships. In this respect, Chapter 3 seeks to analyse the balance between ensuring EU unity and integration in security policy and the need to maintain flexible arrangements for partners. Looking specifically at the transatlantic strategic partnership, the chapter outlines what an acceptable balance between greater EU responsibility in security and greater European sovereignty could look like. This chapter also looks at the post-Brexit dimension of security debates in Europe and asks what room there is for a future strategic partnership that can suit both the EU and United Kingdom.

The fourth and final chapter deals with the concept of European strategic sovereignty in the context of the multilateral order. In particular, Riccardo Alcaro argues that multilateralism is essential to the EU and that this calls for greater engagement with norms and partners. This chapter shows how the EU has no choice but to manage global interdependencies through multilateralism. Key features of the EU's ability to manage its interdependencies in the future will be working with like-minded partners and ensuring that restrictions imposed on the EU's interests and values can be offset in inventive ways. Chapter 4 principally draws upon the experiences of the Iran nuclear deal to uncover ways in which

the EU can strengthen its partnerships, offset extraterritorial effects on its diplomatic actions and bolster the multilateral order.

Together, these four chapters not only seek to answer the three aforementioned questions, but also provide the reader with a balanced conceptual and practical guide to strategic sovereignty. The first chapter is the most unabashed conceptual contribution, but the three chapters that follow, on economic interdependencies, partnerships and multilateralism, use practical case studies to make their points.

The EU has no choice but to manage global interdependencies through multilateralism.

This approach very much fits with the idea that strategic sovereignty is contingent on political circumstances, and each case study helps to tease out the specificities of strategic sovereignty in a given policy field.

Finally, the reader should also note that the work contained in this *Chaillot Paper* has been subject to feedback and debate for a few months. Not only have I, as editor of the work, provided comments on each chapter, but all of the authors have been able to exchange their ideas with Members of the European Parliament (MEPs) associated with the Committee on Foreign Affairs (AFET). A workshop on the main ideas contained in this *Chaillot Paper* took place on 23 March 2021. The feedback received from parliamentarians at this workshop has been incorporated into this text. In this regard, I would especially like to thank MEP David McAllister, MEP Željana Zovko, MEP Sergei Stanishev, MEP Urmas Paet, Jérôme Legrand, Perla Srour-Gandon and Daniela Adorna Diaz from the European Parliament. I would also like to thank the colleagues from the European External Action Service who joined us for the event as paper discussants, and Hervé Delphin and Ellis Mathews for their invaluable feedback and comments.

CHAPTER 1

STRATEGIC SOVEREIGNTY: THREE OBSERVATIONS ABOUT A NEW AND CONTESTED TERM

by
DANIEL FIOTT

Today, a range of terms are used to describe the need to manage and overcome the vulnerabilities facing the EU – a union that finds itself in a contested international system. These terms include 'strategic sovereignty', 'open strategic autonomy' [1], 'technological sovereignty' and 'digital sovereignty'. The pandemic and the growing geopolitical rivalry between China and the United States have only added a sense of urgency to questions about the EU's place in international politics. For example, the President of the European Council, Charles Michel, has called strategic autonomy the 'aim of our generation' [2], and the European Council's 2019–2024 strategic agenda recognises the need to act autonomously in international affairs [3]. Yet, the precise meaning of these terms is not always clear, and they are contested terms – some Europeans embrace them, others seek to temper their meaning and some reject them outright. Whatever one thinks about the terminology used, most Europeans would agree that they now live in a fragile security environment. The real debate is about how best to ensure the EU's own security in this context.

The term 'strategic sovereignty' can perhaps be traced back to French President Emmanuel Macron's 'Sorbonne Speech' [4], which he delivered on 26 September 2017. However, although the president used the word

(1) Commission communication – Trade Policy Review – An open, sustainable and assertive trade policy, (COM(2021) 66 final), 18 February 2021, p. 4 (https://trade.ec.europa.eu/doclib/docs/2021/february/tradoc_159438.pdf).

(2) '"Strategic autonomy for Europe – The aim of our generation" –Speech by President Charles Michel to the Bruegel think tank', 28 September 2020 (https://www.consilium.europa.eu/en/press/press-releases/2020/09/28/l-autonomie-strategique-europeenne-est-l-objectif-de-notre-generation-discours-du-president-charles-michel-au-groupe-de-reflexion-bruegel/).

(3) European Council, *A New Strategic Agenda 2019–2024* (https://www.consilium.europa.eu/media/39914/a-new-strategic-agenda-2019-2024.pdf).

(4) Macron, E., 'Initiative for Europe – Speech by M. Emmanuel Macron, President of the French Republic', Paris, 26 September 2017 (https://www.diplomatie.gouv.fr/IMG/pdf/english_version_transcript_-_initiative_for_europe_-_speech_by_the_president_of_the_french_republic_cle8de628.pdf).

'sovereignty' 18 times and 'strategic' three times in this speech, he never once uttered the term 'strategic sovereignty'. A commentary piece by European Commissioner Thierry Breton in September 2020 was titled 'The keys to sovereignty', but his five uses of the word sovereignty appear alongside the terms 'digital' and 'European', not 'strategic' [5]. What is more, during Germany's presidency of the Council of the EU, the emphasis was placed on the EU's 'digital sovereignty' [6]. The European Commission's communication on Europe's digital future also mentions the term sovereignty twice, but only in relation to 'technological sovereignty' [7]. When looking at the available texts, it appears as though think tank commentators and analysts have been the main progenitors of the specific term 'strategic sovereignty' [8].

We have to recognise that one of the chief reasons why concepts such as strategic sovereignty and strategic autonomy have become controversial is that many view them as an

> # Most Europeans would agree that they now live in a fragile security environment.

attempt to Europeanise the views of one country and one leader. The pursuit of autonomy is hardwired into French strategic thinking. President Macron has provoked a debate about terms such as autonomy and sovereignty, and a lively European dialogue has prevailed, especially in the context of the Trump administration and the pandemic. Apart from open public debates over the challenges facing NATO [9], a number of EU member states have recognised that they cannot afford to simply 'abstain and complain' [10], and so they now seek to promote their own visions of autonomy and sovereignty. In March 2021, the Netherlands and Spain jointly penned a non-paper on strategic autonomy that stressed the importance of open economies, and Germany, Denmark, Estonia and Finland sent a joint letter to European Commission President, Ursula von der Leyen, with suggestions on how to speed up the EU's digital sovereignty [11]. Clearly, strategic sovereignty or autonomy is not under the intellectual ownership of any single EU member state.

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(5)   Breton, T., 'Europe: The keys to sovereignty', European Commission, 11 September 2020 (https://ec.europa.eu/commission/commissioners/2019-2024/breton/announcements/europe-keys-sovereignty_en).

(6)   German Federal Government, 'Expanding the EU's digital sovereignty' (https://www.eu2020.de/eu2020-en/eu-digitalisation-technology-sovereignty/2352828).

(7)   Commission communication – Shaping Europe's digital future', (COM(2020) 67 final), 19 February 2020 (https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020DC0067&from=en).

(8)   See Anghel, S., *Strategic Sovereignty for Europe*, European Parliamentary Research Service (EPRS) ideas paper, September 2020 (https://www.europarl.europa.eu/RegData/etudes/BRIE/2020/652069/EPRS_BRI(2020)652069_EN.pdf); Leonard, M. and Shapiro, J., *Strategic Sovereignty: How Europe Can Regain the Capacity to Act*, European Council on Foreign Relations (ECFR) Paper 289, June 2019 (https://ecfr.eu/archive/page/-/1_Empowering_EU_member_states_with_strategic_sovereignty.pdf). This *Chaillot Paper* can now be added to the list of such texts.

(9)   Deutsche Welle, 'German defense minister: Europe still depends on US for security', 17 November 2020 (https://www.dw.com/en/german-defense-minister-europe-still-depends-on-us-for-security/a-55626599).

(10)   Järvenpää, P., Major, C. and Sakkov, S., *European Strategic Autonomy – Operationalising a Buzzword*, Report, International Centre for Defence and Security (ICDS) and Konrad Adenauer Stiftung, October 2019, p. 24 (https://icds.ee/wp-content/uploads/2019/10/ICDS_Report_European_Strategic_Autonomy_Järvenpää_Major_Sakkov_October_2019.pdf). See also Gotkowska, J., *Regional Cooperation for a Stronger NATO*, ICDS Brief, April 2021 (https://icds.ee/wp-content/uploads/2021/04/ICDS-Brief_Regional-Cooperation-for-a-Stronger-NATO_Justyna-Gotkowska_April-2021.pdf).

(11)   See 'Spain–Netherlands non-paper on strategic autonomy while preserving an open economy', 24 March 2021 (https://www.permanentrepresentations.nl/documents/publications/2021/03/24/non-paper-on-strategic-autonomy); and 'The heads of government of Germany, Denmark, Estonia and Finland: Europe's digital sovereignty gives us the ability to shape our own future', 2 March 2021 (https://www.valitsus.ee/en/news/heads-government-germany-denmark-estonia-and-finland-europes-digital-sovereignty-gives-us).

Strategic sovereignty
Three points of departure

STRATEGIC
SOVEREIGNTY
FOR?

What does a political
community need strategic
sovereignty for and what are
the overarching strategic aims?

STRATEGIC
SOVEREIGNTY
FROM?

What are the main obstacles
impeding independent political
action and what dependencies
are the political community
seeking freedom from?

STRATEGIC
SOVEREIGNTY
THROUGH?

What capacities and political
frameworks does a political
community require to enhance
its sovereignty?

Despite any terminological differences, and notwithstanding calls for a focus on action rather than theory [12], there have been attempts to provide a working definition of the concept of strategic sovereignty. For example, it can be seen as 'the ability to act autonomously, to rely on one's own resources in key strategic areas and to cooperate with partners whenever needed' [13]. Such definitions are to be welcomed, but they often overlook the internal contradictions of terms. For example,

seeking greater cooperation with a partner as an end in itself may actually imperil the ability to act autonomously in certain cases. Furthermore, single definitions do not necessarily help us differentiate between the meaning and implications of terms. For instance, is it possible to conflate the terms 'strategic sovereignty' and 'strategic autonomy' without a critical reflection on their internal assumptions or consequences? Indeed, strategic autonomy has a longer pedigree than strategic

(12) See Major, C. and Mölling, C., 'Less talk, more action – Europe has to move beyond toxic debates about "autonomy" or "sovereignty" toward tangible policies', *Internationale Politik Quarterly*, 2 December 2020 (https://ip-quarterly.com/en/less-talk-more-action); Fiott, D., 'Covid and Europe's strategic awakening', Commentary, The Azure Forum, 11 November 2020 (https://www.azureforum.org/covid-and-europes-strategic-awakening/); Biscop, S., *Fighting for Europe – European strategic autonomy and the use of force*, Egmont Paper 103, January 2019 (https://www.egmontinstitute.be/content/uploads/2019/01/EP103.pdf?type=pdf).

(13) *Strategic Sovereignty for Europe*, op. cit.

sovereignty [14], and reference to autonomy was mentioned in the 2009 directive on defence procurement [15] and in the 2000 communication on Galileo [16].

The authors of this *Chaillot Paper* do not necessarily attribute the same meaning to the terms 'strategic sovereignty' and 'strategic autonomy'. It is not the intention here to undermine particular interpretations of sovereignty or autonomy, but there is a need to address some of the major conceptual meanings and limitations of such terms. The aim of this first chapter is to probe and analyse the meaning, contradictions and implications of the terms 'strategic sovereignty' and 'strategic autonomy'. This chapter is presented in the form of a series of observations that are designed to contribute to the ongoing conceptual debate about EU strategic sovereignty and strategic autonomy.

Observation 1

> **Strategic sovereignty and strategic autonomy are related, but different, concepts.**

The first observation is that the terms 'strategic sovereignty' and 'strategic autonomy' are related, but different. Several analysts and commentators argue that 'sovereignty' is a broader concept than 'autonomy' [17]. Here, it is argued that strategic autonomy is linked to security and defence, whereas strategic sovereignty is used in the context of a wider suite of policies linked to the economy, technology, health and/or foreign policy. Of course, strategic autonomy need not apply only to security and defence, even if this is the policy area with which it is most associated. If the term autonomy implies that a political actor is able to make decisions and undertake action in relative freedom from potentially harmful hindrances, then this surely applies to a variety of economic sectors too – strategic autonomy is not just about security and defence. Thus, one can refer to the need to have strategic autonomy in producing medical equipment without any of the term's meaning being lost.

Today, there is confusion about the overarching concept that should be used for debates about the EU's position in global affairs – should one use strategic sovereignty, strategic autonomy or both, and under what circumstances ought they be used? Some would argue that neither term should be used. The term strategic sovereignty seems to have emerged as a dominant term for at least two reasons:

1. 'Sovereignty' may be perceived as less corrosive than 'autonomy' because it places an emphasis on reducing economic and

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(14) The concept of strategic autonomy did not emerge 'in response to uncertainty created by the election of Trump', although it was given more prominence during President Trump's tenure. The idea of strategic autonomy featured in the EU Global Strategy, which was prepared in advance of Donald Trump's election. Kundnani, H., 'European sovereignty without strategic autonomy', Expert Comment, Chatham House, 19 January 2021 (https://www.chathamhouse.org/2021/01/european-sovereignty-without-strategic-autonomy).

(15) Commission Directive 2009/81/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of procedures for the award of certain works contracts, supply contracts and service contracts by contracting authorities or entities in the fields of defence and security, and amending Directives 2004/17/EC and 2004/18/EC (OJ L 216, 20.8.2009, p. 76) (https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32009L0081&from=EN).

(16) Commission communication – On Galileo, (COM(2000) 750 final), 22 November 2000 (https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52000DC0750&from=EN).

(17) See, for example, Helwig, N. (ed.), *Strategic Autonomy and the Transformation of the EU: New agendas for security, diplomacy, trade and technology*, Finnish Institute for International Affairs (FIIA) Report 67, April 2021 (https://www.fiia.fi/wp-content/uploads/2021/04/fiia-report-67_niklas-helwig-et-al_strategic-autonomy-and-the-transformation-of-the-eu.pdf); Conway, A., *Strategic Autonomy – A spectrum of choices for the EU and Ireland*, Institute of International and European Affairs (IIEA) briefing, March 2021 (https://www.iiea.com/publication/strategic-autonomy/); Tocci, N., *European Strategic Autonomy: What it is, why we need it, how to achieve it*, Report, Istituto Affari Internazionali (IAI), 2021 (https://www.iai.it/sites/default/files/9788893681780.pdf); Borrell Fontelles, J., 'Why European strategic autonomy matters', blog, 3 December 2020 (https://eeas.europa.eu/headquarters/headquarters-homepage/89865/why-european-strategic-autonomy-matters_en); Grevi, G., *Strategic Autonomy for European Choices – The key to Europe's shaping power*, discussion paper, European Policy Centre, 19 July 2019 (https://www.epc.eu/en/publications/Strategic-autonomy-for-European-choices-The-key-to-Europes-shaping-p~213400); Lippert, B., von Ondarza, N. and Perthes, V. (eds), *European Strategic Autonomy – Actors, issues, conflicts of interests*, SWP Research Paper 4, March 2019 (https://www.swp-berlin.org/fileadmin/contents/products/research_papers/2019RP04_lpt_orz_prt_web.pdf).

technological dependencies rather than dependence on partners; and

2. Sovereignty might be better at encapsulating the full range of challenges, risks, opportunities and threats facing the EU today. It is noteworthy, however, that sovereignty is a more acceptable term than autonomy, especially as sovereignty is not exactly free from controversy when placed in its full historical context. Some EU member states see it as a historically negative force that is associated with nationalism, whereas other member states see it as a symbol of liberation after decades of colonial rule.

Prising apart the terms 'strategic autonomy' and 'strategic sovereignty' is not simple, and some may argue that it is not necessary to do so. Autonomy largely emphasises questions about where and when it is appropriate (if at all) to exercise political freedom, and it also underlines the need to reduce dependencies and enhance capacities for political action. Autonomy is therefore mainly centred around three broad questions [18]:

1. What does a political community need strategic autonomy for and what are the overarching strategic aims?;

2. What capacities and political frameworks does a political community require to enhance autonomy?; and

3. What are the main obstacles impeding independent political action and what dependencies is the political community seeking freedom from?

What is confusing, however, is that these same questions may equally apply during debates about strategic sovereignty. Although this is true, sovereignty invites a reflection about other profound political concepts such

as territory and political authority. Strategic autonomy touches on the idea of political freedom, but it does not necessarily extend to debates about the fundamental relationship between citizens, states and institutions.

The idea of EU strategic sovereignty has only intensified during the Covid-19 pandemic, especially as EU governments initially struggled to provide medical equipment for EU citizens. This hit at a core feature of political authority: the need to keep citizens safe. In this respect, strategic sovereignty should not be used simply as a shorthand to talk about dependencies in policy areas other than security and defence. Today, the response to the pandemic and the wide use of digital technologies are raising questions about the social contract that has prevailed in the EU since the Second World War. Ideological and political debates centre around the relationship between data use and personal liberties, the ability of democracies to run fair and free elections without external influence, the rise of conspiracy theories and fake news to falsely erode trust in political authority and the role of multinational companies with an inordinate amount of control over freedom of expression and an ability to shift capital globally for the purposes of tax efficiency.

At the risk of oversimplification, in Europe, there have been major historical contestations over political authority: first, between the papacy and monarchs and, second, between the people and monarchs. A similar contestation appears to be afoot today on the back of digitalisation, disinformation, automation, artificial intelligence and new economic production techniques [19]. Of course, this is not just an EU debate, although, in authoritarian regimes, new technologies are being used to control, condition and repress populations. In the EU, power tends to be more diffuse and organised across borders, rather than within them. Even

(18) Fiott, D., *The European Space Sector as an Enabler of EU Strategic Autonomy*, In-Depth Analysis requested by the Security and Defence (SEDE) Subcommittee, European Parliament, December 2020, p. 9 (https://www.europarl.europa.eu/RegData/etudes/IDAN/2020/653620/EXPO_IDA(2020)653620_EN.pdf).

(19) This is also echoed in Floridi, L., 'The fight for digital sovereignty: what it is, and why it matters, especially for the EU', *Philosophy and Technology*, Vol. 33, 2020, pp. 369–378.

with this cursory analysis in mind, there is a certain difficulty in using the terms 'strategic sovereignty' and 'strategic autonomy' interchangeably. Strategic sovereignty does apply to critical supply security and the mastery of technologies, but it also strikes at notions of political authority and liberty and how they are managed between citizens, states and EU institutions.

Observation 2

> **There are risks with treating strategic sovereignty as an end in itself.**

Strategic sovereignty can often be viewed as an end in itself, but this can be risky because there is no clarity on what sovereignty – as a political end – looks like in the context of the EU. One example of advancing EU strategic sovereignty as an end in itself is to call for a single political authority to exercise power over citizens, the economy, supply chains and technology within the confines of the territory of the EU. However, this is a highly contentious interpretation that will divide opinion; furthermore, it is unlikely given how diffuse political power is within the EU. Another interpretation is to argue that EU strategic sovereignty is an end in itself because what is at stake is not centralised political authority, but the authority of states within the EU. Thus, one could interpret the call for strategic sovereignty as a symptom of the helplessness of individual states in an interdependent and more geopolitically charged international environment. Critically, calls for EU strategic sovereignty can be read here as a *cri de coeur* to rescue the nation state in the EU, but here there is an inescapable tension between the idea of strategic sovereignty and European integration. Greater sovereignty may imply a need for more EU-level regulation, legislation and funding, which raises a central question for governments: does the pooling

of sovereignty at the EU level imperil national sovereignty?

Any attempt to define strategic sovereignty as an end in itself is likely to be met with hostility in a number of quarters. If we accept this fact, then it means that it is perhaps more productive to see strategic sovereignty as a means to an end. Such an interpretation would proceed as follows: the EU should strive for mastery of critical technologies, ensure the protection of supply chains, eliminate undue and harmful foreign interference by non-EU countries and firms, and act autonomously in security and defence in order to ensure ends (i.e. interests and values) that have already been clearly articulated in the EU treaties. In this way, upholding the EU's interests and values becomes the primary end. This, in turn, implies that the political debate surrounding strategic sovereignty should be focused on collectively defining the means and frameworks required to meet the EU's objectives. Only EU member states and EU institutions can collectively define the means of strategic sovereignty; it is not a task for competitors and rivals, or even close partners.

Yet two factors stem from the debate about means and ends that bear mentioning. First, strategic sovereignty is increasingly being held up as the ideal against which EU international action should be measured. Perfection in economic and strategic matters does not exist. It is, nonetheless, curious that an ill-defined and contested concept such as strategic sovereignty is increasingly becoming the basis on which the EU's political actions are promoted, questioned or even belittled. Each and every success or *faux pas* by the EU and its political leadership cannot credibly be used to justify or to condemn the EU's strategic sovereignty. Yet, this is a risk when new concepts emerge or when political slogans artificially inflate expectations. Today, what continues to be the most credible benchmark for the EU's success or failure in international relations is how far

it advances objectives enshrined in Articles 2 and 3 of the Treaty on European Union [20].

Second, there is a growing tension between the means and the ends of the EU's international engagement. The EU's relations with China and Russia, in particular, highlight the difficulties. On the one hand, when High Representative of the Union for Foreign Affairs and Security Policy/Vice-President of the European Commission (HR/VP) Borrell devised the 'Sinatra doctrine' [21], he did so to point to China's turn towards a selective multilateral system and its undermining of international rules in the maritime domain, 'wolf warrior diplomacy', expansionist foreign policy, authoritarianism, repression in Hong Kong, human rights abuses and the violation of the basic rights of the Uyghurs in Xinjiang [22]. On the other hand, the controversy surrounding the, as yet non-finalised, EU–China Comprehensive Agreement on Investment (CAI) shows that there are sensitive questions about how and with whom the EU pursues its economic interests. The same dilemma applies to questions about the EU's energy interdependencies with Russia (e.g. Nord Stream 2). There is no perfect formula for balancing economic and strategic interests, and this makes it even harder to ascertain what strategic sovereignty means in practice.

Observation 3

> **Strategic sovereignty reflects a spectrum of choice and is contingent on circumstances.**

The success or failure of strategic sovereignty is dependent upon circumstance and is contingent on the prevailing political and economic landscape. A strategy designed to achieve greater sovereignty in one economic or strategic sector may not apply to other sectors, and the strategy may not even apply to the same sector in different periods of history – there is no single 'playbook' that can be written for achieving more strategic sovereignty [23]. The pursuit of sovereignty or autonomy is an art, not a science. Currently, the overarching rationale for greater EU strategic sovereignty rests on needing a response to the changing global share of economic power and the strategic application of new technologies. EU policy is evolving to meet these challenges. In the past year alone, the EU has developed its first foreign direct investment screening mechanism, a strategy for critical raw materials, a new industrial strategy, digital services and markets acts, and more. In this regard, strategic sovereignty mainly appears contingent upon structural shifts in global economic competition; this is why the EU is seeking to manage economic dependencies and to boost its own competitiveness in critical technology and economic sectors.

Critics of the EU's attempt to enhance its strategic sovereignty often call the EU's economic measures protectionism. However, more often than not, such criticisms are a smokescreen designed to protect the economic interests of international competitors. We know that both the United States and China can be called powers only because of their economic might and competitiveness. Both enjoy a high degree of access to the EU's market and both would like even more access – Europe is key

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(20) Including respect for human dignity; freedom; democracy; equality; the rule of law and respect for human rights, including the rights of persons belonging to minorities; the promotion of peace and the well-being of its peoples; sustainable development; a highly competitive social market economy; economic, social and territorial cohesion, etc.

(21) The term 'Sinatra doctrine' is a reference to the song *My Way*, most famously sung by Frank Sinatra; the doctrine denotes the EU's desire to be more independent of competitors and rivals by seeing the world from its own point of view, defending its values and interests and using the instruments of power available to it. See Borrell Fontelles, J., 'The Sinatra doctrine: how the EU should deal with the US–China competition', in Borrell Fontelles, J. (ed.), *European Foreign Policy in Times of Covid-19*, European External Action Service, 2021, pp. 107–118.

(22) Ibid.

(23) The same is also true of specific debates on security and defence and strategic autonomy, with the degree of autonomy (e.g. responsibility, hedging or emancipation) sought being contingent on wider strategic conditions. See Fiott, D., 'Strategic Autonomy: Towards "European sovereignty" in defence?', *Brief* No 12, EUISS, November 2018 (https://www.iss.europa.eu/content/strategic-autonomy-towards-'european-sovereignty'-defence).

to their burgeoning power rivalry. Commentators, commercial representatives and government officials in the United States and China see attempts by the EU to enhance its digital or technological sovereignty – without predominantly using American or Chinese technologies – as a risk to their own strategic sovereignty [24]. Both Beijing and Washington are loath to provide European firms with full access to their markets (especially in strategic sectors), and so strategic sovereignty embodies a mindset designed to push back against the logic that the EU should give up on ensuring its own competitiveness in strategic economic areas.

Sometimes inconsistencies can appear between calls for the EU to remain open in critical sectors and the national interests of third states. For example, even though a joint communication on 2 December 2020 cited the need for a 'transatlantic technology space' that would allow the EU and the United States to shape technologies and their regulatory environment, only a few months later, US policy under President Biden – in the form of two executive orders [25] – emphasised domestic production, control of technology and the protection of supply chains. Although these measures principally form part of the US strategy towards China, they are nonetheless likely to have adverse effects on the EU's competitiveness. Even in the area of climate change, we can observe

> # Strategic sovereignty mainly appears contingent upon structural shifts in global economic competition.

geopolitical considerations come to the surface as the EU, the United States and China consider the costs and benefits of carbon taxation. The EU's proposed carbon border adjustment mechanism is designed to safeguard the EU from climate-damaging international trade, but this has already generated criticism [26] from China, which sees more ambitious climate strategies in the short term as a challenge to its economic competitiveness.

However, one needs to be careful not to isolate questions about economic competitiveness from wider strategic questions. First, a range of dual-use technologies, such as semiconductors and sensors, are applicable to both economic and strategic sectors. We know that both the United States and China – while embodying different political systems – treat economic and strategic questions as one and the same thing. In the case of the United States, which enjoys a particularly privileged position in European strategic sectors [27], it is difficult to dissociate calls for more strategic sovereignty in economic terms from questions about security and defence. Those EU member states that are not competitive in key strategic areas may be tempted to forgo a serious push for EU technological sovereignty if it means risking the United States' broader security guarantee to Europe. It should not be overlooked that Europe's dependence on American technology is, in many respects, a conscious

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(24)   See, for example, Burwell, F. G. and Propp, K., *The European Union and the Search for Digital Sovereignty: Building 'fortress Europe' or preparing for a new world?*, Issue Brief, Atlantic Council, June 2020 (https://www.atlanticcouncil.org/wp-content/uploads/2020/06/The-European-Union-and-the-Search-for-Digital-Sovereignty-Building-Fortress-Europe-or-Preparing-for-a-New-World.pdf); Xinhua, 'Chinese ambassador denounces Pompeo's "witch hunt" against Huawei', *Global Times*, 5 December 2019, (https://www.globaltimes.cn/content/1172338.shtml); Liu, A., 'We care about a strong and united Europe', Huawei, 7 June 2019 (https://www.huawei.eu/story/we-care-about-strong-and-united-europe); Mission of the People's Republic of China to the European Union, 'China's policy paper on the European Union', December 2018 (http://www.chinamission.be/eng/zywj/zywd/t1623330.htm).

(25)   'Executive order on ensuring the future is made in all of America by all of America's workers', 25 January 2021 (https://www.whitehouse.gov/briefing-room/presidential-actions/2021/01/25/executive-order-on-ensuring-the-future-is-made-in-all-of-america-by-all-of-americas-workers/); and 'Executive order on America's supply chains', 24 February 2021 (https://www.whitehouse.gov/briefing-room/presidential-actions/2021/02/24/executive-order-on-americas-supply-chains/).

(26)   Agence Europe S.A., 'Chinese President Xi Jinping criticises EU's future Carbon Border Adjustment Mechanism', 16 April 2021 (https://agenceurope.eu/en/bulletin/article/12700/24).

(27)   On the US position in the European defence market, see Fiott, D., 'The Poison Pill: EU defence on US terms?', *Brief* No 7, EUISS, June 2019 (https://www.iss.europa.eu/content/poison-pill-eu-defence-us-terms).

decision designed to shore up US military sup‐
port in Europe. Thus, calls for EU digital or
technological sovereignty imply reducing the
EU's dependence in all critical technology sec‐
tors (including the defence and space sectors).

Finally, more attention needs to be given to
the meaning of the word 'protectionism'. The
EU is too often accused of protectionism, and
those employing the term are not normally
clear about its meaning. Most leading eco‐
nomic and technological powers exercise some
degree of protectionism. Clearly, achieving
autarky in critical economic spheres is neither
likely nor desirable, yet, in some sectors, more
interdependence will be acceptable, and, at
other times, reduced dependence will be in the
EU's interest. In some cases, the formula for
enhancing EU strategic sovereignty is being
able to control technology intellectual prop‐
erty rights while still working with non‐EU
government and commercial actors. It is a
question of balance. All major economies build
up their power on the successful management
of interdependencies. Not even North Korea
has achieved autarky, and, presumably, the
EU is not being compared with such a closed
economic system. Strategic sovereignty, then,
does not mean cutting off economic ties with
the world, but it does entail becoming more
adept at managing economic and political in‐
terdependencies. We have seen elsewhere that
the concept of economic decoupling is unfea‐
sible; nevertheless the EU needs to consider
how best to manage supply chains in an era
of increased state fragility, economic coercion
and climate change [28].

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(28)   Fiott, D. and Theodosopoulos, V., 'Sovereignty over Supply? The EU's ability to manage critical dependences while
engaging the world', *Brief* No 21, EUISS, December 2020 (https://www.iss.europa.eu/content/sovereignty‐over‐supply).

SOVEREIGNTY AND DIGITAL INTERDEPENDENCE

by
GUNTRAM WOLFF, NICLAS POITIERS AND PAULINE WEIL

Owing to shifts in the global landscape, the EU is adapting its approaches to managing interdependence. Buzzwords such as 'open strategic autonomy' [1] and 'systemic rivals' are now regularly used, and the European Commission, recognising the challenges, has labelled itself a 'geopolitical Commission'. The concept of 'strategic autonomy' was used by the Council in 2013 in reference to the defence industry and security and defence issues [2]. Since 2016, the term has been increasingly used by officials and its scope has widened to include economic policy and new technologies. In economic policy, it generally refers to Europe's capacity to set its own rules for economic affairs, negotiate on an equal footing with its partners, curb would-be monopolies and set economic standards and regulations [3]. In short, autonomy is conceptualised not as independence or lack of integration, but as the capacity to manage economic interdependence. The term expresses the EU's ambition of safeguarding sovereignty without resorting to protectionism.

Global trade and investment policies are increasingly defined by the United States–China rivalry, particularly as relations between the two superpowers have become more transactional and confrontational. Economic interdependencies are leveraged for geopolitical interests more often than in the past. Economic interests are blurred with military or security goals, especially in strategic sectors such as cyberspace, finance, strategic materials and components, and control of critical digital infrastructure. This new context poses a major challenge for the EU because its architecture centralises decision-making in the areas of trade policy, the single market and competition policy, whereas foreign and security policy decision-making is retained largely at the national level [4].

Among the large economic powers, the EU is unique in its institutional characteristics, as there is a separation between economic and foreign policymaking that exists neither in the United States nor in China. This separation

(1) Delegation of the European Union to the United States, 'EU open strategic autonomy and the transatlantic trade relationship', 17 September 2020 (https://eeas.europa.eu/delegations/united-states-america/85321/eu-open-strategic-autonomy-and-transatlantic-trade-relationship_en).

(2) European Council, 'Conclusions', EUCO 217/13, 20 December 2013 (https://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/140245.pdf).

(3) 'Why European strategic autonomy matters', op. cit.

(4) Leonard, M., Pisani-Ferry, J., Ribakova, E., Shapiro, J. and Wolff, G., *Redefining Europe's Economic Sovereignty*, Bruegel Policy Contribution, No 9, June 2019 (https://www.bruegel.org/wp-content/uploads/2019/06/PC-09_2019_final-1.pdf).

defines EU trade and commercial policy and is a relic of the historical context in which the EU was founded. The rise of China and of US–Chinese tensions calls for further reflection on the need for the EU to adapt its institutional set-up, as well as sharpen its instruments. In practice, European policymakers need to decide what this concept of sovereignty or autonomy means for strategic industries and sectors.

In the context of the EU's specific institutional set-up, this chapter discusses some of the difficulties the EU faces *vis-à-vis* the United States–China rivalry in one of the key strategic industries of the 21st century: semiconductors. By focusing on the case study of semiconductors, this chapter contributes to wider discussions about European strategic sovereignty in the digital sector.

THE GLOBAL SEMICONDUCTOR INDUSTRY IN A GEOPOLITICAL STORM

The United States–China conflict is often portrayed as a 'technological cold war' [5], in which leadership in new technologies is key to obtaining or retaining economic supremacy. The EU, despite being at the forefront of digital regulation, and being able to harness the 'Brussels effect' [6], relies on both the United

States and China for many digital goods and services. This leaves the EU caught in the middle of the United States–China rivalry.

The highly specialised and globalised ICT industry and its core technology – semiconductors – is an interesting case study. The semiconductors sector is one of the most strategically important sectors of the modern economy. Semiconductors have a wide range of uses – from memory chips and sensors to processors – and are essential parts of the value chains of many industries. Semiconductors are embedded in all types of modern goods, such as manufacturing machinery, computers, smartphones, 5G transmitters, medical equipment, cars and everyday household appliances.

ICT goods are China's most important exports. In 2019, they accounted for more than 27 % of China's total exports and for 96 % of hi-tech exports to the United States [7]. Telecommunications equipment accounts for more than 30 % of EU imports from China [8]. However, for the most crucial input to these ICT goods (i.e. semiconductors), China is dependent on other countries. As a result, semiconductors have become China's single largest import, surpassing even oil (see diagram overleaf). The dependency of China's biggest industry on semiconductors from the United States has made semiconductors a critical target for US trade policy and sanctions. Semiconductors and related equipment account for a quarter of the goods that China has agreed to buy from the United States under phase 1 of the trade agreement between the two countries [9], but the technology is subject to sanctions applied to certain Chinese companies, for example those operating in areas deemed to

(5)   Segal, A., 'The coming tech cold war with China', *Foreign Affairs*, 9 September 2020 (https://www.foreignaffairs.com/articles/north-america/2020-09-09/coming-tech-cold-war-china).

(6)   Bradford, A., *The Brussels Effect: How the European Union rules the world*, Oxford University Press, Oxford, 2020.

(7)   The World Bank, 'ICT goods exports (% of total goods exports) – China', 2021 (https://data.worldbank.org/indicator/TX.VAL.ICTG.ZS.UN?locations=CN).

(8)   European Commission, *European Union, Trade in Goods with China*, 8 May 2020 (https://webgate.ec.europa.eu/isdb_results/factsheets/country/details_china_en.pdf).

(9)   Brown, C. P., 'How Trump's export curbs on semiconductors and equipment hurt the US technology sector', Peterson Institute for International Economics, 28 September 2020 (https://www.piie.com/blogs/trade-and-investment-policy-watch/how-trumps-export-curbs-semiconductors-and-equipment-hurt-us).

Integrated circuits
China's main imports, 2004-2020
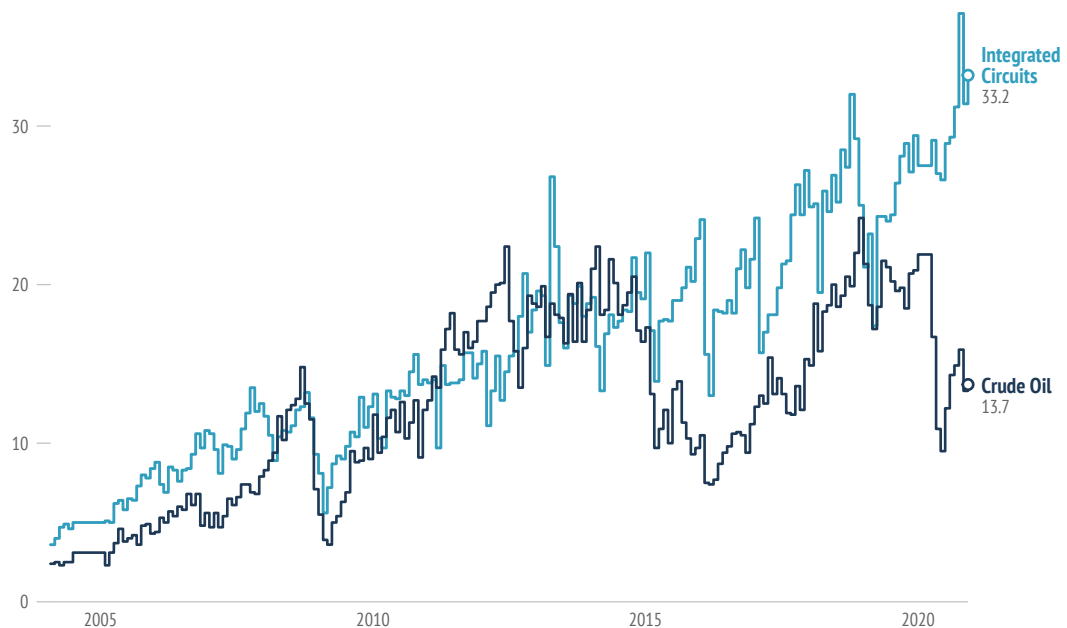
Data: Bloomsberg, 2020

be in opposition to the United States' national security or foreign policy [10]. Unsurprisingly, the development of 'homegrown' semiconductors is an important goal of Chinese industrial policy [11].

The manufacture of such high-end products requires highly specialised know-how and production capacities, both of which are highly integrated at the global level [12]. A few countries are home to cutting-edge semiconductor production capacities, such as the United States, Taiwan, South Korea, Japan,

some European countries and, increasingly, China. But to date, no country has achieved self-sufficiency in the sector. [13]

In fact, the semiconductor value chain is made up of three steps, each of which involves high levels of coordination between firms: (1) design; (2) fabrication; and (3) assembly (see diagram on page 19) [14]. Some firms, known as integrated device manufacturers (IDMs), accounting for about half of the overall semiconductor market, carry out both of the first two steps. The analysis below focuses on

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(10) US Department of Commerce, 'Commerce adds China's SMIC to the entity list, restricting access to key enabling U.S. technology', 18 December 2020 (https://2017-2021.commerce.gov/news/press-releases/2020/12/commerce-adds-chinas-smic-entity-list-restricting-access-key-enabling.html).

(11) Yamei, 'Economic watch: "Made in China 2025" sees China's economy upgrade', XinhuaNet, 13 June 2017 (http://www.xinhuanet.com/english/2017-06/13/c_136362260.htm).

(12) Kleinhans J. P. and Baisakova N., *The Global Semiconductor Value Chain: A technology primer for policy makers*, Stiftung Neue Verantwortung, October, 2020 (https://www.stiftung-nv.de/sites/default/files/the_global_semiconductor_value_chain.pdf).

(13) Alam, S., Chu, T., Lohokare, S., Saito, S. and Baker, M., *Globality and Complexity of the Semiconductor Ecosystem*, Global Semiconductor Alliance and Accenture, 2020 (https://www.accenture.com/_acnmedia/PDF-119/Accenture-Globality-and-Complexity-Semiconductor-POV.pdf).

(14) Ibid.

firms that operate in only one of the production areas [15].

The design phase involves specification of the physical architecture of the semiconductor, determining, based on its function, the electronic components that need to be included. The United States is, by far, the leader in design, with US firms such as Qualcomm, Broadcom, Nvidia and AMD all operating in this area, followed by Taiwan, home to MediaTek, Novatek and Realtek. However, the market share of Chinese companies is increasing fast [16]; Chinese firms such as Unigroup and Huawei subsidiary HiSilicon are important in this regard. Semiconductor design relies on specific software, the market in which is dominated by three United States-based firms, Cadence, Synopsy and Mentor, and it is in this part of the value chain that US sanctions were most effective in blocking Huawei HiSilicon production.

The second production step – fabrication – is highly technical and the most capital-intensive; billions of dollars' worth of up-front investments would be needed to catch up with market leaders [17]. Fabrication is concentrated around a few global players, with market leaders being Taiwan's TSMC and Korea's Samsung.

The third and last step – assembly – is comparatively labour-intensive and reaps lower profit margins. Over the years, this market has consolidated across countries and firms; Taiwan is, by far, the leader in the sector, with several top firms, notably ASE Group, while the United States has only one assembly firm, Amkor Technology. China has managed to significantly increase its market share in this sector, as a result of firms such as JCET entering the market.

Semiconductor production steps
Market share by firms' headquarter location, 2019
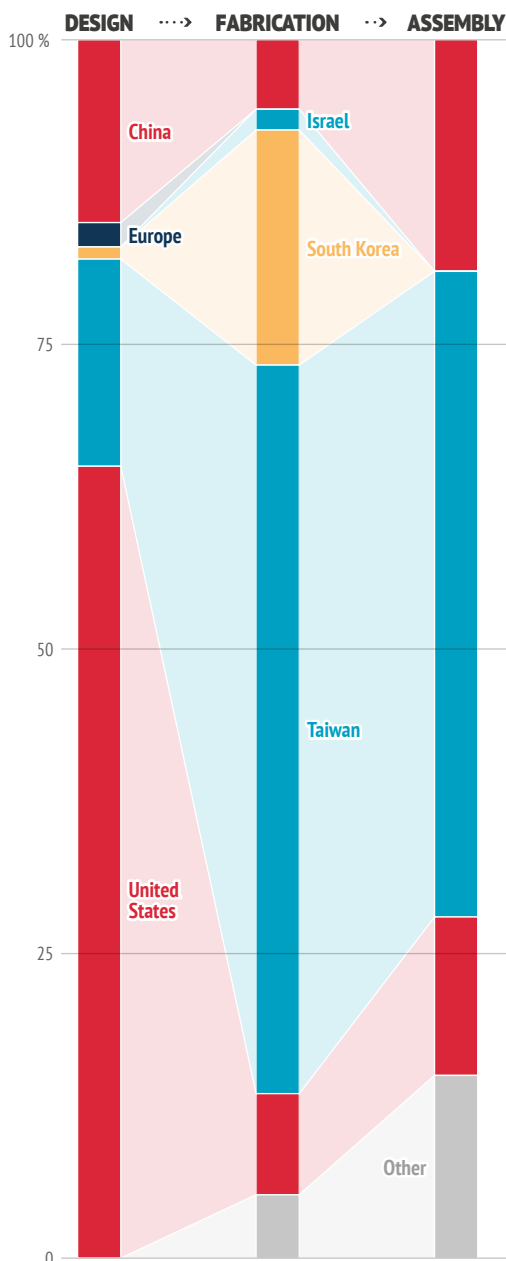
Data: IC Insights, Seeking Alpha and Stiftung Neue Verantwortung, 2020

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(15)   We chose not to focus on IDMs first because trends indicate that their market share decreases over time and because their production model makes them less exposed to international trade tensions.

(16)   Ting-Fang, C. and Li, L., 'China aims to shake US grip on chip design tools', *Financial Times*, 4 December 2020 (https://www.ft.com/content/8ed73acb-1aa4-4a98-875a-a372ba960cda).

(17)   To succeed, a market entrant would need to be able to attract top talent and secure production contracts with design firms, which makes it unlikely that competitors will penetrate the market over the next 5–10 years. Moreover, although China is building capacities in semiconductor fabrication, it is still far from having invested the amounts necessary to build cutting-edge chips – it will remain reliant on Taiwan and South Korea for high-end products.

Production requires inputs of machinery, silicon and chemicals, the markets for which are also very concentrated. The United States, the EU and Japan are the biggest suppliers in these peripheral markets; leading EU firms include the Dutch company ASML (machinery), the German company Aixtron (chemicals) and the French company Riber (machinery) [18].

Taken together, the capital-intensive and specialist nature of the semiconductor sector, as well as its concentration in a limited number of countries, resulting in a high degree of cross-country interdependence, exposes its supply chain to political risks. As a result of its strategic nature, the semiconductor sector has been the subject of sanctions by the US administration. The lack of available substitutes makes export bans particularly effective, rapidly halting production lines. US export bans on American-made technologies have put a dent in Huawei's production capacities [19] and put paid to the ambition of SMIC (China's most promising foundry) to produce high-end semiconductors [20]. Leverage over bottlenecks has been used by others too: Japan imposed export bans on crucial components to South Korea in 2019 [21].

These sanctions have ripple effects throughout the entire industry, affecting both suppliers and customers. Shortages caused by increased demand for ICT goods during the pandemic have been aggravated by stockpiling by Chinese firms in reaction to US sanctions [22]. As a result, the car manufacturing industry is reportedly facing challenges in keeping its production lines rolling, as semiconductor manufacturers give preference to technology companies [23].

While the United States uses its central position in these supply chains to exert leverage over China, China is trying to catch up and become technologically independent. China's 'Made in China 2025' plan includes the stated goal of a 70 % semiconductor market share for Chinese companies in 2025. However, an examination of China's achievement against its intermediate target for 2020 reveals the size of the challenge: China aimed at a 40 % market share by 2020, but by 2019 its share of the assembly market was only 19 %, making highly unlikely that it will achieve market leader status in all segments by 2030, as targeted by the State Council. The Chinese state plans to invest USD 118 billion in government funds over 5 years in domestic production [24]. This investment, although considerable, seems insufficient to achieve technological leadership in this highly specialised and competitive sector. Globally, investment in research and development (R&D) by industry players amounted to USD 68 billion in 2020 [25], and this excludes capital investment, which can also be considerable:

(18) de Jong, E., 'Semiconductor winners – European companies with strong positions', Edison Investment Research Limited, 16 August 2020 (https://www.edisongroup.com/investment-themes/semiconductor-winners-european-companies-with-strong-positions/).

(19) Yang, Y., 'Huawei's revenue growth slows as US tightens sanctions', *Financial Times*, 23 October 2020 (https://www.ft.com/content/8e97a705-026b-4f7c-a2f5-408b4af98dd6).

(20) Babones, S., 'China's drive to make semiconductor chips is failing', *Foreign Policy*, 14 December 2020 (https://foreignpolicy.com/2020/12/14/china-technology-sanctions-huawei-chips-semiconductors/).

(21) Yang, H. and Park, J. M., 'South Korean chip giants face "strangling" from Japanese export curbs', Reuters, 1 August 2019 (https://www.reuters.com/article/uk-southkorea-japan-laborers-chip-analys/south-korean-chip-giants-face-strangling-from-japanese-export-curbs-idUKKCN1UR3LQ).

(22) Fagot, V., 'Le monde de l'industrie s'inquiète d'une pénurie de puces électroniques', *Le Monde*, 23 January 2021 (https://www.lemonde.fr/economie/article/2021/01/23/le-marche-des-semi-conducteurs-face-a-la-penurie_6067305_3234.html).

(23) Miller, J. and Keohane, D., 'Car manufacturing hit by global semiconductor shortage', *Financial Times*, 8 January 2021 (https://www.ft.com/content/e264fd41-7ee9-4fba-be3c-21446298efd9).

(24) Lewis, J. A., *Learning the Superior Techniques of the Barbarians: China's pursuit of semiconductor independence*, China Innovation Policy Series, Center for Strategic and International Studies, January 2019 (https://csis-website-prod.s3.amazonaws.com/s3fs-public/publication/190115_Lewis_Semiconductor_v6.pdf).

(25) Davis, S., 'Industry R&D spending to rise 4% after hitting record in 2020', *Semiconductor Digest*, 2021 (https://www.semiconductor-digest.com/industry-rd-spending-to-rise-4-after-hitting-record-in-2020/).

TSMC announced capital spending of USD 25 billion to USD 28 billion for 2021 [26].

CONSEQUENCES FOR THE EU AND ITS DIGITAL SOVEREIGNTY

The semiconductor industry is characterised by a high degree of interdependence between China, Taiwan, South Korea, the United States and the EU. While the United States is currently leading in cutting-edge chip design and fabrication, value chains are highly integrated across the jurisdictions. Recent US actions have put these integrated value chains under stress. China has responded by investing in its own capacities, but, reportedly, is still some years away from being self-sufficient.

Although the European Commission is making headway in defining what it means by 'open strategic autonomy' [27], more tools and a clear vision are still needed in strategic sectors such as the semiconductor industry, especially as other global leaders (the United States, Taiwan, Japan, China) have already endorsed roadmaps and invested massively to support this strategic sector [28]. On the one hand, the EU is committed to keeping its markets open to foreign competition, thus ensuring that it continues to access valuable input into its production processes and consumer goods markets at low prices. Some may even argue that the 'tech war' between the United States and China offers an opportunity to free-ride on cheap products, as both countries subsidise their tech sectors. On the other hand, the EU is likely to be vulnerable to significant pressure from both the United States and China in the coming years when it comes to the digital sector.

In our view, a central pillar in the EU's strategy needs to be substantial investments in research and production capacity in the sector. These investments need to be protected from technology transfers through a strong investment screening mechanism. The recent case of the United States pressuring the Dutch government to cancel the sale of semiconductor machinery to China [29], whether for economic or security purposes, raises questions about what the EU strategy is.

At the same time, the highly specialised nature of this key sector exemplifies the benefits of global value chains. A strategy to reach full independence from foreign inputs in the sector seems not only extremely costly, but also unfeasible for Europe, China and even the United States, at least in the coming years. In our view, the aim of European industrial policy should be to increase domestic production capacity through means other than import substitution; for example, diversification of suppliers, whether new domestic suppliers as well as additional foreign suppliers, or both, would reduce the EU's economic and security vulnerabilities.

Moreover, a greater role for EU-based production capacities in global supply chains can give the EU leverage. Because the EU will not be able to match the substantial US public investments in industry, industrial policy should

(26) Wu, D., 'TSMC's $ 28 billion spending blitz ignites a global chip rally', Bloomberg, 14 January 2021 (https://www.bloomberg.com/news/articles/2021-01-14/tsmc-profit-beats-expectations-as-chipmaker-widens-tech-lead).

(27) Commission communication – Trade policy review – An open, sustainable and assertive trade policy, (COM(2021) 66 final), 18 February 2021 (https://trade.ec.europa.eu/doclib/docs/2021/february/tradoc_159438.pdf).

(28) Sénat France, 'Le retard français et européen dans la compétition mondiale', 16 February 2021 (https://www.senat.fr/seances/s202102/s20210216/s20210216_mono.html).

(29) Alper, A., Sterling, T. and Nellis, S., 'Trump administration pressed Dutch hard to cancel China chip-equipment sale: sources', Reuters, 6 January 2020 (https://www.reuters.com/article/us-asml-holding-usa-china-insight-idUSKBN1Z50HN).

be focused on existing European strengths [30]. A threat by a trading partner to interrupt supplies could then be countered by threats to retaliate. Crucially, this leverage should be used to improve the resilience of this industry through plurilateral cooperation and by strengthening multilateral trade institutions. In practice, the real question is whether the EU has the instruments and the political capacity to retaliate to such threats.

Strategic sovereignty implies an ability to take stock of both economic and security interests. The EU manages sectoral policies separately; this fragmentation of tasks between member states and the EU is a weakness

Strategic sovereignty implies an ability to take stock of both economic and security interests.

in today's world of increased geopolitical tensions. In the medium term, the EU needs to consider changing its decision-making processes in matters related to foreign policy. The European Commission President's idea of reconsidering the unanimity requirement in foreign policy is worthwhile, although it has major implications beyond the scope of this chapter.

A pragmatic first step would be to increase the coordination of various policy areas across parts of the European Commission. Elsewhere, some of us have proposed a 'European Commission Economic Sovereignty Commission', which would bring together several relevant European Commissioners (and portfolios relating to foreign and security policy, neighbourhood and enlargement, trade, international partnerships, and crisis management) under the chairmanship of the HR/VP [31]. Although there already exists a group of commissioners under the 'Stronger Europe in the World' formation, a group for European economic sovereignty would imply a strengthening of the vice-president role of the HR/VP. Obviously, other coordination

mechanisms are conceivable. Another option would be a security clause that could be activated in defined cases by the HR/VP (e.g. if a specific security concern arises) to temporarily block a merger and to subject the decisions of the Directorate-General for Competition to renewed consideration by the College of Commissioners.

The new US administration should provide the EU with more dependability, but the EU cannot wholly assume US support for a rules-based global order any more. The EU needs to adapt to the context and place economic sovereignty in the broader picture of geopolitical relations. Being highly intertwined with both the United States and China, it is exposed to negative consequences from their rivalry. The EU's interests are to avoid a bipolar scenario by promoting multilateralism and to maintain engagement with the United States and China. But the EU is currently ill-equipped to navigate geopolitical rivalries.

Overall, the geopolitical challenge of the EU is to find the right balance between economic efficiency and security interests. It needs to invest domestically, diversify interdependencies and strengthen its capacity to retaliate, while maintaining a reasonable distance from special sectional interests.

(30) The infrastructure investment plan of the Biden administration foresees $50 billion worth of investment into semiconductor technology. See The White House, press briefing, 'Fact sheet: The American jobs plan', 31 March 2021 (https://www.whitehouse.gov/briefing-room/statements-releases/2021/03/31/fact-sheet-the-american-jobs-plan/).

(31) *Redefining Europe's Economic Sovereignty*, op. cit.

CHAPTER 3

SOVEREIGNTY AND STRATEGIC PARTNERS

by
JANA PUGLIERIN

A vastly deteriorating security environment in Europe's southern and eastern peripheries and the United States' growing focus on Asia is forcing Europeans to take more responsibility for their own defence and security. In response to this, the EU and its member states have launched a series of defence initiatives that have given new momentum to the EU's dormant Common Security and Defence Policy (CSDP) since the summer of 2016. The aim behind initiatives such as the Permanent Structured Cooperation (PESCO) or the European Defence Fund (EDF) is, as the EU Global Strategy (EUGS) states, to achieve 'an appropriate level of strategic autonomy' [1], understood as the 'ability to act and cooperate with international and regional partners wherever possible, while being able to operate autonomously when and where necessary' [2]. Defined in this way, strategic autonomy is part of the EU's wider quest for more strategic sovereignty that goes beyond security and defence policy and aims to enhance the EU's ability to decide and act in accordance with its own rules, principles and values. With regard to European security and defence policy, the idea is to enable the EU to better respond to crises and conflicts, even when the United States is unable or unwilling to engage. But it is also about making the EU a better and more credible (transatlantic) partner that can contribute more to the defence of Europe and the maintenance of international security.

The European quest for strategic sovereignty therefore serves two goals at once: to become less dependent and to be more capable of joining and sustaining alliances. While it is always emphasised that these two objectives are not contradictory, it is obvious that there is a certain tension between them. More strategic autonomy is about becoming more self-reliant and independent, but the willingness to interconnect and the acceptance of resulting dependencies are the basis for working partnerships. The challenge for Europe is to find the right balance. In fact, the quarrel over how far Europeans should be able to defend themselves without actors such as the United States or NATO, and how much they should rely on others for their own security, has been controversially debated in the EU since the 1950s. But the simultaneous erosion of the two relationships that have been fundamental to

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[1] Mogherini, F., *Shared Vision, Common Action: A stronger Europe – A Global Strategy for the European Union's foreign and security policy*, June 2016 (https://eeas.europa.eu/archives/docs/top_stories/pdf/eugs_review_web.pdf).

[2] Council of the EU, 'Implementation plan on security and defence', 14392/16, 14 November 2016 (https://data.consilium.europa.eu/doc/document/ST-14392-2016-INIT/en/pdf).

Europe's defence for decades now forces Europeans to think in a new light about an acceptable equilibrium between self-reliance and the EU's commitment to deepening partnerships.

First, the fundamental uncertainty about the long-term future that entered the transatlantic partnership with Donald Trump has not suddenly vanished into thin air with the election of Joe Biden. In order to put the transatlantic partnership on a new, more sustainable, footing, but also to become more resilient to sudden changes of course in Washington, Europeans must use the next 4 years under Biden to recalibrate the transatlantic division of labour to the satisfaction of both sides of the Atlantic.

Second, with the decision of the United Kingdom to leave the EU, one of the EU's most significant military players has left the club. As it stands, there is little interest in the United Kingdom in institutional cooperation with the EU. But many EU member states will want to continue cooperating with the British, even if it is outside the formal EU framework. The EU member states must therefore decide whether they see the CSDP as a closed shop, aiming at more EU unity and, if possible, deeper integration, or whether they choose more open and flexible arrangements for EU defence cooperation than are currently on offer.

The following reflections provide some guidelines for how the security partnerships with the United Kingdom and the United States could be developed in the future and shed light on the trade-offs involved.

A MORE STRATEGIC APPROACH TO THIRD COUNTRIES

For the EU, cooperating with partners is not just a means to an end, but a value in itself. Partnerships are an expression of the European commitment to multilateralism and a rules-based international order in which problems are solved cooperatively with others, and not through the power of the strongest. In the EUGS, 'partnership' is among the four principles to guide the EU's external action – along with 'unity', 'engagement' and 'responsibility'. The EU's implementation plan on security and defence explicitly calls for 'a more strategic approach' to cooperating with partner countries that share EU values and are willing and able to contribute to CSDP missions and operations [3]. Part of the work on one of the four so-called baskets of the EU's Strategic Compass initiative, the partnership basket, is intended to define in more detail how the EU can take partnerships to a deeper and more strategic level.

Partnerships are an expression of the European commitment to multilateralism and a rules-based international order.

Proponents of strategic autonomy or sovereignty emphasise that neither concept aims at autarky or isolation and that a more sovereign EU would make the EU a better partner, especially to the United States. What sounds good on an abstract level nevertheless means concrete and often painful trade-offs when looking into the details. This became obvious when the United States, under the Trump administration, and the United Kingdom both took issue with the EU's rather restricted position on third-country participation in the EDF. Both complained that the rules on third-country participation established for the EDF in 2019 offered no or too

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(3)   Ibid.

few attractive 'docking mechanisms' for third countries and blamed the EU for being protectionist and shutting off its markets. The EU, however, sees a more integrated EU defence technological and industrial base as the key to a more resilient, and strategically more independent, European Union. Through the EDF, EU member states aim to strengthen the industrial dimension of strategic autonomy, which, ideally, will lead to a reduction in the number of weapons they buy elsewhere. As this example illustrates, finding the right balance between exclusivity and openness poses one of the key challenges to the EU's core partnerships.

How difficult it is to find this balance, and how controversial such a balance can be, is seen from the fact that it took several Council presidencies to broker an agreement on establishing the general conditions under which third parties could exceptionally be invited to participate in individual PESCO projects. According to Council Decision 2020/1639, third-country participation in PESCO will be the exception rather than the rule, and third parties will be allowed to participate only if their inclusion is deemed to add substantial value to the projects being carried out and when such participation will not lead to dependencies on third states.

A PARTNERSHIP LIKE NO OTHER? EU–UK COOPERATION AFTER BREXIT

Brexit was a crucial enabler of the renaissance of European security and defence policy in two ways. First, EU member states wanted

to counter the British decision to leave the EU with a political project that would strengthen ties among the remaining member states. A common and more unified security and defence policy was considered to be additional glue that could bring the EU member states closer together. Second, the UK government had blocked the progress of the CSDP for years. Therefore, the United Kingdom's departure from the EU opened the way for the series of EU defence initiatives that were implemented after 2016.

At the same time, it was evident that the impact of those initiatives and the power of the EU's security and defence policy more broadly were potentially reduced without the United Kingdom's military capabilities and contributions to EU missions and operations – even though the United Kingdom had shown little willingness to make these capabilities available in the CSDP framework in recent years. A study conducted by the International Institute for Strategic Studies (IISS) and the German Council on Foreign Relations (DGAP) in 2018, which looked at the EU member states' abilities to carry out CSDP full-spectrum operations, highlighted the shortfalls resulting from the loss of British strategic enablers and high-end capabilities [4]. It was therefore clearly in the EU's interest to aim for the closest possible ties between the United Kingdom and the EU to compensate for this loss after the United Kingdom left the EU. This was also former British prime minister Theresa May's declared intention. Consequently, both sides wanted to ensure an 'ambitious, close and lasting' security cooperation, as was laid out in the Political Declaration accompanying the 2019 Withdrawal Agreement.

However, since Boris Johnson took office as British prime minister, the UK government has adopted a different approach. Under his leadership, the assumption has taken hold that there is no advantage for the United Kingdom in seeking institutional links with

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(4)   Barrie, D. et al., *Protecting Europe: meeting the EU's military level of ambition in the context of Brexit,* a joint IISS and DGAP report, 28 November 2018 (https://dgap.org/system/files/article_pdfs/protecting_europe.pdf).

the EU because there are simply not enough incentives on offer. From the British government's point of view, 'Global Britain' does not need any formal framework for cooperation on foreign, security or defence policies with the EU. It prefers to work bilaterally or multilaterally with individual EU member states and not submit to the institutional constraints of the EU [5].

The fact that it has not yet been possible to establish the institutionalised security partnership between the EU and the United Kingdom envisaged in the Political Declaration also shows that the EU's aim of strategic autonomy is not always reconcilable with its strategic interest in keeping its core partners as closely associated as possible. More precisely, if the EU really wants to develop a more strategic approach towards its partnerships, then its relationship with the United Kingdom raises a fundamental question. What is more important in the future: European capacity to act or EU unity?

In talks with the United Kingdom, the EU has repeatedly emphasised that it considers certain fundamental principles sacred: there must be a significant difference between EU member states and third countries, and the level of cooperation that takes place in the EU framework cannot be duplicated. Mere cooperation with the EU needs to appear less attractive than EU membership. The EU guards its decision-making autonomy, and partners get no seat in the EU institutions or bodies. Finally, the EU, while acknowledging the unique nature of the security relationship, insisted that, post-Brexit, the United Kingdom would be a third country like any other. In sticking to those principles to this day, the EU has put its unity and political principles above its interest in further close ties with the United Kingdom. It was not prepared to respond to

the United Kingdom's desire for a *sui generis* security partnership for fear of jeopardising EU cohesion – even if those concessions might result in having the United Kingdom more involved in further European capability development and in missions and operations. The EU thus gave up a potential increase in its capacity to act in order to protect and preserve EU unity. One reason for this was certainly that, after years of British obstruction to any progress in the CSDP, confidence in future British interest in EU defence has been severely damaged.

> # Post–Brexit, confidence in future British interest in EU defence has been severely damaged.

However, this approach also entails costs that are not limited to the potential loss of UK contributions to the CSDP. In the future, the need for the United Kingdom and its EU partners to collaborate in addressing shared challenges in an increasingly hostile international environment will only grow. Many member states will want to continue working closely with the United Kingdom on military matters, such as Sweden, Poland, Romania, the Netherlands and, especially, France (which was among the staunchest opponents of opening up EU defence industrial structures to the United Kingdom). If the EU does not facilitate this cooperation within its institutional framework, it will take place on bilateral and multilateral bases outside the framework. Macron's 'European Intervention Initiative' is the best example. Brexit is not the only reason for the growing 'ad hocism' in European security, but it certainly is a huge additional driving factor, especially as it is now the UK's preferred method of working with its European allies. If the fragmentation of European defence cooperation advances further, the importance of the CSDP will diminish further. Ultimately, it is a question of how central the EU wants to be as a platform for European security and defence cooperation.

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(5)   See Bond, I., *Post–Brexit Foreign, Security and Defence Co-operation: we don't want to talk about it*, 26 November 2020, p. 1 (https://www.cer.eu/sites/default/files/pbrief_brexit_forpol_26.11.20.pdf).

Non-EU defence cooperation

A non-exhaustive list

European Intervention Initiative (EI2) ◯ **2018**
Belgium, Denmark, Estonia, Finland, France, Germany,
Netherlands, Portugal, Spain, Sweden, Italy
Non-EU: Norway, United Kingdom

Capacité Motorisée (CaMo) ◯
Belgium, France

2015 ◯ **Benelux Air Defence Pact**
Belgium, Luxembourg, Netherlands

UK Joint Expeditionary Force ◯ **2014**
Denmark, Finland, Estonia, Latvia, Lithuania, Netherlands, Sweden
Non-EU: Iceland, Norway, United Kingdom

Division Schnelle Kräfte (DSK)/ Dutch 11 Air Mobile Brigade ◯
Germany, Netherlands

2010 ◯ **Combined Joint Expeditionary Force**
(CJEF, part of Lancaster House Treaties)
France
Non-EU: United Kingdom

Lithuanian–Polish–Ukrainian Brigade ◯ **2009**
Lithuania, Poland
Non-EU: Ukraine

2008 ◯ **Strategic Airlift Capability C–17**
Bulgaria, Estonia, Finland, Hungary, Latvia,
Netherlands, Poland, Slovenia, Sweden, Romania
Non-EU: Norway, United States

European Gendarmerie Force ◯ **2006**
France, Italy, Netherlands, Poland,
Portugal, Romania, Spain

1999 ◯ **South Eastern Europe Brigade** (SEEBRIG)
Bulgaria, Greece, Romania
Non-EU: Albania, North Macedonia, Turkey

◯ **Extended Air Defence Task Force** (EADTF)
Germany, Netherlands
Non-EU: United States

Belgian–Dutch naval cooperation (BeNeSam) ◯ **1996**
Belgium, Netherlands   informal agreement since 1948

1995 ◯ **German–Dutch Corps**
Germany, Netherlands

◯ **European Maritime Force** (EUROMARFOR/ EMF)
France, Italy, Portugal, Spain

European Corps (Eurocorps) ◯ **1992**
Belgium, France, Germany, Luxembourg, Spain

1989 ◯ **Franco–German Brigade**
(part of Eurocorps, outcome of Élysée Treaty)
France, Germany

UK/NL Amphibious Force ◯ **1972**
Netherlands
Non-EU: United Kingdom

RECONCILING STRATEGIC SOVEREIGNTY AND THE TRANSATLANTIC RELATIONSHIP

The idea that the EU must have the capacity for autonomous action, backed up by credible military forces, the means to decide to use them and a readiness to do so, in order to respond to military crises, goes back to the 1998 St. Malo Declaration. Since then, the question of what constitutes an acceptable balance between a more independent European security and defence policy and transatlantic security cooperation in NATO has been hotly disputed on both sides of the Atlantic. The fear of upsetting the United States and jeopardising the American security commitment to Europe was a good reason for many European member states to keep EU defence efforts to a minimum. However, the election of Donald Trump as US president in 2016 decisively changed the parameters of the debate. The United States' strong footprint in European security could no longer be taken for granted.

For many Europeans, this was a wake-up moment that brought the need for greater autonomy from the United States back into focus. At the same time, the very notion of 'strategic autonomy' became toxic. While Europeans insisted that strategic autonomy was not synonymous with Europe 'going it alone', Washington, and also some EU member states, especially in central and eastern Europe, perceived it as an attempt to decouple, and hence as a threat. On this account, German defence minister Annegret Kramp-Karrenbauer spoke on behalf of many Europeans when she sent her message to the incoming Biden administration in November 2020: 'The idea of strategic autonomy for Europe goes too far if it is

taken to mean that we could guarantee security, stability and prosperity in Europe without NATO and without the US' [6]. The related dispute between her and French president Emmanuel Macron has once again shown that Europeans themselves have not yet agreed on how far Europe should be able to act independently of the United States.

However, the next 4 years of the Biden presidency should not be wasted on meta-debates. These years present a window of opportunity for both sides of the Atlantic. It is up to the Europeans to prove that the European quest for greater strategic sovereignty can, at the same time, be positive for the transatlantic partnership, and that a strong and self-reliant Europe is in America's interest. And it is up to the Americans to show that they are interested in a real partnership on an equal level. The starting conditions are good: President Biden wants to repair the shattered relationship with the Europeans and make the transatlantic partnership the cornerstone of a unified Western approach to great power competition. The recent US request to join a PESCO project (alongside Canada and Norway) on military mobility as a third country represents an initial test case – and a big opportunity – for constructive future EU–US and EU–NATO cooperation. The EU and its member states now need to redouble their efforts to strengthen European military mobility within the EU and NATO and, not least, at the national level, and provide adequate funding. If this collaboration proves to be a success, it can pave the way for other projects, leading to greater transatlantic interoperability and the efficient use of resources.

This also means that Europeans must contribute greater added value to the transatlantic partnership through measures that simultaneously strengthen their own strategic sovereignty. First, this would mean the development and procurement of more effective European capabilities, including capabilities

(6)   Kramp-Karrenbauer, A., 'Second keynote speech by German Federal Minister of Defence', 19 November 2020 (https://www.bmvg.de/en/news/second-keynote-speech-german-minister-of-defence-akk-4503976).

at the high-end of the spectrum and strategic enablers. Very few PESCO initiatives currently address these capability gaps. Although the issue of transatlantic industrial cooperation remains difficult (Biden will be tough when it comes to buying and selling American), there is a basic willingness to support credible efforts to strengthen European defence capabilities. But the EU will need to demonstrate that its efforts go beyond subsidising European defence industries and lead to a tangible boost in Europe's operational equipment that would also be available within a NATO framework.

Second, the EU needs to take some military load off the United States. The EU should assume greater regional responsibility in its southern and eastern neighbourhoods and also increase its operational readiness for operations abroad.

Third, Europeans should spell out what the European pillar of NATO is supposed to be and how it relates to the CSDP. Cooperation between the EU and NATO has made much progress in recent years, but there is clearly still unused potential. Capability development and defence planning could be even better coordinated and further aligned. The ongoing Strategic Compass process should be closely linked to the NATO review process, especially in the areas of countering cyber and hybrid threats and fighting terrorism and disinformation campaigns, and cooperation between the two institutions should be strengthened.

THE NEED TO OVERHAUL THE EU'S THINKING ABOUT PARTNERS

The return of great power rivalry and an increasingly adversarial strategic environment, with a rising and ever more vigorous China, a revisionist Russia and a nationalist Turkey, pose major challenges to the EU. In order to be able to assert themselves in this world, Europeans must become more capable of acting at the international level. This is especially true in the area of security and defence, where the EU remains a dwarf. Despite a growing need for greater European sovereignty, European member states cannot stand alone in this harsh international environment. They need strong partners who share their values and interests. This is not only a choice, but, at the same time, a necessity. On their own, the EU member states can neither defend their own alliance territory nor engage in highly intensive foreign operations.

The two most important partners in security policy, despite Brexit and Trumpism, are still the United Kingdom and the United States. However, the experience of recent years, especially in relations with these two partners, has shown that it is not always easy to maintain a good balance between the desire for greater autonomy and close and cooperative relations.

If the EU now wants to rethink its approach to partnerships in the wake of the Strategic Compass, one of the considerations should be how to make the EU framework more attractive to these two partners, but also to Canada and Norway. In the case of the United Kingdom, the choice so far has been to emphasise the exclusivity of the EU. Against the backdrop of Brexit, it was understandable to want to avoid incentives that would make leaving the EU seem attractive. However, if the EU, as a complement to NATO, is indeed to become an organisation that 'produces' European security, it also needs to offer more attractive 'docking mechanisms' to those countries that are central to European security, even if they are not (or are no longer) EU member states. So far, the EU has prioritised its political principles to the detriment of its strategic interests. In view of an increasing erosion of European security architecture, the question arises whether this trade-off is still worth it. If Europeans, with the help of strong partners, are better able to take the lead in managing crises and conflicts, the greater output legitimacy, in turn, increases the legitimacy of the European project. Partnerships should therefore be seen

as a means to achieving more strategic sovereignty for the EU – not less.

Even though there is clearly no appetite on the British side for institutionalised EU–UK cooperation under the current Johnson government, the door should be kept open for a potential future UK re-engagement. While London insists on cooperating outside the EU framework, the EU should seek to make those additional multinational formats as complementary and beneficial as possible to the EU framework. After all, every format in which Europeans work together on defence policy strengthens Europe's ability to act, whether through improved interoperability or the harmonisation of threat analyses. In the coming years, the EU institutions and member states must make every effort to further integrate and transform Europe's fragmented militaries so that these efforts also strengthen the European pillar of NATO.

Regarding the transatlantic relationship, the EU must continue to send a clear message to Washington that strategic autonomy and sovereignty do not stand in the way of a renewal of the transatlantic partnership, but, on the contrary, are a means to achieve it. It is very positive that the EU welcomed the Biden administration's request to join the EU's PESCO project on military mobility. It is in the EU's interest to make this cooperation with the United States, Canada and Norway a success and to show Washington that it is beneficial to US interests to play a constructive role in EU defence.

In future, the EU member states will be more dependent than ever on working closely with like-minded partners. This is true not only with regard to the most obvious partners in the West, but also in the Indo-Pacific space, where European engagement will be increasingly in demand. Deepening and broadening security cooperation with countries such as Japan, Australia or Malaysia could boost the EU's ability to project influence and values in the region and to advocate an open and free maritime domain, free trade and a multilateral and rules-based approach to conflict resolution.

CHAPTER 4

SOVEREIGNTY AND MULTILATERALISM

by
RICCARDO ALCARO

The notion that the EU should pursue greater autonomy in international affairs has gained increasing salience. Initially anchored in security and defence, the concept of strategic autonomy has grown in scope and now encompasses any policy domain with an external dimension, such as the promotion of the euro as a reserve currency, trade, climate and energy, and digital and technology regulations [1]. The purpose of strategic autonomy is to reduce the vulnerability of the EU and its member states to the political use of asymmetrical interdependencies by other countries, starting with systemic rivals, but also including allies. Examples include Russia leveraging its energy supplies, China using access to its market to force technology transfers and the United States weaponising financial interdependencies through extraterritorial sanctions [2]. It is not by chance that autonomy has become increasingly tied to the notion of 'European sovereignty' [3]: this points to the strengthening of the EU as the best way to enable EU member states to act according to their own norms and laws.

The demand for stronger autonomy reflects the growing realisation, in Brussels as well as in a number of European capitals, that the emerging multipolarity of international politics risks seriously reducing the ability of the EU to shape international rules and practices of multilateral cooperation. The two factors that contribute the most to the EU's predicament are China's increasing assertiveness and the inability of US policymakers to forge an enduring consensus on how the United States should conduct itself in international affairs.

China's ultra-dynamic economy augments Beijing's ability to promote its own models of governance of global issues. Swings in US foreign policy between one administration and the next have diminished commitment to the system of multilateral institutions, treaties and regimes that the United States itself did the most to create in the decades after

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[1]   In 2016, the EU Global Strategy elevated the attainment of a higher degree of autonomy in security and defence to a strategic imperative; see *Shared Vision, Common Action: A stronger Europe,* op. cit. In the following years, the Juncker and von der Leyen Commissions expanded the scope of the term. See Juncker, J. C., *State of the Union 2018 – The hour of European sovereignty*, Brussels, 12 September 2018 (https://ec.europa.eu/info/sites/info/files/soteu2018-speech_en_0.pdf); and von der Leyen, U., 'Speech by President-elect von der Leyen in the European Parliament Plenary on the occasion of the presentation of her College of Commissioners and their programme', Strasbourg, 27 November 2019 (https://ec.europa.eu/commission/presscorner/detail/en/SPEECH_19_6408).

[2]   See *European Strategic Autonomy: What it is, why we need it, how to achieve it,*, op. cit.

[3]   *Redefining Europe's Economic Sovereignty*, op. cit.

the Second World War, and which has served European interests for decades [4]. This trend peaked during the Trump years, when the United States deliberately pursued a policy of contestation with the World Trade Organization and the International Criminal Court (to mention just a few), and disengagement, including the decision to leave international arrangements such as the Paris Agreement on climate, the World Health Organization, the Intermediate-Range Nuclear Forces Treaty and the Treaty on Open Skies, as well as the Iran nuclear deal. As the United States distanced itself from multilateral institutions, China made efforts to increase its sway within them, targeting, in particular, technical agencies such as the International Organization for Standardization and the International Telecommunication Union to bring global technology standards closer to Chinese ones [5].

From the EU's viewpoint, this is a vicious cycle in which multilateral institutions are simultaneously undermined from without – by the United States – and from within – by China. The outcome may be a dysfunctional multilateral order or one that more closely reflects China's model of authoritarian capitalism [6]. Either outcome would negatively affect the security and prosperity of the EU and its member states, as it would reduce European influence in existing multilateral institutions. It is, therefore, essential to strengthen and expand such institutions if the EU and its member states are to be capable of navigating the agitated waters of an international system that has been made even more competitive by

the Covid-19 pandemic [7]. The ability of EU member states to live by their own laws and rules is thus inextricably linked to multilateralism, and 'effective multilateralism' is a cornerstone of EU foreign and security policy.

Specifically, multilateralism performs three functions that serve European sovereignty. The first is that it anchors interstate interactions in accepted, and at times binding, norms, rules and practices. The EU and its member states have an interest in ensuring that such norms, rules and practices continue to reflect the values they share, including individual rights, democracy, secularism, non-discriminatory trade and free markets. Second, multilateralism is about cooperatively addressing transnational challenges, such as nuclear proliferation, climate change, pandemics or the myriad risks emanating from regional crises that affect the citizens, economy and security of Europe. Third, multilateralism reduces the room for power politics to shape international affairs, an outcome that favours a collective polity with very limited military projection capacity, such as the EU [8].

EU policymakers have historically been aware of the centrality of functioning multilateral institutions to the prosperity and security of European countries. After all, the promotion of 'effective multilateralism' as a cornerstone of EU foreign and security policy predates the introduction of the term in the 2003 European Security Strategy [9]. The EUGS of 2016, the document that has popularised the phrase 'strategic autonomy', lists the existence of a

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(4)   See, among others, Alcaro, R., 'The fraying transatlantic order and Europe's struggle in a multipolar world', in Massie, J. and Paquin, J. (eds), *America's Allies and the Decline of US Hegemony*, Routledge, London, 2019, pp. 143–160.

(5)   Rapp-Hooper, M., 'China, America and the international order after the pandemic', War on the Rocks, 24 March 2020 (https://warontherocks.com/2020/03/china-america-and-the-international-order-after-the-pandemic/); Wright, T., 'Stretching the international order to its breaking point', *The Atlantic*, 4 April 2020 (https://www.theatlantic.com/ideas/ archive/2020/04/pandemic-lasts-18-months-will-change-geopolitics-good/609445/); Haass, R., 'Trump's foreign policy doctrine? The Withdrawal Doctrine', *The Washington Post*, 27 May 2020 (https://www.washingtonpost.com/ opinions/2020/05/27/trumps-foreign-policy-doctrine-withdrawal-doctrine/).

(6)   Alcaro, R. and Tocci, N., *The European Union in a COVID World*, IAI Papers 20/34, November 2020 (https://www.iai.it/sites/ default/files/iaip2034.pdf).

(7)   Alcaro, R. and Tocci, N., 'Navigating a Covid world: the European Union's internal rebirth and external quest', *The International Spectator*, Vol. 56, No 2, 2021, pp. 1–18.

(8)   Bouchard, C., Peterson, J. and Tocci, N., *Multilateralism in the 21st Century – Europe's Quest for Effectiveness*, Routledge, London and New York, 2013.

(9)   Solana, J., 'A secure Europe in a better world – European security strategy', December 2003, p. 11 (https://data. consilium.europa.eu/doc/document/ST-15895-2003-INIT/en/pdf).

rules-based order as one of the EU's norma-tive interests, thus establishing an organic link between autonomy and multilateralism [10]. From Europe's perspective, the emergence of competing visions of international politics, it-self a reflection of a more complex world, calls for greater multilateral cooperation. This is a process that the EU has a fundamental interest in promoting, shaping and even driv-ing, as pointed out most recently in a joint communication released by the HR/VP and the Commission. [11]

Admittedly, strengthening multilateral norms, institutions and practices in a world increas-ingly characterised by multipolar competi-tion – and with the United States oscillating between support and disengagement – is a tall order. It is not impossible though, nor an absolute novelty for the EU and its member states. In the early 2000s, for instance, the EU managed to bring forward the multilateral agendas on international justice (the Interna-tional Criminal Court) and climate change (the Kyoto Protocol) in the face of opposition from Washington. Another, arguably more illus-trative, example of the European potential to promote multilateralism is the pursuit of the nuclear agreement with Iran and the defence of it after the US pull-out.

The purpose of this chapter is to analyse the joint comprehensive plan of action (JCPOA) between Iran and a group of six powers, namely the United States, China, Russia and the E3 of France, Germany and the United Kingdom, as well as the HR/VP representing the EU (together labelled the E3/EU+3) [12]. The case of the Iran nuclear deal can help us ascertain what contribution it has made to

multilateralism, and what role the EU played in bringing about its agreement. In particular, the case of the JCPOA is illustrative of the way in which the EU requires multilateral frame-works and partnerships in order to wield in-fluence in international relations. Lessons from the Iran nuclear deal can be used more broadly to learn how the EU can play a more effective role in global affairs.

THE IRAN NUCLEAR DEAL AS AN EU CONTRIBUTION TO MULTILATERALISM

The EU's engagement in the Iranian nuclear issue was essential to the signing of the JCPOA in 2015. The group that negotiated the deal is officially known as the E3/EU+3 in recogni-tion of the fact that it was the Europeans who first engaged Iran in nuclear talks between 2003 and 2005. Later, the Europeans within the E3/EU+3 devised a 'dual-track approach', combining diplomacy with pressure (includ-ing sanctions), to establish a policy on which the more hawkish United States and the more dovish China and Russia could agree, and which eventually pushed Iran into entering a deal [13]. After the US withdrawal in 2018, the Europeans managed to keep the JCPOA for-mally alive. While the agreement is not in the best condition, it remains the only platform for renewed nuclear diplomacy between Iran

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(10)   *Shared Vision, Common Action: A stronger Europe*, op. cit., p. 15.

(11)   European Commission, High Representative of the Union for Foreign Affairs and Security Policy, 'Joint communication to the European Parliament and the Council on strengthening the EU's contribution to rules-based multilateralism', (JOIN(2021) 3 final), 17 February 2021, (https://eeas.europa.eu/headquarters/headquarters-homepage/93292/joint-communication-european-parliament-and-council-strengthening-eu's-contribution-rules).

(12)   E3/EU+3, Iran, 'Joint comprehensive plan of action – Vienna, 14 July 2015' (https://eeas.europa.eu/archives/docs/statements-eeas/docs/iran_agreement/iran_joint-comprehensive-plan-of-action_en.pdf).

(13)   Adebahr, C., *Europe and Iran: The Nuclear Deal and Beyond*, Routledge, London, 2017; Cronberg, T., 'No EU, no Iran deal: The EU's choice between multilateralism and the transatlantic link', *The Nonproliferation Review*, Vol. 24, Nos 3–4, 2017, pp. 243–59; Alcaro, R., *Europe and Iran's Nuclear Crisis*, Palgrave Macmillan, Basingstoke, 2018.

The Joint Comprehensive Plan of Action (JCPOA)

A brief timeline of major events

2015 ○ 14 Jul
P5+1 and Iran conclude Joint Comprehensive
Plan of Action (JCPOA)

2016 ○ 16 Jan
Iran meets requirements of JCPOA,
implementation day of JCPOA / sanctions lifted

2017 ○ 20 Jan
Inauguration of US President Trump

○ 19 May
Re-election of Iranian President Rouhani

2018 ○ 08 May
US unilaterally withdraws from JCPOA

○ 09 May
EU reaffirms commitment to JCPOA

2019 ○ 31 Jan
France, Germany and UK announce INSTEX
to facilitate trade between EU/Iran

○ 08 May
First breach of JCPOA by Iran

○ 09 May
HR/VP and Foreign Ministers of France, Germany
and the UK reaffirm their commitment to JCPOA,
reject Iranian ultimatums and ask Iran to fulfil
its obligations

○ 07 Jul
Second breach of JCPOA by Iran

○ 05 Sep
Third breach of JCPOA by Iran

○ 05 Nov
Fourth breach of JCPOA by Iran

2020 ○ 05 Jan
Fifth breach of JCPOA by Iran

○ 14 Jan
France, Germany and the UK refer Iran's JCPOA
violations to the deal's Dispute Resolution Mechanism

2021 ○ 20 Jan
Inauguration of US President Biden

○ 18 Feb
The Biden administration formally offers
to restart nuclear talks

○ 02 Apr
Joint Commission of the JCPOA agrees to resume
the session of the Joint Commission in Vienna

○ 06 Apr
Indirect talks between the US and Iran begin in Vienna

○ 16 Apr
Iran begins enriching uranium up to 60%

○ 18 Jun
Iranian presidential election

and the United States under the new adminis-
tration of Joe Biden [14].

The European contribution to the JCPOA ex-
tends beyond the Iranian nuclear issue *per
se*. In pursuing and defending the agree-
ment, the Europeans have actually contrib-
uted to all three aforementioned functions of
multilateralism.

First, the JCPOA has consolidated interna-
tional non-proliferation norms and regimes.
The fact that Iran's nuclear crisis has played
out against the backdrop of the geopoliti-
cal rivalry between the Islamic Republic and
the United States should not blind us to the
centrality of the normative dimension of it. It
was, and is, Iran's membership of the Treaty
on the Non-Proliferation of Nuclear Weapons,
known as the Non-Proliferation Treaty (NPT),
as a non-nuclear weapon state that provided
the legal justification for the demands on Teh-
ran for greater transparency and cooperation.
Had Iran gone nuclear or had its plans trig-
gered a regional nuclear arms race, the NPT
would have been dealt a, perhaps fatal, blow.
The action by the Europeans, and later by the
E3/EU+3, has continued to cast a shadow of
illegitimacy over any plan to develop nuclear
weapons. In addition, the JCPOA has given the
International Atomic Energy Agency (IAEA)
greater inspection powers, thereby introducing
a novel regime that may serve as a blueprint
for future verification systems. Furthermore,
the JCPOA has restored a degree of authority
to the United Nations Security Council (UNSC)
as the ultimate arbiter in international secu-
rity matters; the UNSC has formally endorsed
the agreement by incorporating it into Reso-
lution 2231 [15].

Second, the JCPOA is a precedent for success-
ful cooperative crisis management. The deal
reduces the risk of military confrontation, as
an unchecked Iranian nuclear programme may
eventually lead countries that feel threatened

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(14)   Alcaro, R., 'Europe's defence of the Iran
nuclear deal: Less than a success, more than a failure', *The
International Spectator*, Vol. 56, No 1, 2021, pp. 55–72.

(15)   UNSC, Resolution S/Res/2231, 20 July 2015.

by it to destroy it or slow it down via military means. Assuming that Iran would retaliate by activating its proxies in Iraq, Syria, Lebanon and Yemen, the prospect of a generalised conflict would not be remote, with ominous spillover effects for all adjacent regions, including Europe. The fact that international players with very different, even opposing, foreign policy outlooks such as the E3/EU and the United States, on one side, and China and Russia, on the other, have been able to find common ground shows the great potential of multilateral endeavours not only for addressing transnational threats such as proliferation and regional crises, but also, indirectly, for moderating great power tensions. It is worth recalling that Russia remained a proactive contributor to the 2014–2015 JCPOA negotiations even while its relations with the West deteriorated following its aggression against Ukraine.

Third, the JCPOA contributes to limiting the role of power politics. As a non-proliferation agreement, the JCPOA is not meant to turn the adversarial relationship between Iran and the United States into a friendly one. However, the deal does possess transformative potential, as it introduces a set of rules and binding commitments into a relationship, albeit an asymmetrical one, otherwise shaped entirely by force, with Iran drawing on its power, and even more so that of its proxies, to face down America's military might. The multilateral nature of the deal further increases its potential to stabilise United States–Iran relations, as it creates room for other players to contribute to the process on the basis of formalised procedures of interaction, such as the JCPOA joint commission, which provides oversight and conflict resolution. For the EU, in particular, the JCPOA is a way to have some influence on the (geo)politics of the Middle East, a region where influence tends to emanate overwhelmingly

For the EU, in particular, the JCPOA is a way to have some influence on the (geo)politics of the Middle East.

from hard power, which is certainly not the main strength of the EU.

Another reason why the case of the JCPOA is important is that it sheds light on the nexus between the EU's partnership with the United States and its support for multilateralism. Throughout the nuclear crisis, the EU has both used multilateral frameworks to bring the United States closer to its positions and leveraged the transatlantic partnership to support such multilateral frameworks.

Aware that no enduring resolution of the nuclear dispute with Iran is conceivable without US buy-in, the E3/EU have consistently aimed at facilitating US–Iranian nuclear diplomacy. In the early phase of the dispute, the Europeans managed to gradually bring an initially sceptical Bush administration into the E3/EU+3 group. They did so by framing the dispute in normative terms, emphasising Iran's obligations under the NPT and ensuring that both diplomacy and sanctions were legitimised by the UNSC. Constructing the stand-off with Iran as an international law and multilateral governance issue allowed the E3 and EU to 'extract' the nuclear crisis from the United States–Iran geopolitical contest and place it into a normative and multilateral frame that both Washington and Tehran could relate to. A policy of engagement of Iran thus became a politically acceptable proposition in the United States, giving the Obama administration enough leeway to strike the deal.

The normative dimension was also essential to confer legitimacy, and a measure of effectiveness, to the EU's defence of the JCPOA against the Trump administration's attempt to sink it. It is worth emphasising that, while the EU failed to protect legitimate trade with Iran from US extraterritorial sanctions, the E3/EU succeeded in defending the JCPOA at the UN. Specifically, the E3 used formal UN

mechanisms to block US demands for the automatic restoration of UN sanctions against Iran, a move designed to push the Islamic Republic to withdraw from the deal [16]. Multilateral rules thus proved more effective than the EU's own regulations to extend the life of the JCPOA and give US–Iranian diplomacy another chance under the Biden administration.

In conclusion, the E3 and the EU have influenced the calculations of Iran and the United States through the pursuit and defence of a multilateral deal, based on the non-proliferation norm and enabled by international institutions such as the IAEA and the UNSC. Iran has not disavowed the deal and the United States is again committed to coordinating with the Europeans, and with Russia and China too, to find a way to reactivate it.

Given US wishes that JCPOA commitments be both strengthened and expanded to Iran's regional policies, the EU should strive again for a strategy based on the advancements of multilateral frameworks. The EU should insist that a follow-on nuclear agreement, involving greater concessions on all sides, may be negotiated only within the E3/EU+3–Iran framework and with UNSC endorsement. Next, the EU should urge its E3/EU+3 partners to publicly commit to supporting a process of regional dialogue between Iran and its neighbours as a step towards regional governance mechanisms.

EU STRATEGIC SOVEREIGNTY, PARTNERSHIPS AND MULTILATERALISM

The case of the JCPOA provides evidence of how multilateralism is functional to European strategic sovereignty, but it is also illustrative of how the EU can effectively use its strategic partnerships, especially the one with the United States, and multilateralism to mutually reinforce one another [17]. If the Europeans within the E3/EU+3 group have done so on an issue of high politics over which it has only limited influence, there is surely much potential for the EU to shape multilateral norms, institutions and regimes in policy areas in which it wields more power, such as trade and regulations [18].

The fact that great power competition increased as the crisis with Iran unfolded creates structural incentives for the EU, the United States, the United Kingdom and other like-minded countries to seek convergence. By closing ranks with its allies, the EU increases its ability not just to resist pressure from systemic rivals such as Russia or China, but also to engage them from a position of strength. Containment of Russia's geopolitical ambitions in Europe, countering information warfare and protection from the political use of China's investment policy and technology exports are structural interests around which the EU can build a renewed partnership with the United States and others.

Equally important is to engage – again from a position of strength – Russia and China, plus any other countries, within multilateral institutions. The EU should involve its partners

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(16)   International Crisis Group, 'Iran: The U.S. brings maximum pressure to the UN', Middle East Report No 218, 19 August 2020 (https://www.crisisgroup.org/middle-east-north-africa/gulf-and-arabian-peninsula/iran/218-iran-us-brings-maximum-pressure-un).

(17)   The point is emphasised by the EU's joint communication on multilateralism, (JOIN(2021) 3 final), op. cit., p. 2.

(18)   *The Brussels Effect: How the European Union Rules the World*, op. cit.

in defining parameters for the governance of global public goods (e.g. human security, climate, health, digital services, technological standards, information freedom) and mainstream such parameters into multilateral discourse and practices. It is worth emphasising that the key to unblocking the Iranian nuclear dispute was to frame it in normative terms that Iran itself could not ignore. Consolidating and developing further norms in, for example, global health would create stronger guarantees that countries do not neglect their responsibility for transmitting urgent and transparent information, as China did in the very early phase of the Covid-19 pandemic.

Forging a stronger consensus between the EU and its partners increases the chances that multilateral governance reflects norms and practices that EU member states share or find acceptable. It also increases their preparedness to deal with multilateral stalemate and division. Partnerships and multilateralism are thus truly strategic assets if the EU and its member states want to preserve their 'sovereign' ability to act internationally in accordance with their own rules and principles.

STRATEGIC SOVEREIGNTY AND INTERDEPENDENCE

by
DANIEL FIOTT

This *Chaillot Paper* points to the EU's desire to lower harmful dependencies, although this is made challenging today because several economic sectors are now deemed to be more strategic than in the recent past. Today, foreign investments in telecommunications networks are as concerning as the purchase of a strategic harbour or port, and semiconductors have become a symbol of technological mastery and strategic prowess (or lack thereof). The EU may not want to be a product of the international environment it finds itself in, but it is certainly true that discussions about EU strategic sovereignty have only intensified as this environment has become more geopolitically contested. The very fact that the EU even has to think about a concept such as strategic sovereignty points to a fear that the EU is being shaped by geopolitical forces rather than shaping them.

For the EU this is perhaps particularly challenging, especially as the EU appears to lack the will and resources required to compete with great powers, which act in accordance with the orthodoxies of international relations (especially when it comes to military power). The EU also finds itself in the midst of an international environment that has drastically changed over the past three decades. On the

coat-tails of liberal democracy's victory over communism, the idea was that the international environment and EU interests would become symbiotic. Hence, after 1991 there was an expansion of free trade, and communist countries such as China – which had ironically harnessed the power of capitalism – were deemed to be reformable purely through free commerce. The reality has been very different, however, and today Beijing sees multilateralism in its own, rather than in the EU's, vision. Uncertainties about the endurance of American power are also weighing on European minds. Today, the EU is more a product than a shaper of its strategic environment.

> **T**oday, the EU is more a product than a shaper of its strategic environment.

However, the EU has displayed an ability to shape its political environment too, albeit mainly in economic terms. There is no question that the size of the EU's single market gives it clout in international affairs. This is particularly noteworthy given that the single market is far from complete, and there is still some way to go before the EU can be called a fiscal union. In monetary policy, there is the euro, and the EU continues to be a major investor in infrastructure development inside and outside its borders. Brussels' regulatory power has also been celebrated as a hallmark of the EU's international influence, and the EU capital is watched

with a hawk-like gaze for its regulatory stance on key issues such as artificial intelligence and digitalisation. Anu Bradford has it right in that the 'Brussels effect' means that the EU has risen to the summit of global regulatory standard-setting. The global environment is a tangible product of the EU's standards in trade, emissions, chemicals, natural resource exploitation, data protection and antitrust.

Notwithstanding its importance, it is questionable whether regulatory power is enough in today's more hostile and prickly world. In fact, even though the United States and China may wish to approximate the 'Brussels effect', they are moving at breakneck speed in other strategic areas: technology, infrastructure and knowledge. The importance of technological mastery, infrastructure investments and scientific knowledge cannot be overlooked when the EU's regulatory power is celebrated. For example, the EU is a leader in data protection and digital regulation, but it is American and Chinese firms that are most exposed to them. This may seem a little perverse, although the EU is not alone in failing to have many technological giants in critical sectors. Although West Coast big-tech companies dominate the social media, advertising and online market sectors, Washington had no clear domestic firm to fall back on while it was decoupling from Huawei's 5G offerings. Indeed, regulatory power is important, but so is technological and scientific power and the means to invest in critical infrastructure. Here, the EU lags behind. For example, EU-27 firms increased R&D rates by 5.6 % between 2019 and 2020, compared with 10.8 % in the United States and 21 % in China. Overall, in 2020, EU-27 firms accounted for 20.9 % of total global R&D in 2020 (compared with 38.5 % for American firms and 13.1 % for Chinese companies) [1]. Increasingly, EU strategic sovereignty will depend on regulation and financial investment and technological mastery and control.

INTERDEPENDENCE, PARTNERSHIPS AND MULTILATERALISM

This paper began by posing three questions:

1. How can the EU deal more strategically with economic interdependencies in a less cooperative world?;

2. How should the EU adapt existing strategic partnerships while also seeking to develop new ones?; and

3. How can EU efforts to strengthen multilateralism reinforce both EU strategic sovereignty and global cooperation? Chapters 2–4 in this paper, respectively, have directly addressed these questions.

Chapter 1 made the point that there are three key factors to keep in mind when debating and thinking about strategic sovereignty. The first key factor is that strategic sovereignty embodies a wider and more serious set of ideas than strategic autonomy. Autonomy can be measured. If the EU cannot undertake a military mission or operation because it lacks strategic airlift, for example, then it knows it has a gap and can take steps to fill it if it so chooses. Sovereignty, however, cannot really be measured in the same way because it relates to political authority and the relationship between citizens, states and institutions. Leading on from this, Chapter 2 showed how a dependence on semiconductors could undermine the economic vitality of the single market in the case of supply shocks. From here, it does not take an active imagination to wonder what would happen if semiconductor supplies to the EU were halted. As we saw at the beginning of the pandemic, a lack of basic medical equipment called into question the delicate relationship between states and those whom they govern.

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(1)   Grassano, N. et al., 'EU R&D Scoreboard 2020 – Benchmarking EU industry innovation performance to help shape EU policy', 1 January 2020 (https://iri.jrc.ec.europa.eu/scoreboard/2020-eu-industrial-rd-investment-scoreboard).

The first chapter made two further observations: it is risky to treat strategic sovereignty as an end in itself, and strategic sovereignty is contingent on circumstances that require political choices and a balancing of priorities and interests. As far as the first of these two observations is concerned, there is a risk that EU international engagement is measured against an impossible ideal type that does not exist. Furthermore, the EU faces a challenge in balancing its economic interests and strategic imperatives. Sometimes economics and strategy align, but there is a danger that this alliance may not exactly meet all of the objectives set for the EU in the treaties. The second observation relates to contingencies in international relations. Stressing the need to respect contingency in debates about strategic sovereignty may give the impression that the EU cannot control events. In some cases it cannot, but the more precise point here is that strategic sovereignty is really about managing interdependencies in world affairs. Naturally, this moves us away from autarky, but there is then a need for clear strategies that allow the EU to manage interdependencies in its favour.

Chapter 2 on sovereignty and digital interdependence went into these themes in more detail. Guntram Wolff, Niclas Poitiers and Pauline Weil show how the EU suffers from being highly dependent on semiconductors produced outside the EU. The response they counsel is not to aim for complete self-sufficiency in semiconductor design, fabrication or assembly, but for the EU to increase its investments in critical technology sectors in order to develop European industrial and scientific know-how and to cushion the blow from any future supply constraints that may emerge. The overall lesson is simple: enhance investments and production in semiconductors in order to contribute to an overall global supply diversification that can be relied on in times of crisis. Enhancing the EU's production capacities in critical technology sectors will give it more clout and leverage in global

The EU needs to be more adept at knowing what it wants partners for and what specific roles and trade-offs should be expected.

affairs. This offers a clear pathway towards more strategic sovereignty.

Yet Chapter 2 goes beyond this policy recommendation to make a deeper point about how the EU manages questions of economic and strategic interests. The authors point to a relative vulnerability in the way the EU assesses these two sets of interests. It is observed that the EU has been established as a legal order that actively separates questions of economic efficiency from those of security. This is an unsustainable state of affairs, especially as powers such as the United States and China have well-honed systems for assessing economic and strategic questions. Recognising that an overhaul of the EU's treaties may not be imminent, the authors call for either the establishment of an 'Economic Sovereignty Committee' in the European Commission that would bring together relevant European Commissioners under the HR/VP to assess economic issues or the introduction of a security clause that could be activated by the HR/VP in cases of mergers or competition decisions.

Moving away from the context-specific dimensions of strategic sovereignty and semiconductors, Chapter 3, by Jana Puglierin, raises the need for the EU to be able to act more autonomously in security and defence while not sacrificing its close relationships with the United States and the United Kingdom. The chapter recognises that there is a tension between these two aims, especially in a context in which there has been an erosion of both these relationships. What is clear from this chapter is that the EU appears to be paying the price for being too quick in the past to label all neighbours and partners as 'strategic'. Indeed, Russia and China are technically strategic partners, but such labels no longer hold weight. Instead, the chapter shows how, in the area of security and defence, the EU needs to be far more granular in how it conceives of partnerships. The EU needs to be more adept at knowing what it wants partners

for and what specific roles and trade-offs should be expected.

What is more, it is argued in Chapter 3 that partnerships are themselves a means to achieving more EU strategic sovereignty. In this respect, Jana Puglierin observes a tension between a desire for deeper EU integration in security and defence and the need to maintain a sufficiently open framework that incentivises cooperation. Interestingly, the author suggests that the EU can enhance its strategic sovereignty in security and defence by investing in its own capabilities while also operating a framework that serves as a 'docking station' for partners. The author points to the United States and the United Kingdom as key partners for the EU, but also stresses the importance of the EU–NATO partnership. The author sees no impediment to enhancing the transatlantic relationship based on enhanced European capability and operational contributions within the European pillar of NATO. EU tools such as the EDF and PESCO may make such an approach feasible and effective, and EU progress in security and defence should be seen as not only taking some of the military weight off American shoulders, but also as demonstrating a genuine European commitment to NATO.

Finally, Chapter 4 on sovereignty and multilateralism, by Riccardo Alcaro, uses the Iran nuclear deal as an example of the challenges facing, but also the necessity of, multilateral solutions to international crises. In the chapter, the JCPOA is held up as an example of the EU's contribution to multilateralism and political sovereignty, and, despite the challenges facing the agreement, it is a case study that offers lessons for the EU's broader approach to international affairs. It is noteworthy that the JCPOA has not just sought to address Iran's nuclear programme, but has also been a multilateral means to engage Washington. What has been key is the EU's ability to use the JCPOA to shift the terms of the nuclear crisis away from a United States–Iran bilateral dispute to one that is framed in multilateral terms and subject to international law. In this respect, multilateralism is seen less as just an international governance format and more as a tool to reframe the normative basis for

understanding tensions and pursuing negotiations. On this basis, Riccardo Alcaro argues that multilateralism is a crucial element of the EU's strategic sovereignty because it helps leverage partnerships and it can prevent crises from becoming an incentive for great power competition.

POLICY IMPLICATIONS

The collective weight of the contributions in this *Chaillot Paper* makes it possible to make a number of policy-relevant observations that could contribute to the EU's strategic sovereignty. The following observations may not necessarily be shared or endorsed by the other authors in this *Chaillot Paper*, so they should be read as the editor's own – even if inspiration has been drawn from the other contributors.

Economic and security interests

In Chapter 2, it was suggested that the EU could create an 'Economic Sovereignty Committee' or security clauses under the authority of the HR/VP. Although European Commissioners already meet and discuss strategic issues, more can be done to avert two major risks. The first risk is that economic, strategic and normative interests become related to one particular institution or body. The debates over the desirability of the CAI, for example, have given rise to a certain notion that the European Commission seeks to advance only economic interests whereas the European Parliament is the main arbiter of security and/or human rights concerns. This is a potentially poisonous development that should be managed sooner rather than later – greater strategic dialogue between the Council of the EU, the Commission and the Parliament are required beyond the well-established legislative framework. In this respect, the second risk is that any future committee, commission or council designed to discuss economic-normative-security issues

would extend rather than break down existing policy silos. A genuine concerted EU effort to better balance economic, security and normative interests must avoid confrontational institutional and personality egos and jealousies.

Sovereignty and the European social contract

The Conference on the Future of Europe cannot be a solution to the profound questions being posed in the digital era, but it can initiate a dialogue with EU citizens on issues that call into question political authority in the EU today. First, there is a need for EU member states and institutions to better appreciate the anxieties citizens have in terms of their personal privacy and data use, disinformation, economic precarity, new technologies, political liberties and more. Moreover, the Conference on the Future of Europe is also an opportunity to start – however modestly – a more realistic appraisal of those areas that citizens (rather than governments and institutions) believe should be dealt with at the EU, state, regional or local levels. Geopolitical and structural tensions may raise questions about the extent and applicability of the principle of subsidiarity, and so finding a suitable forum to allow citizens to regularly voice their concerns about technology and geopolitics is required.

Technological synergies and investments

There is clearly a need for the EU to pursue its nascent work on technology roadmaps. The European Commission's action plan on synergies for the civil, defence and space sectors is an excellent start, but now the EU should move quickly to identify technology and research synergies between critical sectors. In particular, the European Commission has included the issue of critical supply and technologies within its strategic foresight work.

This is to be applauded, but more needs to be done to ensure that critical supply and technology vulnerabilities are tackled by technology roadmaps that identify industrial and skills gaps and dedicate finances to fill them. In particular, technology roadmaps need to stress the importance of supply vulnerabilities in key sectors and encourage (re)skilling to boost the EU's scientific know-how and innovation. There can be little hope of strategic sovereignty without sustained and ambitious investments in critical technology sectors, and technology roadmaps can set clear benchmarks against which skills, innovation and investments can be measured.

Foreign policy and a secure Europe

It is clear that the EU cannot meet all of the major foreign policy and security and defence challenges of the day alone, but this cannot serve as an excuse for the EU not to pull its weight. Despite the recent revival in EU–US relations, no one can predict what the future of the transatlantic relationship will look like beyond the next 4 or 8 years. This period of time gives the EU a window of opportunity to invest in its security and defence, rather than to fall back on old, more seemingly comfortable, notions of the transatlantic *status quo*. This means that the EU must work hand in hand with the United States and willing partners to bolster multilateralism, but it has to invest in its own capacities to act in its near neighbourhood and in the global commons when its values and interests are at stake. The EU member states have to avoid agreeing to a lowest common denominator Strategic Compass, especially as doing so would seriously undermine – rather than safeguard – cherished partnerships over the longer term.

ABBREVIATIONS

5G

Fifth generation (*of wireless mobile telecommunications technology*)

AFET

Committee on Foreign Affairs

AI

Artificial intelligence

CAI

Comprehensive Agreement on Investment

Covid-19

Coronavirus disease 2019

CSDP

Common Security and Defence Policy

EDF

European Defence Fund

EUGS

European Union Global Strategy

HR/VP

High Representative of the Union for Foreign Affairs and Security Policy / Vice-President of the European Commission

IAEA

International Atomic Energy Agency

ICT

Information and communications technology

IDM

Integrated device manufacturers

INSTEX

Instrument in Support of Trade Exchanges

JCPOA

Joint comprehensive plan of action

MEP

Member of the European Parliament

NATO

North Atlantic Treaty Organization

NPT

Non-Proliferation Treaty

PESCO

Permanent Structured Cooperation

R&D

Research and development

UN

United Nations

UNSC

United Nations Security Council

NOTES ON THE CONTRIBUTORS

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Guntram Wolff is the director of Bruegel. His research focuses on the European economy and governance, fiscal and monetary policy, and global finance. From 2012 to 2016, he was a member of the French prime minister's Conseil d'Analyse Economique. Guntram Wolff is also a member of the Solvay Brussels School's international advisory board of the Free University of Brussels. He joined Bruegel from the European Commission; prior to that he coordinated the research team on fiscal policy at Deutsche Bundesbank. He also worked as an adviser to the International Monetary Fund.

The notion of European 'strategic sovereignty' is increasingly important to debates about the EU. Given rapidly shifting global geopolitical and technology trends, and the seeming fragmentation of the multilateral order, the EU is being forced to confront its own position in international affairs. A number of concepts have been given life because of the deteriorating international scene, including 'European sovereignty', 'strategic autonomy', 'digital sovereignty', 'technological sovereignty' and 'open strategic autonomy'. However defined, there is a need to move beyond concepts and focus on the practical nature of economic and technological interdependence, multilateralism and strategic partnerships.

This *Chaillot Paper* focuses in detail on each of these elements of the debate about European sovereignty with case studies that centre on semiconductors, the Iran nuclear deal and EU security and defence partnerships with the United States and the United Kingdom. The volume also includes an introductory chapter that grapples with three major conceptual observations about the term 'strategic sovereignty'.