



Ministry
of Foreign Affairs
Republic of Poland

Warsaw, 16th September 2021

STRONGER EU IN A TURBULENT WORLD

CONTRIBUTION TO THE DISCUSSION ON THE CONCEPT OF EU STRATEGIC AUTONOMY

TACKLING CHALLENGES AHEAD OF US

Coming years will be shaped by mega-trends such as increasing geopolitical rivalry between the US and China, aggressive policies of non-democratic states like Russia, strengthening role of Asia as an economic powerhouse, challenges for the multilateralism and the green and digital transition.

At the same time EU's economic clout is falling. Already in 2017 EU's share in global GDP was behind China and US¹. The EU companies are falling behind as to utilizing digital technologies², and no European company is among technological firms with highest profit margins³. Automatization may result in further 55 million jobs vanishing in Europe within a decade⁴ which can lead to social tensions undermining EU's legitimacy and its capacity to act.

The concept of strategic autonomy should allow EU to increase its capacity to set, pursue and achieve its policy goals and reduce its dependence on those non-EU stakeholders who do not respect our values and standards. It should also be understood together with the ambition of the EU maintaining a leading role in shaping a new system of global governance and developing mutually beneficial bilateral and regional relations, while protecting itself from unfair and abusive practices.

In view two fundamental pillars of the concept: 1) completing the single market without barriers as a main EU's asset and leverage vis-à-vis third parties and 2) EU's autonomy should be firmly anchored within the broader transatlantic community and its values.

KEY ACTIONS AND PRIORITIES IN DIFFERENT POLICY FIELDS

Single Market

¹ The 2017 results of International Comparison Programme, GDP measured on a PPP basis, Eurostat, May 2020

² EIB Investment Survey 2019

³ World Bank Report, Europe 4.0. Addressing the Digital Dilemma.

⁴ The future of work in Europe – Discussion paper, McKinsey Global Institute, June 2020 r.



Ministry
of Foreign Affairs
Republic of Poland

A strong Single Market, without barriers, is fundamental for the EU economic recovery as well as building the EU global position and autonomy. To this end we need an ambitious and forward-looking Single Market agenda, especially in the services sector.

Strategic autonomy starts at home. Without addressing existing internal problems the EU will not be able to tackle global challenges. EU and Member States should prioritize:

- efforts to dismantle all existing barriers to cross-border activity created at national and EU level. They need to be discussed openly and gradually removed. Sensitive issues such as challenges related to the implementation of the posting of workers rules cannot be avoided;
- horizontal initiatives facilitating cross-border service provision;
- tailored initiatives in particular sectors; eg. defining rules on setting proportionate penalties and sanctions in relation to the posting of workers;
- reducing unintended negative consequences of the EU legislation on the Single Market and monitoring the impact of new measures. Eg. tackling immediately the issue of the expected negative environmental impact of the Mobility Package I;
- better implementation and enforcement of the EU rules;
- sustain the Single Market project as a convergence machine;

Innovative and future-oriented industrial policy

An ambitious and assertive industrial policy, based on more resilient value chains including, where justified, relocated to the EU, should be a key element of an effective post-pandemic recovery and strengthening of our capacities.

Revision and diversification of strategic supply and production chains could bring significant benefits e.g. in the branches related to high technologies, in which high production costs are not a key factor determining the investment attractiveness. We should focus on:

- strengthening EU's own industrial potential in strategic sectors such as pharmaceuticals, photovoltaics, microelectronics, hydrogen technologies, batteries, chemical sector, telecommunications, biotechnology or renewable energy. We need to accelerate investment in research and innovation in order to reduce the gap between the EU and current leaders;
- securing access to strategic raw materials by i.a. developing multilateral relations with producers which respect the rules of the free market. Stepping up EU's own production, extraction or recovery;
- establishing comprehensive database on possible production concentration in the EU to avoid future crises.
- building EU's capacities in areas such as mobile networks / Internet of Things (5G /6G), artificial intelligence (AI) and data analytics, as well as industrial capacity in critical digital infrastructure;



Ministry
of Foreign Affairs
Republic of Poland

- more focus needed on the innovative potential of the already functioning IPCEI instrument. IPCEIs should pursue the clear objective of improving and supporting the EU's strategic autonomy in a just manner for the benefit of all the Member States;
- adjusting competition policy and state aid provisions to the new challenges posed by digital transformation. Modernization of guidelines on antitrust and merger controls and assuring level playing field vis a vis economic operators from third countries;
- maximize synergies among the civil, defence and space industries (use of resources and technologies, creation of economies of scale). Space industries is a very promising area where European cooperation can bring benefits in terms of both capacity building and seeking synergies.

Digital revolution

Digital transformation redefines our approach to post-pandemic world. Certain digital processes which were already in place are accelerated to the extent unseen before. Two major trends that will shape our approach to digital revolution – firstly, an ongoing quest to determine our digital rights and place a human in the centre of new digital world, and secondly, the need to bring more balance and proportionality to digital markets dominated by the gatekeepers.

With digital transformation streams of communication have moved to social media and large online platforms of unprecedented position at the markets. They are agoras of our times – opinion of the public is no longer shaped by opinion-forming TV or radio but online platforms. Position of a single user in relation to the platforms should be strengthened by:

- securing basic digital rights, including freedom of expression;
- placing content moderation and account blocking by algorithms under human control;
- equipping users with effective judicial measures (including right to appeal) in disputes with platforms;
- taking into account as much as possible the socio-cultural context of the users' country by large platforms.

Large online platforms have unprecedented position at EU internal market. In fact, single companies with new business models create new separate digital markets with limited opportunities of entrance for competitors. Characterisation of digital markets is increasingly associated with violation of basic rules of competition. We need to assure level playing field so that EU digital companies have the possibility to challenge the position of the gatekeepers. Our priorities should include:

- safe and predictable environment for presenting customers with alternative products and services,
- framework conditions that increase chances for upscaling.
- fair market conditions for small and medium sized companies using e-commerce platforms.

These trends should shape our understanding of strategic autonomy but proper addressing them won't be possible without new digital capacities. We should focus on enablers such as:

- digital infrastructure, including 5G/6G and broadband Internet,
- investment in digital skills of citizens.



Ministry
of Foreign Affairs
Republic of Poland

Yet, creating new possibilities in Europe shouldn't constrain high-tech cooperation with our friends and allies and hinder absorption of foreign digital investments in the EU. Relation with like-minded partners should be strengthened to achieve regulatory convergence based on common values.

Energy and climate

In the upcoming years, the EU will undergo an unprecedented economic and social transformation. Diversification of energy sources and supplies is key to European strategic autonomy. Apart from leading the global efforts to reduce GHG emissions the EU must adopt a realistic approach to the process in order to preserve the competitiveness of its economy, guarantee the welfare of its citizens and just transition. Its climate objectives should be correlated with the efforts of its trade partners and not place European business entities in a disadvantaged position. Following objectives should be part of the Strategic Autonomy:

- all available zero and low-emission technologies that contribute to climate neutrality should not only be recognized but also actively supported by the EU. This is especially valid for natural gas as a transition source of energy as well as nuclear power.
- ensuring secure and affordable supplies of energy while diversifying supply routes. Gas plays an important role as a transition fuel that replaces more polluting ones, reduces air pollution and limits emissions of carbon dioxide. At the same time, the EU and its Member States are heavily dependent on energy imports and the gravity of this lack of autonomy is exacerbated by the fact that our energy-source dependencies are concentrated on just a few suppliers.
- Carbon Border Adjustment Mechanism (CBAM) could play an important role strengthening global climate action and providing a level playing field. Huge effort of the EU will count for relatively little in the fight against climate change unless the rest of the world makes comparable effort.
- building European competences in the value chains for the energy sector:
 - EU strategy of the energy offshore sources should be further developed;
 - strengthening EU competences in providing and operating nuclear energy;
 - developing proper EU competences in the sector of lithium-ion batteries, energy storage and photovoltaics - the latter being an example of which where the greatest part of the value chain is located outside Europe;
 - building on the Commissions' proposals on hydrogen production using renewable sources of energy.

Healthcare

The COVID-19 pandemic highlighted importance of the health care system and the need to ensure its resilience, as well as the need to provide medical care related to civilisation diseases. Thus, we must improve our ability to produce substances and deliver therapies needed for treatment of such diseases. We propose to:



Ministry
of Foreign Affairs
Republic of Poland

- strengthen EU production capacities when it comes to the active substances (APIs) needed for the production of generic medicines, as well as new types of APIs. Ultimately, these measures should ensure that European production capacity of medicines needed for treatment of the diseases most common in Europe or those affecting largest populations (e.g. heart disease, diabetes) is improved;
- consider regulating a range of maximum prices for innovative medicines authorised under the Centralised Procedure of the European Medicines Agency (EMA).

Trade relations

Priority of the EU trade policy should be to advocate for reforming WTO system and restoring its efficiency and effectiveness. The transatlantic cooperation should remain a cornerstone in shaping multilateral and rules-based international order. Additionally:

- new bilateral EU FTAs and investment agreements must be balanced, mutually beneficial and based on reciprocity;
- EU should take a leading role in eliminating barriers for SMEs participating in global trade, enabling e-commerce benefits and building their resilience and competitiveness.

International taxation

The establishment of shared, fair and equitable taxation across Europe is a crucial pillar of the EU position in the global economy. EU should be an avid promoter of tax fairness and fight against tax havens, tax fraud and artificial profit shifting. EU should focus on:

- promoting international cooperation to fight against harmful practices that distort competition, damage the integrity of tax systems and deprive countries of their lawful tax revenues. The goal should be a system where everybody pays its fair share and taxes are paid in the country where the economic activity is actually carried out.
- securing additional financial sources for the EU to finance the EU budget such as i.a. a digital tax, a Carbon Border Adjustment Mechanism and a tax on financial transactions.
- balancing burdens imposed on external business against the need to secure for European tax payers a fair share of the profit generated by these companies on the Single Market. The best option for such solutions would be achieving an agreement regarding the taxation of the biggest global companies on the global forum, e.g. through the OECD-negotiated agreement, as well as adopting a just, non-discriminatory tax policy in the EU.

The CFSP/CSDP dimension – broadening the transatlantic community of values

In the field of CFSP/CSDP, the ambition for the European Union should be to remain a strong international actor shaping multilateral political and economic order, while improving its resilience against external threats. This should be ensured in partnership with like-minded countries, especially in the US/transatlantic context, but also with other NATO countries and partners like Australia, Japan, South Korea. EU should especially:

- reinvigorate a functioning transatlantic community to promote together Western values and standards, in areas like human rights, democracy, rule of law and multilateral order including in major global organizations. Reinvigorate together multilateral institutions like WTO and WHO. Ensure that the G7



Ministry
of Foreign Affairs
Republic of Poland

and G20 take up the role of a forum for protecting and promoting free and fair trade. Cooperate closely in and on the Human Rights Council. Lead together in curbing the COVID pandemic. Provide a transparent, economically viable offer in the realm of connectivity. Participate in the Blue Dot Network, EU-Asia Connectivity Strategy, and the Three Seas Initiative.

- Further stabilize the EU close neighbourhood. Keep the EU accession path open while ensuring clear conditionality. Set ambitious goals in further approximation of the interested EaP countries to EU norms and policies, especially on the Single Market and sectoral EU policies.
- Improve EU resilience against external threats, including hybrid, cyber and retaliatory measures by external actors. To achieve this, relevant EEAS/Commission structures should be reinforced.
- For CDSF, improve the EU defence capabilities without compromising the role of NATO which is a pillar of Europe's collective defence. Develop a robust EU-NATO dialogue (joint NAC-PSC sessions and experts exchanges) and leverage practical cooperation on capability harmonization, military mobility, exercises and lessons learnt from operational engagement.
- Strengthen the European Defence Technological and Industrial Base throughout the EU in an inclusive and non-discriminatory manner. Ensure that the EDF meets the needs of various Member States in terms of developing military capabilities and focuses on ensuring wide participation of defence entities across Europe, in particular SMEs and mid-cap businesses.
- Complete the Strategic Compass with results-oriented, directly implementable conclusions, which would provide a clear framework of reference for the future EU level of ambition as regards military operations, capability development, cooperation with NATO and other partners, and building resilience of the member states.
- Keep the PESCO as the Member States' driven process, needed for strengthening European defence and crisis management. Set realistic goals reached without unnecessary political pressure, pave the way for new tools to counter the upcoming threats, in line with the 360-degree approach and with respect to the single set of forces principle. The recent decision of the EU to invite the US, Canada and Norway to a "Military Mobility" project is a particularly welcome proof that the EU is not closing its gates before its strategic allies and partners.

In terms of better CFSP governance, the EU should:

- Pursue long term strategies towards the international actors with whom our interests diverge, such as Russia, and also China.
- Play robustly across the board using all foreign instruments at our disposal to ensure that countries and entities that break the rules are not rewarded financially or otherwise;
- Better merge instruments of CFSP and sectoral policies (as is currently the case for the EU migration policy).
- Introduce improved mechanisms of reporting and verification to ensure an alignment between national policies and EU external and sectoral policies,
- Ensure the highest possible level of internal unity and consensual decision-making among the EU member states,
- Reinforce the EEAS as a factory of ideas for the EU and the member states, while ensuring that the ideas implemented are based on a clear mandate from the Council and the European Council.