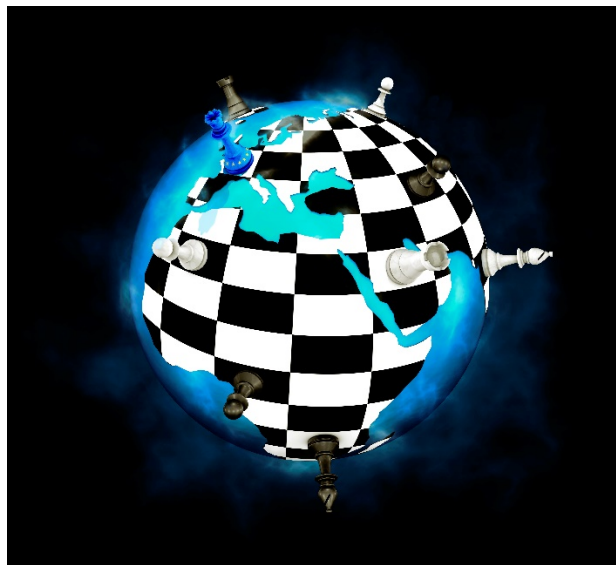


Workshop: Achieving Strategic Sovereignty for the EU



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WORKSHOP

Achieving Strategic Sovereignty for the EU

ABSTRACT

The notion of European 'strategic sovereignty' is increasingly important in debates about the European Union. 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 nature of economic interdependence, multilateralism and strategic partnerships. This online workshop, requested by the European Parliament's Committee on Foreign Affairs, zoomed in on each of these elements with case studies that centre on semiconductors, the Iran nuclear deal and EU security and defence.

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Working papers

1 Introduction

Daniel Fiott, Security and Defence Editor, EU Institute for Security Studies

The notion of European strategic sovereignty, however contentious, is increasingly important to debates about the European Union (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, 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 dependences 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 to play a key role alongside core partners such as the United States.

A key challenge for the EU will be maintaining the multilateral order, which is core to its existence, while other actors are either conspiring to damage it or to alter the 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 according to its own rules, principles and values**. This means that there should be no real contradiction between the pursuit of European sovereignty and the Union’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**.

Accordingly, the EU’s ability to ensure its strategic sovereignty - now and in the future - is conditioned by three factors: 1) **the EU’s ability to comprehensively manage rather than cut existing interdependences** in fields such as trade, the single market and critical supplies; 2) **the Union’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 impact the multilateral order; and 3) **the EU’s approach to sustaining the multilateral order in innovative and inclusive ways** and the Union’s ability to ensure that the rapidly shifting global power dynamics can be positively conditioned through multilateral solutions. Overall then, it appears as though a key task is to balance the EU’s own strategic sovereignty while supporting multilateral solutions to global challenges and interdependences.

However, it is important not to ignore the scale of the challenges facing the EU when it seeks to manage interdependences 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 or 5G. There are also 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. Additionally, 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 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 Union has also recently experienced the force of sanctions and extra-territorial 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 Union to tackle serious and deep-rooted security problems in its neighbourhood**, as well as 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 interdependences in an increasingly hostile world that is less interested in

European values and interests. In particular, **the EU must become even more serious with ensuring its strategic sovereignty in three core areas that are fundamental to the Union's existence in a geopolitical world: economics, partnerships and multilateralism.** In this respect, it is necessary to ask three questions:

- How can the EU deal more strategically with economic interdependences 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 both reinforce EU strategic sovereignty and global cooperation?

The **first contribution focuses on economic interdependences and European strategic sovereignty with a specific focus on the growing importance of semiconductors.** Focusing specifically on the growing interdependence of digital spaces and high-tech goods, the first chapter primarily considers 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 first contribution seeks to provide greater clarity for 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.

The **second chapter zooms in on the EU's strategic partnerships** and the contribution asks how the Union can strengthen its sovereignty without undermining long-standing partnerships with the United States and the United Kingdom. Looking specifically at the security realm, the contribution probes the extent to which the EU needs to rethink how it classifies and pursues its strategic partnerships. In this respect, the chapter seeks to analyse the balance between ensure EU unity and integration in security policy while also having 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 second contribution also looks at the post-Brexit dimension of security debates in Europe and it asks what room there is for a future strategic partnership that can suit both the EU and UK.

The third and **final chapter deals with the concept of European Strategic Sovereignty in the context of the multilateral order.** In particular, the chapter argues that multilateralism is essential to the EU and this calls for greater engagement with norms and partners. The contribution shows how the Union has no choice but to manage global interdependencies through multilateralism. A key feature of the EU's ability to manage to its interdependencies in the future will be working with likeminded partners and ensuring that restrictions imposed on the EU's interests and values can be offset in inventive ways. The contribution principally draws upon the experiences of the Iran nuclear deal to uncover ways in which the EU can strengthen its partnerships, offset extra-territorial effects on its diplomatic actions and bolster the multilateral order.

2 Digital European Economic Sovereignty? The Case of Semiconductors

Niclas Poitiers, Pauline Weil and Guntram Wolff, Bruegel

Due 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 first used by the Council in 2013 in reference to the defence industry and security and defence issues². Since 2016 the term has been increasingly used by officials and its scope 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 life, negotiate on equal footing with its partners, tame would-be monopolies and to set economic standards and regulations.³ In short, **autonomy is not conceptualised 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 US-China rivalry, particularly as relations between the two superpowers have become more transactional and confrontational. Economic interdependencies are now more often leveraged for geopolitical interests than used to be the case. 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, while foreign and security policy remains 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 policy-making that exists neither in the US nor in China. This separation 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 US-Chinese tensions call 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 mean 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 in the context of the US-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.

¹ EU Delegation to the United States, ‘EU Open Strategic Autonomy and the Transatlantic Trade Relationships’, September 17, 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, Brussels, December 20, 2013, https://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/140245.pdf.

³ Josep Borrell Fontelles, ‘Why European Strategic Autonomy Matters’, December 3, 2020, https://eeas.europa.eu/headquarters/headquarters-homepage/89865/why-european-strategic-autonomy-matters_en.

⁴ Mark Leonard, Jean Pisani-Ferry, Elina Ribakova, Jeremy Shapiro and Guntram Wolff, ‘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.

2.1 The Global Semiconductor Industry in a Geopolitical Storm

The US-China conflict is often portrayed as a ‘technological cold war’⁵, where leadership in new technologies is key to obtaining or retaining economic supremacy. **The EU, while being at the forefront of digital regulation, all the while harnessing the ‘Brussels effect’⁶, relies on both the US and China for many digital goods and services.** This leaves the EU caught in between the US-China rivalry.

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

ICT goods are the most important Chinese export good. In 2019, they account for over 27% of Chinese total exports and 96% of high-tech exports from China to the US.⁷ **Telecommunications equipment account for over 30% of EU imports from China.**⁸ However, for the most crucial input to these ICT goods – semiconductors – China is dependent on foreign inputs. As a result, semiconductors have become China’s single largest import, surpassing even oil (see Figure 1). China’s foreign dependency in its biggest industry has made semiconductors a critical target for US trade policy and sanctions. Semiconductors and related equipment account for a quarter of the US exports subject to the Phase I trade agreement⁹, and the technology is used for targeted sanctions against Chinese companies¹⁰. Unsurprisingly, the development of ‘home-grown’ semiconductors is an important goal of Chinese industrial policy¹¹.

⁵ Adam Segal, ‘The Coming Tech Cold War with China’, *Foreign Affairs*, September 9, 2020,

<https://www.foreignaffairs.com/articles/north-america/2020-09-09/coming-tech-cold-war-china>.

⁶ Anu Bradford, *The Brussels Effect: How the European Union Rules the World* (Oxford: Oxford University Press, 2020).

⁷ 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’, May 8, 2020,

https://webgate.ec.europa.eu/isdb_results/factsheets/country/details_china_en.pdf.

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

¹⁰ US Department of Commerce, ‘Commerce Adds China’s SMIC to the Entity List, Restricting Access to Key Enabling U.S. Technology’, December 18, 2020, <https://www.commerce.gov/news/press-releases/2020/12/commerce-adds-chinas-smic-entity-list-restricting-access-key-enabling>.

¹¹ Xinhuanet, *Economic Watch: ‘Made in China 2025’*, see China’s economic upgrade, June 13, 2017, http://www.xinhuanet.com/english/2017-06/13/c_136362260.htm.

¹¹ Jan-Peter Kleinhans and Nurzat Baisakova, ‘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.

¹¹ Syed Alam, Timothy Chu, Shrikant Lohokare, Shungo Saito and McKinley Baker, ‘Globality and Complexity of the Semiconductor Ecosystem’, *Accenture*, 2020, https://www.accenture.com/_acnmedia/PDF-119/Accenture-Globality-and-Complexity-Semiconductor-POV.pdf.

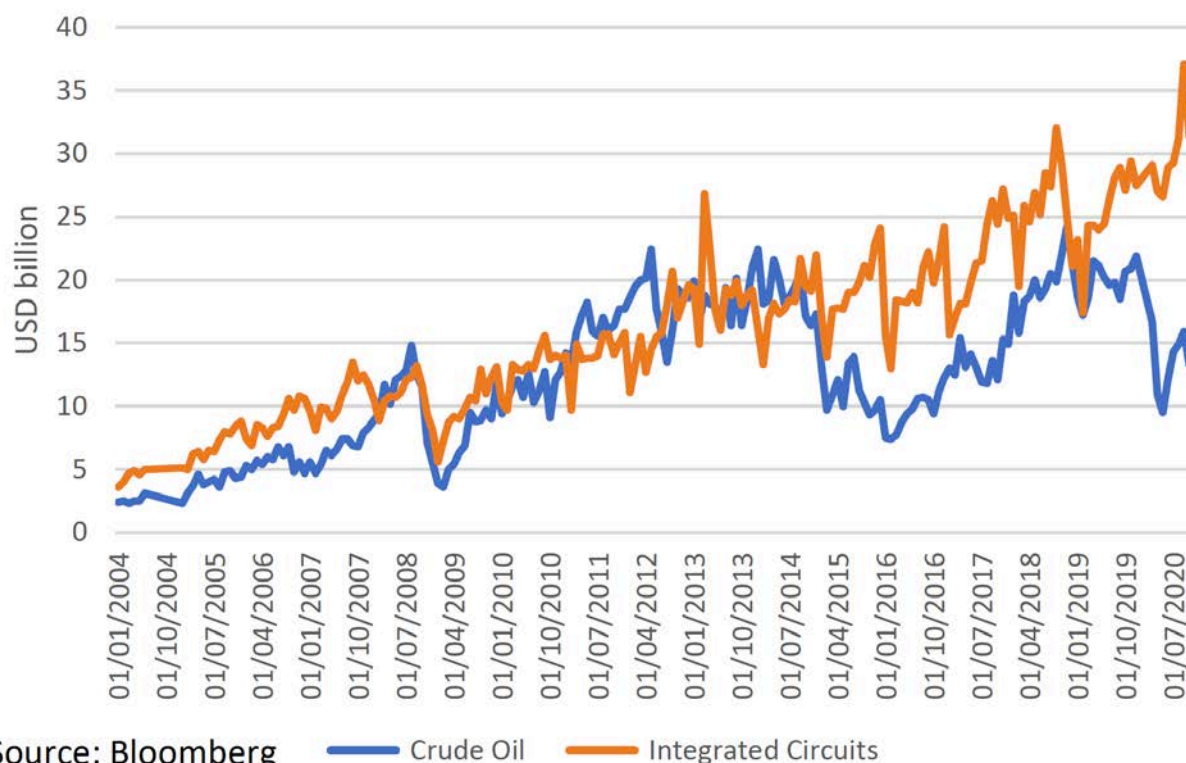
¹¹ *Ibid.*

¹¹ We chose to not focus on IDM first because trends indicate that their market share decreases over time and because their production model makes them less exposed to international trade tensions.

¹¹ Cheng Ting-Fang and Lauly Li, ‘China aims to shale US grip on chip design tools’, *Financial Times*, December 4, 2020, <https://www.ft.com/content/8ed73acb-1aa4-4a98-875a-a372ba960cda>.

¹¹ To succeed, a market entrant would need to be able to attract top talents 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 – reliance on Taiwan and South Korea will remain for high-end products.

Figure 1 – Integrated circuits have become China's main import



Source: Bloomberg

— Crude Oil — Integrated Circuits

Source: Bloomberg, 2020

For such high-end products, know-how and production capacities are highly specialised but they are also integrated at the global level¹². A few countries are home to cutting-edge semiconductor production capacities: the US, Taiwan, South Korea, Japan, Europe and increasingly, China. But to date, **no country has achieved self-sufficiency in the sector**¹³.

In fact, according to one study¹⁴, **the semiconductor value chain is made up of three steps along which high coordination between firms is required**: 1) design; 2) fabrication; and 3) assembly (see Figure 2). Some firms, Integrated Design Manufacturers (IDM), do the first two steps and represent about half of the overall semiconductor market. The below analysis focuses on firms that only provide one production step¹⁵. The design phase specifies the physical architecture of the semiconductor by laying its functions and the electronic components that will be needed for production. The US is by far the leader in design with firms such as Qualcomm, Broadcom, Nvidia and AMD, but it is followed by Taiwan with Mediatek, Novatek and Realtek. However, Chinese market shares are increasing fast¹⁶ and Chinese firms such as Unigroup and Huawei subsidiary HiSilicon are important in this regard. Semiconductor designs rely on

¹² Jan-Peter Kleinhans and Nurzat Baisakova, '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 Syed Alam, Timothy Chu, Shrikant Lohokare, Shungo Saito and McKinley Baker, 'Globality and Complexity of the Semiconductor Ecosystem', *Accenture*, 2020, <https://www.accenture.com/acnmedia/PDF-119/Accenture-Globality-and-Complexity-Semiconductor-POV.pdf>.

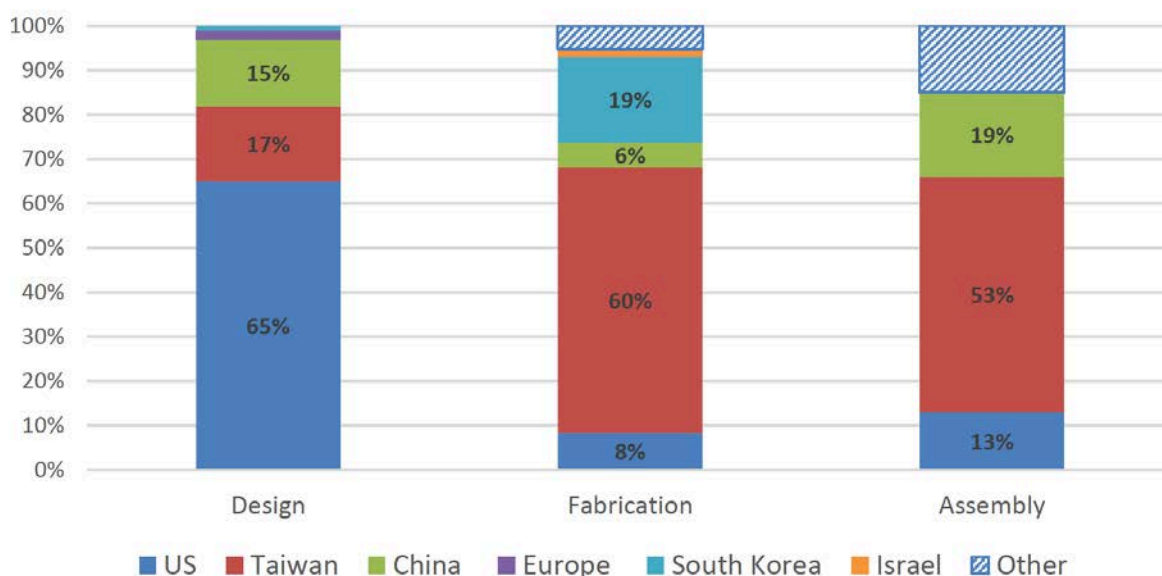
¹⁴ *Ibid.*

¹⁵ We chose to not focus on IDM 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 Cheng Ting-Fang and Lauly Li, 'China aims to shale US grip on chip design tools', *Financial Times*, December 4, 2020, <https://www.ft.com/content/8ed73acb-1aa4-4a98-875a-a372ba960cda>.

specific software for which the market is highly concentrated around three US-based firms – Cadence, Synopsys, Mentor –, and it is on this part of the value chain that US sanctions were most effective in blocking Huawei HiSilicon productions.

Figure 2 – Semiconductor production steps market share by firms' headquarters location in 2019



Source: IC Insights, Seeking Alpha and Stiftung Neue Verantwortung, 2020

The second production step – fabrication - is highly technical and the most capital-intensive and \$ billions worth of upfront investments would be needed to catch-up to 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 and Taiwan is by far the leader in the sector with several top firms, notably ASE Group, while the US has only one assembly firm, Amkor Technologies. In this sector, China managed to increase significantly its market share with firms such as JCET.

Along these production steps, machinery, inputs of raw materials such as silicon and chemicals are required, corresponding to markets that are also very concentrated. **The US, EU and Japan are the biggest suppliers in those peripheral markets and leading EU firms include Dutch ASMLA (machinery), German Aixtron (chemicals) and French Riber (machinery)**¹⁸.

Overall, **the high degree of specialisation and concentration as well as the capital-intensive nature and high degree of cross-country interdependence of the semiconductor sector expose its supply chain to political risks.** Due to its strategic nature, it has been a target for sanctions by the US administration. The lack of availability of substitutes makes export bans particularly effective for impacting production

¹⁷ To succeed, a market entrant would need to be able to attract top talents 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 – reliance on Taiwan and South Korea will remain for high-end products.

¹⁸ Edwin de Jong, 'Semiconductor winners – European companies with strong positions', *Edison*, August 16, 2020, <https://www.edisongroup.com/investment-themes/semiconductor-winners-european-companies-with-strong-positions/>.

lines. US export bans on American-made technologies have put a dent in Huawei's production capacities¹⁹ and in SMIC's (China's most promising foundry) ambitions to produce high-end semiconductors²⁰. Leverage over bottlenecks have been used by others too, and Japan imposed export bans on crucial components to South Korea in 2019²¹.

These sanctions have ripple effects through the entire industry and on its 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**, leading to shortages in 2020²². As a result, the car manufacturing industry is reportedly facing challenges in upholding its production lines, as technology companies are favoured in semiconductor deliveries²³.

While the US 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, when looking at the intermediate goal for 2020, it becomes clear how large the challenge is: **while China aimed at a 40% market share by 2020, it had only reached 19% share in 2019 in the assembly, and it seems highly unlikely that it will gain the leadership in all segments targeted by the State Council for 2030**. The Chinese state plans to invest \$118 billion in government funds over 5 years into domestic production²⁴. While this investment is considerable, it seems insufficient to achieve technological leadership in this highly specialised and competitive sector. The global investment into R&D by the industry alone was \$68 billion in 2020²⁵, and capital investment is considerably as well: TSMC announced capital spending of \$25 to \$28 billion for 2021²⁶.

2.2 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 US and the EU. While the US is currently leading in cutting-edge chip design and also fabrication, value chains are highly integrated across the jurisdictions. Recent US actions have indeed put these integrated value chains into distress. China has responded by investing into its own capacities but reportedly is still some years away from being able to become self-sufficient.

Although the EU is making headway in defining what it means by 'open strategic autonomy'²⁷, in strategic sectors like the semiconductor industry more tools and a clear vision are still needed. This is especially the

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

²⁰ Salvatore Babones, 'China's Drive to Make Semiconductor Chips is Failing', *Foreign Policy*, December 14, 2020, <https://foreignpolicy.com/2020/12/14/china-technology-sanctions-huawei-chips-semiconductors/>.

²¹ Heekyong Yang and Ju-min Park, 'South Korean chip giants face 'strangling' from Japanese export curbs', *Reuters*, August 1, 2019, <https://www.reuters.com/article/uk-southkorea-japan-laborers-chip-analys/south-korean-chip-giants-face-strangling-from-japanese-export-curbs-idUKKCN1UR3LQ>.

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

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

²⁴ James A. Lewis, '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 Shannon Davis, '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/>.

²⁶ Debby Wu, 'TSMC's \$28 Billion Spending Blitz Ignites a Global Chip Rally', *Bloomberg*, January 14, 2021, <https://www.bloomberg.com/news/articles/2021-01-14/tsmc-profit-beats-expectations-as-chipmaker-widens-tech-lead>.

²⁷ European Commission, *Trade Policy Review - An Open, Sustainable and Assertive Trade Policy*, 18/02/2021, https://trade.ec.europa.eu/doclib/docs/2021/february/tradoc_159438.pdf

case considering that other global leaders (US, Taiwan, Japan, China) have endorsed roadmaps and invested massively to support this strategic sector²⁸. On the one hand, the EU is committed to keeping its markets open to foreign competition and ensuring cheap supplies of valuable input into its productions processes and consumer goods markets. Some may even argue that the 'tech war' between the US and China offers an opportunity to free-ride on cheap products, as both countries subsidise their tech sector. On the other hand, **the EU is likely to be vulnerable to significant pressure from both the US 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 capacities in the sector.** These investments need to be protected from technology transfers through a strong investment screening mechanism. The recent case of the US pressuring the Dutch government to cancel the sale of semiconductor machinery to China²⁹, whether for economic or security purposes, begs questions of 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 US, at least in the coming years. In our view, **European industrial policy should create more domestic production capacities without aiming at import substitution.** Rather than import substitution, diversification of supplies, both with new domestic supplies as well as additional foreign supplies, would reduce vulnerabilities.

Moreover, **a greater weight of EU-based production capacities in global supply chains can give the EU leverage.** A threat by a trading partner to interrupt supplies could then be counteracted with threats to equally disrupt supplies. 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 could have the instruments and the political capacity to retaliate with such threats.

Strategic sovereignty implies an ability to jointly take stock of economic and security interests. The EU manages separately sectoral policies and **this fragmentation of tasks between member states and the EU is a weakness in today's world of increased geopolitical tensions.** Medium term, the EU needs to consider changing its decision-making processes in foreign policy related matters. The European Commission President's idea to reconsider the unanimity requirement in foreign policy is worthwhile, though with 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 (foreign and security policy, neighbourhood and enlargement, trade, international partnerships, civil protection and humanitarian aid) under the chairmanship of the High Representative of the Union for Foreign Affairs and Security Policy / Vice-President of the European Commission (HR/VP).³⁰ This would imply a strengthening of the Vice-President role of the HR/VP. Obviously, other coordination mechanisms are conceivable. A further option would be a security clause that could be activated in defined cases by the

²⁸ Sénat France, *Le retard français et européen dans la compétition mondiale*, 22/02/2021.

https://www.senat.fr/seances/s202102/s20210216/s20210216_mono.html

²⁹ Alexandra Alper, Toby Sterling and Stephen Nellis, 'Trump administration pressed Dutch hard to cancel China chip-equipment sale: sources', *Reuters*, January 6, 2020, <https://www.reuters.com/article/us-asml-holding-usa-china-insight-idUSKBN1Z50HN>.

³⁰ Mark Leonard, Jean Pisani-Ferry, Elina Ribakova, Jeremy Shapiro and Guntram Wolff, '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.

HR/VP to temporarily block a merger and question Directorate General Competition's decisions for renewed consideration in 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 anymore. **The EU needs to adapt to the context and place economic sovereignty into the broader picture of geopolitical relations. Being highly intertwined with both the US and China, it is exposed to negative consequences from their rivalry.** The EU's interest is to avoid a bipolar scenario by promoting multilateralism and to maintain engagement with the US 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 to special interests.

3 Strategic Partnerships and EU Security and Defence

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A vastly deteriorating security environment in Europe's Southern and Eastern periphery and the US' growing focus on Asia forces 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 dormant EU's Common Security and Defence Policy (CSDP) since the summer of 2016. The aim behind initiatives such as PESCO or the European Defence Fund is, as the EU Global Strategy states, to achieve 'an appropriate level of strategic autonomy',³¹ 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'.³² Defined in this way, **strategic autonomy is part of the EU's wider quest for more strategic sovereignty which goes beyond security and defence policy** and aims at enhancing the EU's ability to decide and act according to 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 US is not able or willing 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 more capable of joining and sustaining alliances** at the same time. 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 like the US 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 Europe's defence for decades now forces Europeans to think about an acceptable equilibrium between self-reliance and the EU's commitment to deepening partnerships in a new light.

Firstly, **the fundamental uncertainty about the long-term future that has entered the transatlantic partnership with Donald Trump has not suddenly vanished into thin air with the election of Joe**

³¹https://eeas.europa.eu/archives/docs/top_stories/pdf/eugs_review_web.pdf

³² Implementation Plan on Security and Defence: <https://data.consilium.europa.eu/doc/document/ST-14392-2016-INIT/en/pdf>

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 four years under Biden to recalibrate the transatlantic division of labour to the satisfaction of both sides of the Atlantic.

Secondly, with the decision of the UK to leave the EU, one of the Union's most significant military players has left the club. As it stands, there is little interest in institutional cooperation with the EU in the UK. But **many EU member states will want to continue cooperating with the British**, also outside the formal EU framework. The EU member states must therefore decide whether they see 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 UK and the US could be developed in the future and sheds light on the trade-offs involved.

3.1 A More Strategic Approach Towards Partnerships with Third Countries in Security and Defence

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 EU Global Strategy, '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 which share EU values and are willing and able to contribute to CSDP missions and operations.³³ As part of the work on the Strategic Compass, the partnerships basket is supposed to define in more **detail how the EU can take partnerships to a deeper and more strategic level**.

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 US. 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 US under the Trump administration and the UK 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 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 Union. Through the EDF, EU member states aim to strengthen the industrial dimension of strategic autonomy which ideally leads to reducing 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 and controversial it is to find this balance can be 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 only be allowed to participate if their inclusion were deemed to add substantial added value to respective projects being carried out and when such participation will not lead to dependencies on third states.

³³ <https://data.consilium.europa.eu/doc/document/ST-14392-2016-INIT/en/pdf>

3.1.1 A Partnership Like no Other? EU-UK Cooperation after Brexit

Brexit was a crucial enabler for the renaissance of European security and defence policy in two ways. Firstly, EU member states wanted to counter the British decision to leave the Union with a political project that would strengthen ties among the remaining member states. A more common and unified security and defence policy was considered as additional glue that could bring the Union closer together. Secondly, the UK government had blocked progress in CSDP for years. **The UK's departure therefore opened the way for the series of EU defence initiatives** that saw their light 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 lower without the UK's military capabilities and contributions to EU missions and operation – 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 IISS and DGAP in 2018, which looked at the EU member states' ability to carry out CSDP full-spectrum operations, highlighted the shortfalls through the loss of British strategic enablers and high-end capabilities.³⁴ It was therefore clearly **in the EU's interest to aim for the closest possible ties between the UK and the EU** to compensate for this loss after the UK had left the Union. This was also former British Prime Minister Theresa May's declared intention. Consequently, both sides wanted to ensure an 'ambitious, close and lasting' security co-operation, 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 adopted a different approach. Under his leadership, **the assumption has taken hold that there is no advantage for the UK in seeking institutional links with 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 policy with the EU. It prefers to work bilaterally or multilaterally with individual EU member states and not submit to the institutional constraints of the Union.³⁵

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

In talks with the UK 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 and bodies. Finally, the EU insisted, while acknowledging the unique nature of the security relationship, that post-Brexit the UK would be a third country like any other. In sticking to those principles until this day, the EU has put its unity and political principles above its interest in further close ties with the UK. It was not prepared to respond to the UK's desire for a *sui generis* security partnership for fear of jeopardising EU cohesion - even if those concessions might result in having the UK more involved in further European capability development and in missions and operations. The EU thus

³⁴ Douglas Barrie et al., "Protecting Europe: Meeting the EU's Military Level of Ambition in the Context of Brexit", a joint International Institute for Strategic Studies and German Council on Foreign Relations report, November 28, 2018, <file:///C:/Users/DRJANA~1/AppData/Local/Temp/Protecting-Europe-meeting-the-EU-military-level-of-ambition-in-the-context-of-Brexit-IISS-DGAP.pdf>

³⁵ See Ian Bond, Post-Brexit foreign, security and defence co-operation: We don't want to talk about it, November 26, 2020, https://www.cer.eu/sites/default/files/pbrief_brexit_forpol_26.11.20.pdf, p. 1.

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 of any progress in CSDP, confidence in the future British commitment towards EU defence has been severely damaged.

However, this approach also entails costs which are not limited to the potential loss of UK contributions to CSDP. In the future, **the need for the UK 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 UK on military matters, like Sweden, Poland, Romania or the Netherlands and especially France (that was amongst the staunchest opponents of opening EU defence industrial structures up for the UK). If the EU does not facilitate this cooperation within its institutional framework, it will take place outside on bilateral and multilateral bases. 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 since it is now the preferred British method to work with its European allies. If the fragmentation of European defence cooperation will further advance, the importance of CSDP will further diminish. Ultimately, **it is about the question of how central the EU wants to be as a platform for European security and defence cooperation**.

3.1.2 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 US 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 has decisively changed the parameters of the debate. The US' 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 US 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 a Europe 'going it alone', Washington, but also some EU member states, especially in Central and Eastern Europe, perceived it as an attempt for de-coupling 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'.³⁶ 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 four years of the Biden presidency should not be wasted on meta-debates**. They 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 real partnership on greater eye-level, instead of curating vassals. 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 toward great power

³⁶ <https://www.bmvg.de/en/news/second-keynote-speech-german-minister-of-defence-akk-4503976>

competition. The recent US request to join a PESCO project on military mobility as a third country represents an initial test case – and a big opportunity – for a constructive future EU-US cooperation.

For the Europeans, this also means that they must **contribute greater added value to the transatlantic partnership through measures that simultaneously strengthen their own strategic sovereignty**. First of all, this would be the development and procurement of more effective European capabilities, including high-end spectrum capabilities and strategic enablers. Very few PESCO initiatives currently address these capability gaps. Even if the issue of transatlantic industrial cooperation will remain difficult – Biden will be tough when it comes to buying and selling American – a basic willingness to support credible efforts to strengthen European defence capabilities is there. But the EU will need to demonstrate that its efforts go beyond subsidizing European defence industries and lead to a tangible boost in Europe's operational equipment that would be available also within a NATO framework.

Second, **the EU needs to take some military load off the United States**. They should assume greater regional responsibility in its Southern and Eastern neighbourhood and also increase their 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 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 as well as fighting terrorism and disinformation campaigns, cooperation between the two institutions should be strengthened. The EU needs to reemphasise its effort to strengthen European military mobility and provide adequate funding.

3.2 The Need to Overhaul the Union'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 a major challenge 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. Especially in relations with these two partners, however, the experience of recent years 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 for these two partners, but also for Norway. In the case of the UK, 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 organization 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 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 the European security architecture, the question arises whether this trade-off is still correct. 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.**

Whilst 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 harmonization 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. Also, the EU should whole-heartedly embrace the Biden administration's appetite to join the EU's PESCO project on military mobility and show D.C. that it is beneficial to US' interest 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 within the Western Alliance, but also for the Indo-Pacific space where European engagement will be increasingly in demand. Deepening and broadening security cooperation with countries like 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.

4 European Strategic Sovereignty and Multilateralism: Lessons from the Iran Nuclear Deal

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The notion that the EU and its member states should pursue greater autonomy in international affairs has gained increasing salience in intra-EU debates. In 2016, the EU Global Strategy elevated the attainment of a higher degree of autonomy in security and defence to a strategic imperative.³⁷ In 2018, the Juncker Commission³⁸ embraced a view of strategic autonomy that extended to other policy areas, such as the economy and trade, climate and energy, as well as digital and technology regulations. Strategic autonomy has remained since a dominating theme in official EU discourse, as attested to (amongst others) by the self-depiction as 'geopolitical' of the Von der Leyen Commission³⁹ and the HR/VP Josep Borrell's call on the EU to embrace power.⁴⁰

While increasingly salient, strategic autonomy has also been controversial. Detractors dismiss it as a misleading notion that creates the illusion of an EU capable of achieving independence from the US, which

³⁷ 'A Global Strategy for the European Union's Foreign and Security Policy: Shared Vision, Common Action – A Stronger Europe', June 2016, https://eeas.europa.eu/sites/eeas/files/eugs_review_web_0.pdf.

³⁸ Jean-Claude Juncker, *State of the Union 2018: The Hour of European Sovereignty*, Brussels, September 12, 2018, https://ec.europa.eu/info/sites/info/files/soteu2018-speech_en_0.pdf.

³⁹ Ursula von der Leyen, '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, November 27, 2019, https://ec.europa.eu/commission/presscorner/detail/en/SPEECH_19_6408.

⁴⁰ 'Hearing with High Representative/Vice President-designate Josep Borrell', Brussels, October 7, 2019, <https://www.europarl.europa.eu/news/en/press-room/20190926IPR62260/hearing-with-high-representative-vice-president-designate-josep-borrell>.

remains the ultimate security guarantor of several (most) EU member states.⁴¹ While understandable, such concerns are misplaced. **Autonomy is not about independence. It is about reducing the vulnerability of the EU and its member states to the political use of asymmetric interdependencies by other countries, starting with systemic rivals but including also allies.** Examples include Russia's leveraging its energy supplies, China using access to its market to force technology transfers, and the US weaponising financial interdependencies through extraterritorial sanctions.⁴²

It is not by chance that autonomy has become increasingly tied to the notion of 'European sovereignty'.⁴³ This connection does not stem from a (non-existent) demand to confer statehood on the EU, but points to the strengthening of the Union as the best way to enable EU member states to act according to their own norms and laws. In these terms, **greater autonomy of the EU is tantamount to a stronger defence of the sovereign rights of its member states.**

Partly, **the demand for stronger autonomy results from the evolution of the EU into an ever more integrated polity, endowed with more competencies and correspondingly greater ambitions.** Arguably more important, however, has been the emerging multipolarity of international politics. The latter is usually ascribed to the growing economic prowess of such countries as China, which seek to promote their own models of governance of global issues. Yet, an equally decisive factor has been the difficulty of US policymakers to forge an enduring consensus on how the US should conduct itself in international affairs. The ever-wilder oscillations of America's foreign policy have emboldened its rivals and disoriented its allies. Critically, **US foreign policy swings have eventually resulted in a diminished commitment to the system of multilateral institutions, treaties and regimes** that the US itself did the most to create in the decades after World War II.⁴⁴

This trend peaked during the Trump years, when the US deliberately pursued a policy of contestation (of the World Trade Organisation and the International Criminal Court, to mention just a few) and disengagement (a partial list of international arrangements the US left under Trump include the Paris Accord on climate, the World Health Organisation, the Intermediate-range Nuclear Forces and Open Skies treaties, as well as the Iran nuclear deal). As the US distanced itself from multilateral institutions, China made efforts to increase its sway within them, targeting in particular technical agencies such as the International Standards Organisation and the International Telecommunication Union to bring global technology standards closer to Chinese ones.⁴⁵

Seen from the EU, this is a vicious cycle in which multilateral institutions are simultaneously undermined from without (by the US) and within (by China). **The outcome may be a dysfunctional multilateral order or one that more closely reflects China's model of authoritarian capitalism.**⁴⁶ Either outcome would negatively affect the EU and its member states' security and prosperity, as it would reduce European influence in existing multilateral institutions. The strengthening and expansion of the latter are therefore essential in making the EU and its member states capable of navigating the agitated waters of a more

⁴¹ See, amongst others, Mariusz Blaszczak, 'Europe's alliance with the US is the foundation of its security', *Politico*, November 25, 2020, <https://www.politico.eu/article/us-poland-europe-alliance-foundation-security/>.

⁴² See, amongst others, Nathalie Tocci et al., *European Strategic Autonomy: What It Is, Why We Need It, How To Achieve It?*, Rome: Istituto Affari Internazionali, forthcoming.

⁴³ *Op.cit.*, 'Redefining Europe's Economic Sovereignty'.

⁴⁴ See, amongst others, Riccardo Alcaro, 'The fraying transatlantic order and Europe's struggle in a multipolar world', in Justin Massie and Jonathan Paquin (eds), *America's Allies and the Decline of US Hegemony*, (London/New York, Routledge, 2019): pp. 143-160.

⁴⁵ Mira Rapp-Hooper, 'China, America and the International Order after the Pandemic', *War on the Rocks*, March 24, 2020; Thomas Wright, 'Stretching the International Order to Its Breaking Point', *The Atlantic*, April 4, 2020; Richard Haass, 'Trump's foreign policy doctrine? The Withdrawal Doctrine', *The Washington Post*, May 27, 2020.

⁴⁶ Riccardo Alcaro and Nathalie Tocci, *The European Union in a COVID World*, IAI Papers 20/34, November, 2020.

competitive international system. **The ability of EU member states to live by their own laws and rules is thus inextricably linked to multilateralism.**

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 values they share, including individual rights, democracy, secularism, non-discriminatory trade and free markets. Second, multilateralism is about cooperatively addressing transnational challenges, like climate change, pandemics or the myriad risks emanating from regional crises, which affect European citizens, economy and security. 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.⁴⁷

Admittedly, strengthening multilateral norms, institutions and practices in a world increasingly characterised by multipolar competition – and with the US 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 Union managed to bring forward the multilateral agendas on international justice (ICC) and climate (Kyoto Protocol) in the face of opposition from Washington. Another, arguably more illustrative, 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 US, China, Russia and the E3 of France, Germany and the UK, as well as the HR/VP in representation of the EU (together labelled the E3/EU+3).⁴⁸ 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 frameworks and partnerships in order to wield influence in international relations. Lessons from the Iran Nuclear Deal can be used more broadly for the way the EU can play a more effective role in global affairs.

4.1 The Iran Nuclear Deal as an EU Contribution to Multilateralism

The EU’s engagement in the Iranian nuclear issue was essential to the signing in 2015 of the JCPOA. The group that negotiated the deal is officially known as the E3/EU+3 in recognition of the fact that it was the Europeans who first engaged Iran in nuclear talks in 2003-5. Later, the E3/EU devised a ‘dual track approach’ combining diplomacy with pressure (including sanctions), on which the more hawkish US and the more dovish China and Russia could find common ground and which eventually pushed Iran into entering a deal.⁴⁹ **After the US withdrawal in 2018, the Europeans managed to keep the JCPOA formally alive.** While the agreement is in a sorry state, it remains the only platform for renewed nuclear diplomacy between Iran and the US under the new administration of Joe Biden.⁵⁰

The meaning of the E3/EU’s contribution to the JCPOA extends beyond the Iranian nuclear issue *per se*. **In pursuing and defending the agreement the Europeans have actually contributed to all three aforementioned functions of multilateralism.**

⁴⁷ Caroline Bouchard, John Peterson and Nathalie Tocci (2013), *Multilateralism in the 21st Century. Europe's Quest for Effectiveness*, London and New York: Routledge

⁴⁸ E3/EU+3 and Iran, *Joint Comprehensive Plan of Action*. Vienna, July 15, 2015.

⁴⁹ Cornelius Adebahr, *Europe and Iran: The Nuclear Deal and Beyond*, (London: Routledge, 2017); Tarja Cronberg, ‘No EU, no Iran Deal: The EU’s Choice Between Multilateralism and the Transatlantic Link’, *The Non-Proliferation Review*, 24 (3-4) (2017): pp. 243-59; Riccardo Alcaro, *Europe and Iran’s Nuclear Crisis*, (Basingstoke and New York: Palgrave Macmillan, 2018).

⁵⁰ Riccardo Alcaro, ‘Europe’s Defence of the Iran Nuclear Deal: Less than a Success, More than a Failure’, *The International Spectator*, 56 (1) (2021), pp. 55-72.

First, the JCPOA has consolidated international non-proliferation norms and regimes. That Iran's nuclear crisis has played out against the backdrop of the geopolitical rivalry between the Islamic Republic and the US should not blind us to the centrality of the normative dimension of it. It was, and is, Iran's membership of the Nuclear Non-Proliferation Treaty (NPT) as a non-nuclear weapon state that provided the legal justification for the demands on Tehran for greater transparency and cooperation. Had Iran gone nuclear or its plans triggered a regional nuclear arms race, the NPT would have been dealt a perhaps fatal blow. It is not just that the action by the E3/EU and later by the E3/EU+3 has continued to cast a shadow of illegitimacy over any plan to develop nuclear weapons. **The JCPOA has also strengthened the non-proliferation regime further, as it has introduced a novel, more intrusive inspection regime that may serve as a blueprint for future verification systems.** The International Atomic Energy Agency (IAEA), a multilateral verification body, has been given new powers and greater relevance by the deal and the process that led to it. The JCPOA has also restored a degree of authority as the ultimate arbiter in international security matters to the United Nations Security Council (UNSC), which has formally endorsed the agreement by incorporating it into Resolution 2231.⁵¹

Second, the JCPOA is a precedent of successful cooperative crisis management. **The deal reduces the risk of a military confrontation, since an unchecked Iranian nuclear programme may eventually lead countries that feel threatened by it to destroy or slow it down via military means.** Assuming 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 US (on one side) and China and Russia (on the other side) have been able to find common ground shows the great potential of multilateral endeavours not only for addressing transnational threats (here, proliferation and regional crises) but also, indirectly, for moderating great power tensions. It is worth recalling that Russia remained a proactive contributor to the 2014-15 JCPOA negotiations even while its relations with the West plunged following its aggression of 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 US into a friendly one. The deal does possess though a transformative potential, as it introduces a set of rules and binding commitments into a relationship otherwise shaped entirely by force, with Iran opposing its asymmetric power (especially through its proxies) to America's military might. The multilateral nature of the deal further increases its potential for stabilising US-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 providing 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 in which influence tends to emanate overwhelmingly from hard power, certainly not the main strength of the Union.

Another reason for which the case of the JCPOA is important is that it sheds light on the nexus between the EU's partnership with the US and its support for multilateralism. Throughout the nuclear crisis the EU has both used multilateral frameworks to bring the US 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 joining 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 Security Council.

⁵¹ United Nations Security Council, Resolution S/Res/2231, July 20, 2015.

Constructing the standoff with Iran as an international law and multilateral governance issue allowed the E3/EU to ‘extract’ the nuclear crisis from the US-Iran geopolitical contest and place it into a normative and multilateral frame both the US and Iran could relate to. A policy of engagement of Iran thus became a politically acceptable proposition in the US, 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 from the Trump Administrations’ 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, they 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 quit the deal.⁵² **Multilateral rules thus proved more effective than the EU’s own regulations to extend the life of the JCPOA** and give US-Iranian diplomacy a new chance under the Biden Administration.

In conclusion, the E3 and the EU have influenced the calculations of Iran and the US through the pursuit and defence of a multilateral deal, based on the non-proliferation norm and enabled by international institutions (the IAEA and the UNSC). Iran has not disavowed the deal and the US is again committed to coordinating with the Europeans (and secondly with Russia and China) 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 only be negotiated in the E3/EU+3-Iran framework and with Security Council 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.

4.2 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 US, and multilateralism to mutually reinforce one another. If the E3/EU have done so on an issue of high politics over which they only have limited influence, there surely is 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.⁵³

The fact that great power competition increased as the crisis with Iran unfolded creates structural incentives for the EU, the US, the UK 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 sway 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 US and others.

Multilateral frameworks are key to the success of this effort, which depends on cooperation between rivals. The EU should involve its partners in the definition of parameters for the governance of global public goods (human security, climate, health, digital services, technological standards, information freedom etc.) and mainstream such parameters into multilateral discourse and practices. **It is worth emphasising that the**

⁵² International Crisis Group, ‘Iran: The U.S. Brings Maximum Pressure to the UN’, *Middle East Report*, no. 218, August 19, 2020, <https://www.crisisgroup.org/middle-east-north-africa/gulf-and-arabian-peninsula/iran/218-iran-us-brings-maximum-pressure-un>.

⁵³ *Op.Cit.*, *The Brussels Effect*.

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, say, global health, would create stronger guarantees that countries do not neglect their responsibility for 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 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 according to their own rules and principles.

Workshop proceedings

DIRECTORATE-GENERAL FOR EXTERNAL POLICIES
POLICY DEPARTMENT



1. Programme

For the Committee on Foreign Affairs (AFET),

WEBINAR:
ACHIEVING STRATEGIC SOVEREIGNTY FOR THE EU

23 March 2021, 09:30-12:10

DRAFT PROGRAMME

09:30-09:35 **Welcome address: MEP David McALLISTER**, Chair of the Committee on Foreign Affairs

09:35-09:50 **Keynote speech: Dr. Gustav LINDSTROM**, Director, EU Institute for Security Studies (EUISS)

Panel 1: Interdependencies:

Chair: MEP Željana ZOVKO, Vice-Chair of the Committee on Foreign Affairs

09:50-10:15 **Introductory words: MEP Željana ZOVKO**, Vice-Chair of the Committee on Foreign Affairs

Expert presentations:

- **Prof. Dr. Guntram WOLFF**, Director, Bruegel
- **Dr. Daniel FIOTT**, Security and Defence Editor, EUISS

10:15-10:35 **Debate**

Panel 2: Strategic partnerships

Chair: MEP Sergei STANISHEV, Vice-Chair of the Committee on Foreign Affairs

10:35-11:00 **Introductory words: MEP Sergei STANISHEV**, Vice-Chair of the Committee on Foreign Affairs

Expert presentations:

- **Dr. Jana PUGLIERIN**, Head of the Berlin Office, European Council on Foreign Relations
- **Hervé DELPHIN**, Head of Division, Strategic Planning, European External Action Service

11:00-11:20 **Debate**

Panel 3: Multilateral order

Chair: MEP Urmas PAET, Vice-Chair of the Committee on Foreign Affairs

11:20-11:45 **Introductory words: MEP Urmas PAET**, Vice-Chair of the Committee on Foreign Affairs

Expert presentations:

- **Dr. Riccardo ALCARO**, Head of the Global Actors Programme, Istituto Affari Internazionali
- **Ellis MATHEWS**, Head of division for Multilateral relations, European External Action Service

11:45-12:05 **Debate**

12:05-12:10 **Closing remarks: MEP David McALLISTER**, Chair of the Committee on Foreign Affairs

12:10 **End of the webinar**

2. Welcome address: MEP David McAllister, Chair of the Committee on Foreign Affairs

Dear Ladies and Gentlemen,

Dear Colleagues,

It is my pleasure to welcome you to our Committee on Foreign Affairs' webinar on Achieving Strategic Sovereignty for the EU.

Recently, there has been a series of different terms to essentially describe and define the need for the EU to readjust its role in the new geopolitical world. 'Strategic autonomy', 'strategic sovereignty', 'open strategic autonomy', 'technological sovereignty', just to name few.

The rise of these terms is understandable given the deteriorating security landscape that the EU has to face and the rise of geopolitical rivalries. The pandemic has aggravated existing security trends and emphasized the need for the EU to strengthen its power and capacity to act in line with its values and interests, including on supply-chains and technology.

Whatever term we use, we have to remember that all of them describe the symptoms of the strategic challenges we are facing as European Union and the need to address our own vulnerabilities and dependencies.

A key point for me is that "Achieving Strategic Sovereignty for the EU" should not mean that the EU wants to reduce its engagement with key strategic partners, on the contrary. As pointed out in our latest annual CFSP resolution adopted this January, the many threats we are facing today should "lead the EU to develop its strategic autonomy while strengthening cooperation with its allies." They both go hand in hand. A stronger EU can only be beneficial for our allies and partners.

The EU has a responsibility to act as a global player and a reliable 'partner of choice' to reinforce its foreign policy to promote and defend a rules-based international order, which guarantees multilateralism, democracy and human rights, together with like-minded partners.

Now we have an opportunity to revitalise the transatlantic relationship, but I also believe that the EU can put in greater energy with other like-minded democratic partners such as Japan, India, Australia, South Korea, Canada, and more, including many Latin American countries. In many cases, we are experiencing the same challenges to our democracies through disinformation, hybrid threats and technology dependences. So let's work together with partners to re-shape and strengthen the rules-based order!

What we need are concrete answers and actions for managing our **strategic dependences, restoring and deepening our partnerships and upholding the multilateral order.**

All these important issues are reflected in the three panels of our webinar this morning, chaired by our vice-chairs Željana Zovko, Sergei Stanishev and Urmas Paet, together with prominent experts and representatives of the EEAS.

I am sure that today's discussions will be highly useful for the upcoming work of our Foreign Affairs Committee. I wish us a fruitful discussion and I will immediately pass the floor to EU Institute for Security Studies Director, Dr Gustav Lindstrom. Let me thank you Dr Lindstrom and your team for helping us organise this webinar.

3. Keynote speech: Gustav Lindstrom, Director, EU Institute for Security Studies (EUISS)

Mr Chair,

Honourable Members,

It is a pleasure to be with you today, albeit through video. I thank the Foreign Affairs Committee and its Chair, MEP David McAllister, for inviting us and for the excellent cooperation we had leading to this important meeting. On behalf of the EU Institute for Security Studies and the experts gathered here today, thank you.

We are here today to discuss in concrete terms how to better achieve strategic sovereignty for the European Union. This discussion is increasingly important to debates about the EU's international role. Rapidly shifting global geopolitical and technology trends not only appear to strain the multilateral order, but also the EU's place within it.

Honourable Members,

Let me briefly share five *personal* reflections on EU strategic sovereignty.

1. **Strategic sovereignty is more of a journey rather than reaching a specific end-point or destination.** While this distinction may seem obvious, it has implications. It reinforces the notion that achieving strategic sovereignty is a dynamic and on-going process. You may never quite get there but you are consistently working towards it along different dimensions. With this distinction in mind, the path towards greater strategic sovereignty resembles more the use of a tool to promote European capabilities and capacities needed to decide and act upon shared interests.
2. **Strategic sovereignty for the EU covers multiple areas and progress in each of these may advance at different speeds.** Traditionally, the pursuit of strategic sovereignty was associated with defence or industrial matters. I think you will agree this is no longer the case. As the journey towards strategic sovereignty progresses, it will cut across several policy areas. We have seen recent examples: at the political level (Iran), the economic level (the strengthening the role of the Euro), cyber (the establishment of the GDPR), Space (Galileo and Copernicus), and defence (PESCO just to name one). As a result, there is no straightforward way to take the pulse on strategic sovereignty. At best, you might be able to map out progress along different dimensions.
3. **Strategic sovereignty for the EU requires both an overarching vision / roadmap as well as prioritisation.** Since the journey towards strategic sovereignty should not go on autopilot, let me offer four domain areas that merit particular attention and in which the EU has already done some work:
 - The political and security realm – A key issue here is the ability to make timely and independent decisions to build a foundation for strategic sovereignty. These discussions may be easier in some areas compared to others, such as security and defence. We have already heard of several initiatives, such as a more systematic use of qualified majority voting. Future reflections will be complex and difficult, but as you underline in the recently adopted (20 Jan 2021) European Parliament resolution on the Implementation of the Common Foreign and Security Policy, the Union needs to 'speed up decision-making in foreign affairs' and 'to strengthen its strategic capacities to act, autonomously if needed'.
 - Economic realm – Of particular relevance here is the international role of the Euro. Did you know that (according to a December 2018 European Commission report) around 60 countries in the world are either using, will use, or link their currency to the Euro? From a different perspective, the same report notes that over 90% of the aggregated transactions related to oil, gas and other energy

commodities are in currencies other than the euro. Putting this figure in perspective is the fact that the EU is the largest energy importer in the world. While the numbers change and have 'improved' over time, there is additional scope for a stronger role for the Euro.

- Digital / technological– key issues here include the transition towards 5G and greater usage of AI. According to the quarterly 5G Observatory Quarterly Report, approximately 65% (64.3% to be precise) of the 5G spectrum within the EU-27 and the UK was unassigned as of December 2020. Not only does this delay the update of 5G, it also affects the EU's positioning towards burgeoning research on the follow-on 6G. As we transition to smart cities, autonomous transport, the smart grid, etc. we will need 5G speeds and latency while at the same time ensuring data confidentiality, integrity and availability. Concerning AI and nascent discussions on governance, the EU should ideally be part of the 'rule makers' rather than 'rule takers'.
- Outer space – As noted earlier, the EU has several flagship projects in this domain, including Galileo and Copernicus. However, as space increasingly becomes a contested and congested, the EU will need to channel additional efforts on issues such as space debris and the protection of space assets. The ability to ensure 'security in space' is still work in progress. Fortunately, EU efforts towards have gotten off to a good start with the 3SOS initiative (Safety, Security and Sustainability of Outer Space).

4. **Strategic sovereignty for the EU is not uniformly understood or conceptualized, requiring better internal and external messaging – especially to partners.** You have heard the terms and references: strategic autonomy, strategic sovereignty, open strategic autonomy, cooperative autonomy, non-dependency...As the EU deepens its reflections on strategic sovereignty (an internal exercise); it needs to enhance its external messaging (an external exercise). If we do not, we might see burdened partnerships and emboldened competitors. If managed well, we may instead face good windows of opportunity to enhance EU-NATO cooperation, strengthen transatlantic cooperation, and promote multilateralism. Concerning cooperation, we need to remind ourselves that strategic sovereignty is somewhat of an oxymoron in today's globalized world. To illustrate, it is my understanding that an Airbus A380 consists of up to 4 million parts produced by 1,500 companies from 30 countries. Cooperation with the 'like-minded' and partners is thus consistent with strategic sovereignty, even if it is counter-intuitive. The follow-on presentations today will focus on this in more detail.
5. **Lastly, strategic sovereignty deliberations are not taking place in a vacuum.** As noted earlier, the journey towards strategic sovereignty needs to adapt to external and internal dynamics. Examples range from the effects of Covid-19 to industrial fragmentation. Moreover, reflections should ideally link to other on-going processes such as the strategic compass (that as you know aims to provide enhanced politico-strategic direction for EU security and defence and its level of ambition in this area) and further afield, the Conference on the Future of Europe.

Honourable Members,

Having shared some thoughts with you, I now look forward to our discussions. I am very pleased to be here today because our joint AFET Committee and EUISS efforts have resulted in this workshop and some excellent reflection papers. Here I would like to thank Prof Dr Guntram Wolff and his co-authors, Dr Jana Puglierin and Dr Riccardo Alcaro for their timely and important analysis.

I also thank my colleague Dr Daniel Fiott for managing this project on behalf the EUISS and for working closely with the AFET Committee. I believe that the work that the Institute and the European Parliament do together is valuable. I do not want to forget our panel discussants, and I thank them for giving up their valuable time to be with us today. Thank you to our close colleagues at the EEAS Hervé and Ellis, and our own Daniel, for engaging with the papers and with honourable members in this committee.

I would like to conclude by thanking the Committee Chair, MEP McAllister, and Vice Chairs, MEP Zeljana Zovko, MEP Sergei Stanichev and MEP Urmas Paet for chairing each panel today and for their own reflections and thoughts. I believe that with our collective expertise we can have a rich and meaningful discussion today. Ultimately, it is up to the European Union to ensure its strategic sovereignty – no one will hand it to us. It is for this reason that I am pleased to be here today and follow the many thought-provoking presentations we will see today.

Thank you for your attention.

4. PowerPoint presentation: Semiconductors and Strategic Autonomy

Nicolas Poitiers, Pauline Weil and Guntram Wolff



Semiconductors and Strategic Autonomy

Nicolas Poitiers, Pauline Weil, Guntram Wolff
March 2021
European Parliament foreign affairs committee

IMPROVING ECONOMIC POLICY

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High technology is an increasingly strategic sector

- **High tech sector and security**
 - The issue of dual use goods.
 - The digital age creates new risks: hacking, interference in democratic processes, access to data (civil and classified).
- **High tech sector and economic activity**
 - Digital sector is a backbone of all economic activity.
 - Innovation cycles are opportunities for major competitiveness gains (eg. AI, 5G, quantum computing).
- **Technological supremacy** concerns control of hardware, software and infrastructure.
 - Tensions for scarce or cutting edge products (eg. 5G antennas, rare-earth, semiconductors).

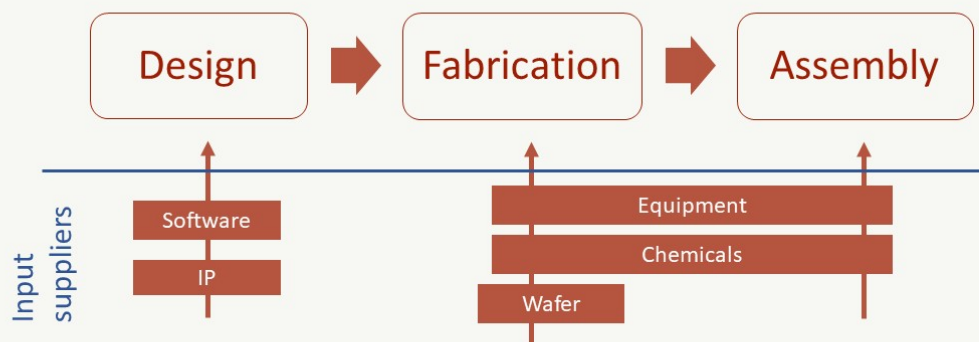
Why do semiconductors matter?

- Critical components to **all electronic devices**.
 - \$440-500 billion worth of sales in 2020 (strong growth). .
 - **Major end uses:** smartphones, personal computing, consumer and industrial electronics, automotive, digital infrastructure, data centres.
 - **Central to major innovations** – next big competitiveness gains: AI, quantum computing, IOT, autonomous vehicles.
- **Supply chains tensions:**
 - Market pressures and scarcity of high end producers, geopolitical tensions, security concerns.

3

The semiconductors supply chain: highly specialized, concentrated and globalized

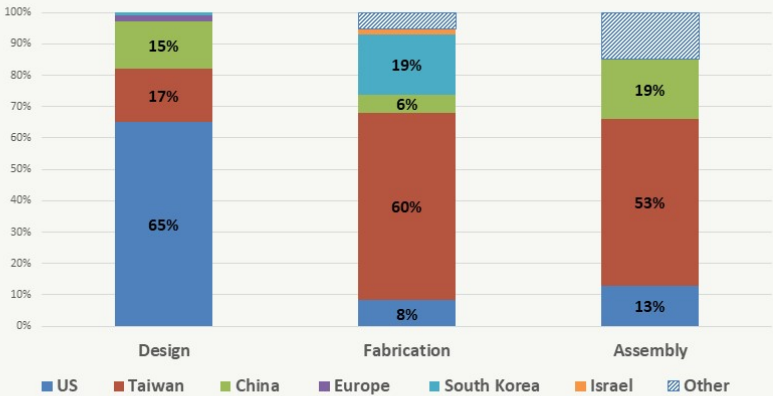
Figure 1: Production steps and players



4

The semiconductors supply chain: highly specialized, concentrated and globalized (2)

Figure 3: US dominating the first step allows influence on semiconductor production downstream.
Market share by firms headquarter location in 2019

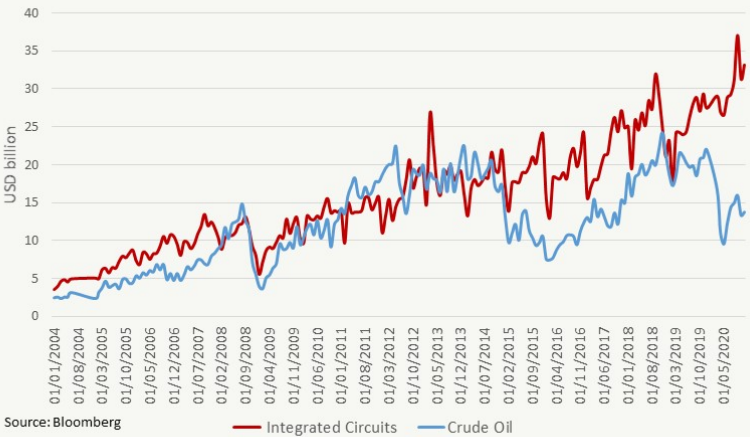


Source: IC Insights, Seeking Alpha and Stiftung Neue Verantwortung

5

‘Tech cold war’: the US puts pressure on a key product for China

Figure 8 – Semiconductors have become China’s main import since 2014



Source: Bloomberg

— Integrated Circuits — Crude Oil

6

Supply chains reflect governments long term industrial strategies

- The semiconductor sector is an competitive and depending on fast innovation.
- It requires high **R&D spending and upfront capital investments**.
- It was always considered a strategic sector, esp. by the US.
- The global allotment in production capacity mirrors **government support policies and industrial strategies**.
- EU countries have also tried to leave major mark in industry but with less success.

7

Semiconductors entered EU trade policy strategy

- **2020 global shortage** and increased **weaponization of trade policies**.
- Led EU to consider its **exposure and leverage** in the semiconductor value chain:
 - **Industrial Alliance on microelectronics** (2020): by 13 MS for €20-30 bn investments.
 - **Goals of the digital decade** (2021): targets 20% of global production.
- TSMC and Samsung much larger investments and dominance.

8

Securing EU production capacity and EU trade partners

- Autonomy is not a sensible goal
 - **High specialisation and fast innovation:** digital decoupling versus global efficient capital allocation.
- Defining **EU position**
 - Impact of US sanctions on firms from the EU, Japan and South Korea.
 - Isolating EU firms from the Chinese market?
 - The Taiwan case
- Overall
 - The **EU needs to have some production** capacity.
 - Ending external reliance is neither achievable nor desirable.
 - **Engaging with partners to secure supply chains.**

9

Thank you!

10

5. Power Point presentation: European Strategic Sovereignty and Multilateralism. Lessons from the Iran Nuclear Deal

Riccardo Alcaro



European Strategic Sovereignty and Multilateralism. Lessons from the Iran Nuclear Deal

Riccardo Alcaro
Research Coordinator and Head, Global Actors Programme
IAI-Istituto Affari Internazionali

Rome/Brussels, 23 March 2021



Strategic Autonomy and European Sovereignty

- ☐ Autonomy is about reducing reducing the vulnerability of the EU and its member states to the political use of asymmetric interdependencies by other countries
- ☐ Greater EU autonomy functional to greater protection of sovereign rights of EU member states
- ☐ EU autonomy and European sovereignty are therefore linked

European Sovereignty and Multilateralism

Multilateralism performs three functions serving European sovereignty

- ☐ anchors interstate interactions in norms, rules and practices
- ☐ promotes cooperative management of transnational challenges
- ☐ reduces the room for power politics

3

The Iran Nuclear Deal

- ☐ the Iran nuclear deal or JCPOA illustrates that the EU requires multilateral frameworks and partnerships to have international influence
- ☐ Lessons from the Iran Nuclear Deal can be used more broadly for the way the EU can play a more effective role in global affairs

4

The JCPOA as Contribution to Multilateralism

In pursuing (pre-2015) and defending (post-2018) the JCPOA the Europeans have contributed to all three functions of multilateralism

- ❑ The JCPOA has consolidated international non-proliferation norms and institutions and strengthened international inspection regimes
- ❑ The JCPOA has set precedent of successful crisis management between countries with different foreign policy outlooks
- ❑ The JCPOA has reduced role of power politics because it injects greater predictability into US-Iran relations

5

The JCPOA, Multilateralism and EU-US Partnership

- ❑ E3/EU approach to Iran's nuclear issue is premised on facilitation of US-Iran diplomacy
- ❑ The EU has both used multilateral frameworks to bring the US closer to its position and leveraged the transatlantic partnership to support such multilateral frameworks

6

The JCPOA, Multilateralism and EU-US Partnership

- ❑ Constructing the standoff with Iran in normative terms has allowed the E3/EU to 'extract' the nuclear crisis from the US-Iran geopolitical contest and place it in a normative framework both could relate to
- ❑ After the US pull-out, the E3/EU failed to protect legitimate trade with Iran from US extraterritorial sanctions, but succeeded in defending the JCPOA at the UN
 - Multilateral rules thus proved more effective than the EU's own regulations to extend the life of the JCPOA
- ❑ Moving forward, the EU should strive again for a strategy based on advancement of multilateral frameworks (nuclear and regional)

7

Some lessons from the Iran Nuclear Deal

- ❑ The JCPOA is evidence of how multilateralism is functional to European strategic sovereignty
- ❑ The JCPOA is also illustrative of how the EU can effectively use its strategic partnerships, especially the one with the US, and multilateralism to mutually reinforce one another.
- ❑ If the E3/EU have done so on an issue of high politics over which they only have limited influence, there surely is much potential for the EU to shape multilateral norms, institutions and regimes in policy areas in which it wields more power, such as trade, climate etc.

8

Multilateralism and partnerships

- ❑ Forging a stronger consensus between the EU and its partners increases the chances that multilateral governance reflects norms and practices EU member states share or find acceptable.
- ❑ It also increases their preparedness to deal with multilateral stalemate and division
- ❑ The EU should involve its partners in the definition of parameters for the governance of global public goods (human security, climate, health, digital services, technological standards, information freedom etc.) and mainstream such parameters into multilateral discourse and practices

6. Biographies of speakers

Experts:



Gustav Lindstrom, Director of the EU Institute for Security Studies (EUISS)

Gustav Lindstrom is the Director of the EU Institute for Security Studies (EUISS) – the European Union’s Agency analysing foreign, security and defence policy issues. In his capacity as director, he also chairs the Council for Security Cooperation in the Asia-Pacific – EU Committee (CSCAP-EU).

Previously, Dr Lindstrom served as the Head of the Emerging Security Challenges Programme at the Geneva Centre for Security Policy (GCSP). In this function, he was also co-chair of the Partnership for Peace Consortium (PfP-C) Emerging Security Challenges Working Group and a member of the Executive Academic Board of the European Security and Defence College. Prior to his tenure at the GCSP, he was a Research Fellow and later a Senior Research Fellow at the EUISS. He has also worked at the RAND Corporation and the World Bank. His areas of focus include the EU’s Common Security and Defence Policy, cybersecurity, EU-NATO relations and emerging security challenges.

Dr Lindstrom holds a doctorate in Policy Analysis from the RAND Graduate School and MA in International Policy Studies from Stanford University.



Daniel Fiott, EU Institute for Security Studies

Daniel Fiott is Security and Defence Editor at the EU Institute for Security Studies (EUISS), a position he has held since late 2016. At the EUISS, Daniel analyses European defence policy, CSDP, defence capability and industrial issues and hybrid threats. He is the Institute’s representative to the Executive Academic Board of the European Security and Defence College (ESDC) and Daniel is the author of the EUISS’ annual publication, the Yearbook of European Security.

Before joining the EUISS, Daniel held research positions with the Research Foundation – Flanders, the Institute for European Studies at the Free University of Brussels and the College of Europe. He is a visiting professor at the Free University of Brussels and the Brussels School of International Studies at the University of Kent. Daniel was educated at the University of Cambridge and he holds a PhD from the Free University of Brussels (VUB).



Guntram B. Wolff Director, Bruegel

Guntram Wolff is the Director of Bruegel. His research focuses on the European economy and governance, on fiscal and monetary policy and global finance. He regularly testifies at the European Finance Ministers' ECOFIN meeting, the European Parliament, the German Parliament (Bundestag) and the French Parliament (Assemblée Nationale). From 2012-16, 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 Brussels Free University. He joined Bruegel from the European Commission, where he worked on the macroeconomics of the euro area and the reform of euro area governance. Prior to joining the Commission, he was coordinating the research team on fiscal policy at Deutsche Bundesbank. He also worked as an adviser to the International Monetary Fund.

He holds a PhD from the University of Bonn, studied economics in Bonn, Toulouse, Pittsburgh and Passau and previously taught economics at the University of Pittsburgh and at Université libre de Bruxelles. He has

published numerous papers in leading academic journals. Guntram is fluent in German, English, French and has good notions of Bulgarian and Spanish. His columns and policy work are published and cited in leading international media such as the Financial Times, the New York Times, Wall Street Journal, Caixin, Nikkei, El Pais, La Stampa, FAZ, Handelsblatt, Les Echos, BBC, ZDF, and others.



Dr Jana Puglierin, European Council on Foreign Relations

Dr Jana Puglierin is the Head of the Berlin Office and a Senior Policy Fellow for the European Council on Foreign Relations since January 2020. She also directs ECFR's [Rethink: Europe](#) initiative, which explores and illustrates European cooperation in innovative ways through the [EU Cohesion Monitor](#) and the [EU Coalition Explorer](#).

Prior to this, she headed the Alfred von Oppenheim Center for European Policy Studies at the German Council on Foreign Relations (DGAP). Before joining DGAP Puglierin was an advisor on disarmament, arms control, and non-proliferation at the German Bundestag, where she also worked on matters relating to German and European foreign and security policy. Between 2003 and 2010 she was researcher and lecturer to the chair of political science and contemporary history as well as in the program for North American studies at the University of Bonn. She was also an associate at "Stiftung Neue Verantwortung", Berlin from October 2010 until October 2011.

In November 2017 Puglierin was a visiting fellow at the American-German Situation Room, a joint initiative of the AICGS and GMF. She is Alumna of the Konrad-Adenauer-Foundation's Working Group of Young Foreign Policy Experts (2007-2016), of the ZEIT Foundation Ebelin und Gerd Bucerius (2016), of the Manfred-Wörner-Seminar for German-American Relations (2009) as well as of the International Visitor Leadership Program, the U.S. Department of State's premier professional exchange program (2015). She is a board member of the German Atlantic Society and a member of the extended board of Women in International Security (WIIS.de).

Jana earned a Master's degree and a doctoral degree in Political Science, International and European law, and Sociology from the Friedrich-Wilhelms University of Bonn. Her doctoral degree was based on a thesis on the life and thought of John H. Herz.



Riccardo Alcaro, Head of the Global Actors Programme of the Istituto Affari Internazionali.

Riccardo Alcaro is Research Coordinator and Head of the Global Actors Programme of the Istituto Affari Internazionali. His main area of expertise are transatlantic relations, with a special focus on US and European policies in Europe's surrounding regions. Riccardo has been a visiting fellow at the [Center on the United States and Europe](#) of the Brookings Institution in Washington and a fellow of the EU-wide programme European Foreign and Security Policy Studies ([EFSPS](#)). He holds a *summa-cum-laude* PhD from the University of Tübingen. He is the author of [Europe and Iran's Nuclear Crisis](#) (Palgrave Macmillan 2018) and editor of [The Liberal Order and its Contestations](#) (Routledge 2018) and [The West and the Global Power Shift](#) (Palgrave Macmillan 2016).

EEAS representatives



Hervé Delphin is Head of the Strategic Planning Division at the European External Action Service. He has held senior positions at DG ECHO, European Commission, and as Head and member of Cabinet for numerous former European Commissioners. In 2014 he was awarded the title of "Knight of the Legion of Honour", the highest French National Order.



Ellis Mathews is Head of Division for multilateral relations at the European External Action Service. Previously, Ellis Mathews has worked on EU-Japan, EU-Canada, EU-China and EU-US relations within the EEAS and the European Commission.

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