

# NAVIGATING GLOBAL SHIFTS: ANALYSING THE EMERGENCE AND DEVELOPMENT OF OPEN STRATEGIC AUTONOMY IN EU POLICY DYNAMICS AND ITS NEXUS WITH THE ADVANCEMENT OF SUSTAINABLE DEVELOPMENT

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# STRUCTURE OF THE PRESENTATION

- ❑ THE RISE AND EXPANSION OF OPEN STRATEGIC AUTONOMY IN THE EUROPEAN POLICY DISCOURSE
- ❑ THE PRINCIPLE OF SUSTAINABILITY IN THE FRAMEWORK OF EU POLICIES
- ❑ THE INTERSECTIONS BETWEEN THE ADVOCACY OF SUSTAINABLE DEVELOPMENT INTERESTS AND THE QUEST FOR OPEN STRATEGIC AUTONOMY: THE STRATEGIC FORESIGHT REPORT 2023
- ❑ OPEN STRATEGIC AUTONOMY AND SUSTAINABLE DEVELOPMENT IN THE EXTERNAL ACTION OF THE EU
  - The new trade policy strategy
  - Support for developing countries
  - Climate diplomacy
- ❑ ACHIEVING A NET-ZERO ECONOMY WITHIN THE CONTEXT OF OPEN STRATEGIC AUTONOMY
  - The EU's drive for a European Industrial Policy
  - Promoting equitable market conditions
  - Reinforcing sustainability within corporate governance

- What is Open Strategic Autonomy?
- What are its drivers?
- What is its relationship with sustainable development?



# 1. OPEN STRATEGIC AUTONOMY IN THE EU

*‘Strategic Autonomy refers to the capacity of the EU to act autonomously - that is, without being dependent on other countries - in strategically important policy areas. These can range from defence policy to the economy and the capacity to uphold democratic values’  
(European parliament - 2022)*

❖ The notion of strategic autonomy, as intended in its core meaning of operational capacity to ensure autonomously its **security**, was always present, albeit with different intensities, throughout the integration process

## ▶ **Strategic Autonomy Evolution Timeline:**

- **1950s:** Attempts to establish a **European Community of Defence (CED)** failed, leading to the creation of the less ambitious **Western European Union**, incorporated in NATO. In the following decades, the European Community thrived under the **American security umbrella**.
- **Post-Cold War Era:** EU reevaluated its global role, but strategic autonomy was not actively pursued despite occasional disagreements with the US. European security continued to be safeguarded by the United States within NATO's collective defence. EU acted as an **advocate of the liberal international order**, focused on market liberalization, established the Economic and Monetary Union (EMU) based on Washington Consensus principles.

- **Post-2000s International Transformations:**

- **Multipolar Shift:** Emergence of BRICS nations, especially China, challenged Western hegemony, transforming the global economic landscape.
- **Changing US Approach:** Obama administration recalibrated foreign policy, focusing more selectively on its interests, particularly in the Indo-Pacific.
- **Trump Era:** Trump administration showed isolationist tendencies, considering the EU a trade rival, and Brexit further impacted EU defense initiatives.
- **Democracies vs. Autocracies:** Growing competition between democracies and autocracies, exemplified by Russia's aggression and China's assertiveness.

- **EU Vulnerability and Strategic Autonomy Necessity:**

- **Disruption of Internal Balances:** The combination of global shifts disrupted internal balances and objectives within the Euro-Atlantic community and NATO.
- **EU as Geopolitical Arena:** EU recognized vulnerability, risking becoming a geopolitical arena for global powers in a geopolitics-driven world.
- **Need for Reality Check:** policy makers emphasized the need for the EU to acknowledge the shift to a multipolar world.

- **Strategic Autonomy reconsideration:**
  - **Neighbouring Areas Focus:** EU sees the need for strategic autonomy in neighboring areas where the US is disengaging, such as Africa and the Middle East.
  - **Twin Transition:** Recent crises highlighted the need for a rapid twin transition of the European economy, focusing on green and digital initiatives.
  - **Industrial Policy Shift:** New European industrial policy moves away from classic market liberalization, aiming for explicit economic steering.
  - **Independence from Global Powers:** EU aims to reduce dependencies and achieve resilience in critical sectors, desiring to become a global power.
  - **Polycrisis:** The vulnerability of European industry and global supply chains highlighted by the pandemic.
  - **Five Key Changes:** Decline of the liberal international order, regionalization of security dynamics, potential political and military competitions, shift towards the Indo-Pacific, and the impact of US-China competition on global dynamics.



# The development of open strategic autonomy in EU policies

- ▶ The concept of strategic autonomy gains traction in the 2010s, becoming pivotal for the EU
- ▶ Coined in December 2013 by the Foreign Affairs Council of the EU, initially in reference to security and defence
- ▶ Emphasized further in 2016, post-Brexit, by former High Representative for Foreign Policy Mogherini as a cornerstone of the **Union's Global Strategy**, especially in defence

## Progress and Initiatives

- ▶ 2017: Launch of **Permanent Structured Cooperation (PESCO)** to foster military integration and cooperation in Common Security and Defence Policy (CSDP).
- ▶ 2018: Creation of the **European Defence Fund (EDF)** to drive competitiveness and innovation in the sector.
- ▶ 2022: Publication of the **Strategic Compass (SC)** outlining mid-term objectives (2030) and specifying necessary capabilities for achieving them.



# The development of open strategic autonomy in EU policies

## DIVERGENT PERSPECTIVES

- ▶ **France:** Favors greater EU autonomy from NATO, sees it as a means to extend influence and preserve national sovereignty.
- ▶ **Italy and Germany:** Advocate for a collaborative approach within NATO, with Italy pushing for a more active European role globally.
- ▶ **Italy:** Rejects the notion of a common European army but supports deeper integration within NATO.
- ▶ **France and Germany:** Prefer limited European neighborhood focus.
- ▶ **Italy:** Proposes extending autonomy to broader Mediterranean and sub-Saharan Africa, seen as strategically vital.



# The development of open strategic autonomy in EU policies

Initially focused on security, Strategic autonomy has extended to **various domains**:

- ▶ Trade
- ▶ Economic policies
- ▶ Advanced technologies
- ▶ Energy security
- ▶ Climate change
- ▶ Financial governance
- ▶ Digital sovereignty
- ▶ Telecommunications
- ▶ External action
- ▶ Diplomacy

- ▶ The increased geopoliticization of global politics and international economic interdependencies have prompted the EU to rethink its approach to globalization
- ▶ Move away from hyper-globalization discourse of the 1990s
- ▶ Major powers weaponizing trade for national advantages: **Geopoliticization of Trade**
- ▶ Emergence of rival regional blocs.



# The development of open strategic autonomy in EU policies

- ▶ This new landscape involves a **deviation from the neoliberal principles guiding the EU** since the set-up of the Single Market, prompting a **strengthened public intervention at the EU level at the expense of the free market**
- ▶ **Struggle inside EU commission between different factions:** Neoliberal, Neo-Mercantilist and Social Factions
- ▶ **Neoliberal faction:** Emphasizes the efficiency of the free market; Prioritizes internal and external liberalization
- ▶ **Neo-Mercantilist Faction:** Aims to enhance European companies' competitiveness; Supports strategic protections, even if it distorts markets
- ▶ **Social Faction:** Focuses on building market-correcting institutions at the European level; Emphasizes social, environmental, and human rights protections, even if they constrain markets
- ▶ renegotiation of the European 'embedded neoliberal compromise', resulting in a **new doctrine of 'Qualified openness'**

# European Commission - 2021

“

*Open strategic autonomy emphasises the EU's ability to make its own choices and shape the world around it through leadership and engagement, reflecting its strategic interests and values. It reflects the EU's fundamental belief that addressing today's challenges requires more rather than less global cooperation. It further signifies that the EU continues to reap the benefits of international opportunities, while assertively defending its interests'*

”

Hence, the concept has slightly changed into **'Open Strategic Autonomy'**, an expression used by the Commission to position itself somewhere in between its natural predilection for **free trade** and more **protectionist positions**

# The development of open strategic autonomy towards in EU policies

## ▶ Open Strategic Autonomy:

- ▶ Balances EU's pursuit of strategic autonomy with openness to international cooperation and multilateralism.
- ▶ Reflects commitment to sustainability-related values:
  - ▶ Environmental protection
  - ▶ Human rights
  - ▶ Core labor standards
  - ▶ Biodiversity conservation

## ▶ Inherent Contradictions, expressed by High Representative J. Borrell: "*We don't want to be protectionists, but we have to protect ourselves*"

## ▶ Criticisms and Concerns:

- ▶ Small and trade-oriented EU countries fear concentration of power within the single market, particularly regarding Franco-German industries.
- ▶ Concerns about potential escalation of protectionist measures.

# SUSTAINABLE DEVELOPMENT IN THE EU POLICY FRAMEWORK

- ▶ The European Union has always been at the forefront of the global fight against climate change. At the same time, it has always regarded issues related to social and economic aspects of sustainability as a cornerstone of its policies
- ▶ The promotion of sustainable development in the European Union is a key objective involving interconnected policies in many areas (art. 3 TEU)
- ▶ The **EU's commitment to sustainability** is inspired by the United Nations Sustainable Development Goals (SDGs), the 2030 Agenda, the Paris Agreement on climate change and the Addis Ababa Action Agenda on Financing for Development
- ▶ Under President von der Leyen's leadership, the EU has unveiled an ambitious policy agenda dedicated to advancing sustainability, as showed by the realization of **the European Green Deal**, the fit for 55 package and the Recovery and Resilience Plans.

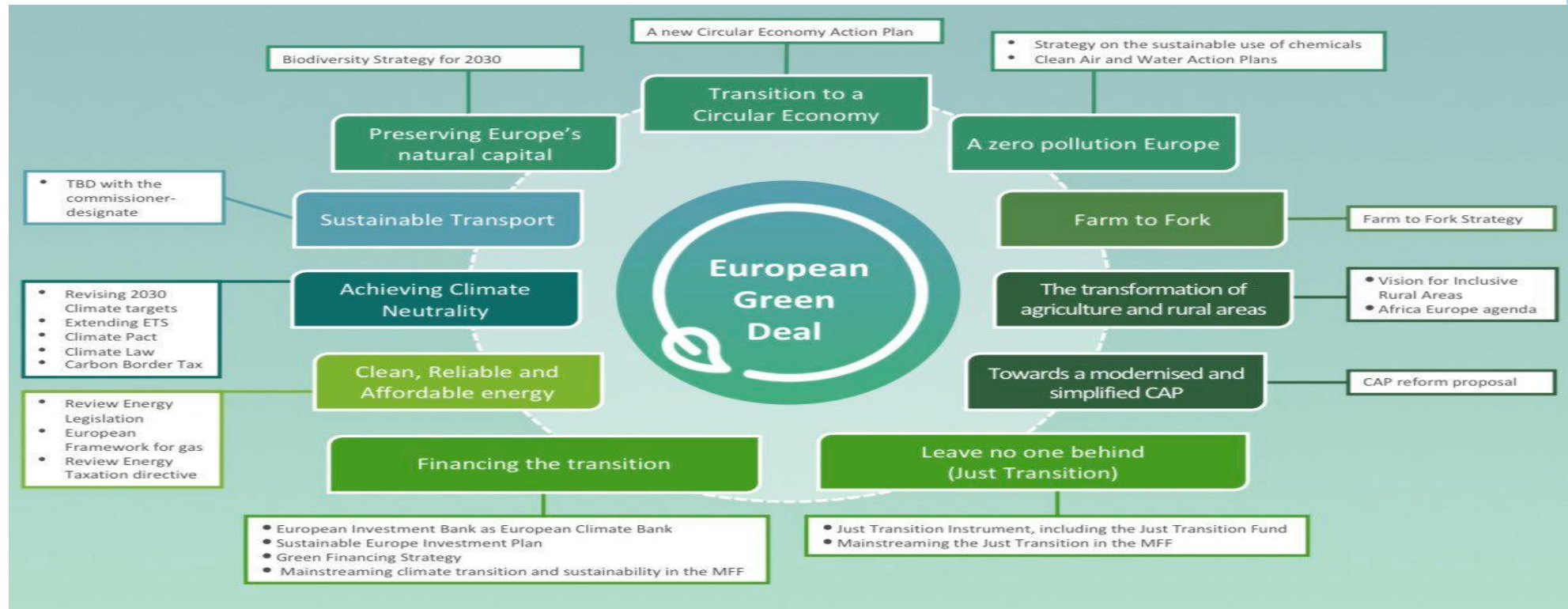
## SUSTAINABLE DEVELOPMENT GOALS





# The European Green Deal

- ▶ Launched in December 2019, the European Green Deal is an ambitious plan to transform the EU into a modern, resource-efficient and competitive economy, ensuring: no net emissions of greenhouse gases by 2050; economic growth decoupled from resource use; no person and no place left behind
- ▶ Other goals include promoting renewable energy, energy efficiency, circular economy, sustainable mobility and social justice. In broader terms, the goal is to make Europe an example of leadership in combating climate change and promoting environmental sustainability globally





# The fit for 55 package

- ▶ The Fit for 55 package is a set of proposals to revise and update EU legislation and to put in place new initiatives with the aim of ensuring that EU policies are in line with the climate goals agreed by the EU.
- ▶ It refers to the EU's target of reducing net greenhouse gas emissions by at least 55% by 2030. The proposed package aims to bring EU legislation in line with the 2030 goal.
- ▶ It is designed to ensure a just and socially fair transition, underpinning the EU's leadership position in the global fight against climate change



# Next Generations EU

- ▶ the pandemic crisis led to the creation of the **Next Generations EU (NGEU)**, the epochal fiscal stimulus programme devised by European institutions
- ▶ NGEU brought about the the implementation of **related national recovery and resilience programmes**, which put digitisation, competitiveness, the green revolution and energy transition at the centre of the Union's agenda.



# Interconnection of Sustainable Development and Open Strategic Autonomy

The pursuit of sustainable development policies has become increasingly intertwined with the quest for open strategic autonomy, emerging as two pivotal and interconnected aspects of European Union policies

- ▶ **Achieving Open Strategic Autonomy Through Sustainable Development:** Targets such as energy safety, economic resilience, and technological independence benefit from sustainable initiatives.
- ▶ **Energy Independence and Security:**
  - ▶ Reducing reliance on fossil fuels enhances energy independence and security.
  - ▶ Aligns with open strategic autonomy by reducing vulnerability to supply disruptions.
- ▶ **Economic Resilience and Adaptability:**
  - ▶ Sustainable practices enhance economic self-sufficiency and adaptability.
  - ▶ Diversification of supply and promotion of circular economies reduce vulnerability to global supply chain disruptions.

# Interconnection of Sustainable Development and Open Strategic Autonomy

## ▶ Technological Leadership:

- ▶ Investment in sustainable technologies positions EU as a leader.
- ▶ Reduces reliance on foreign technologies and enhances economic competitiveness.

## ▶ Diplomatic Influence and Soft Power:

- ▶ Commitment to sustainability enhances EU's soft power and global influence.
- ▶ Leading on climate action sets global norms and encourages collaboration, strengthening strategic autonomy.

## ▶ Contributions to Peace and Security:

- ▶ Addressing environmental issues through sustainable development contributes to regional stability.
- ▶ Reduces the need for military interventions, promoting EU security.





## 2023 Strategic Foresight Report

*Sustainability and people's wellbeing at the heart of Europe's Open Strategic Autonomy*

### #StrategicForesight

The 2023 Strategic Foresight Report analyses the key challenges for Europe's transition towards sustainability. It outlines 10 areas for action to reconcile wellbeing and prosperity of current and future generations. Ultimately, this will strengthen the EU's global leadership. Its results draw from an inclusive foresight exercise and build on the three previous editions.



- ❑ The **2023 STRATEGIC FORESIGHT REPORT** sheds light on how sustainable development enhances eu's resilience, innovation and global influence, which are vital for achieving strategic autonomy in an interdependent world
- ❑ Acknowledging the interconnections between environmental, social, and economic aspects of sustainability is crucial for shaping a forward-thinking geopolitical approach

*'The European Union is forging ahead with unprecedented action to achieve climate neutrality and sustainability. A successful transformation will limit the existential risks of climate change and the environmental crisis while strengthening the EU's open strategic autonomy and economic security. To succeed in this transformation, it is essential to recognize the links between the environmental, social, and economic dimensions of sustainability. This will enable Europe to pursue a forward-looking geopolitical strategy that successfully leverages its most valuable assets - namely, its unique social market economy and its position as the largest trading block in the world'*

the report outlines **six challenges** affecting the social and economic aspects of sustainability and **ten areas for action** across all policy domains to achieve a socially and economically sustainable Europe with increased global influence, capable of acting in condition of open strategic autonomy



The **six challenges** are:

1. The rise of **geopolitics** and reconfiguration of globalisation;
2. The quest for a **sustainable economy** and well-being;
3. Increasing pressure to ensure sufficient **funding**;
4. Growing demand for **skills** and competencies for a sustainable future;
5. Increasing cracks in **social cohesion**;
6. Threats to **democracy** and existing social contract

The **ten key areas for actions** identified are:

- ▶ Ensuring a new European **social contract** fit for a sustainable future;
- ▶ Leveraging the Single Market to champion a **resilient net-zero economy**;
- ▶ Strengthening the interlinkages between the EU's internal and external policies, also to boost the **EU's offer and narrative on the global stage**;
- ▶ Supporting **shifts in production and consumption** towards sustainability;
- ▶ Moving towards a '**Europe of investments**' by increasing private financial flows in support of strategic investments for the transitions; Making public budgets fit for sustainability;
- ▶ Further **shifting policy and economic indicators** towards sustainable and inclusive wellbeing; Ensuring that everyone can successfully contribute to the sustainability transition;
- ▶ Strengthening **democracy**, including by increasing citizens' agency.



Based on the Strategic Report's findings, we will focus on **two specific subject matters**



**1. THE ADVANCEMENT  
OF SUSTAINABILITY IN  
THE EU EXTERNAL  
ACTION**



**2. THE PURSUIT OF  
A NET-ZERO  
ECONOMY FOR THE  
SINGLE MARKET**

# THE QUEST FOR SUSTAINABILITY IN AN INCREASINGLY MULTIPOLAR WORLD

International crises and rising geopolitical tensions have ushered in a multipolar global order. The advancement of sustainable development objectives compels the empowerment of the EU's global stance through a multi-faceted and integrated approach of policymaking

## A NEW TRADE STRATEGY

incorporating sustainability clauses into Free Trade Agreements

sustainability-oriented use of the Generalised Scheme of Preferences

## SUPPORTING DEVELOPING COUNTRIES

providing technical assistance and capacity-building to implement sustainable policies

the Global Gateway Strategy

## CLIMATE DIPLOMACY

elevating EU's Global Leadership in sustainability standards

a more assertive action in international fora (e.g. COP27)

## European Commission - 2021

“*The question Europe faces is a simple one: whether Europeans will decide on their common destiny, or whether that destiny will be decided by others. Whether the or **European Union wants to be a pillar of the emerging multipolar global order** whether it will resign itself to being a pawn. The challenges that Europe faces today will not go away. **Global competition will harden. The pace of technological change will increase. Geopolitical instability will grow. The effects of climate change will be felt. Demographic trends mean that migration to the EU will continue***”



# A multipolar world - a rethinking of the EU's global posture

## ▶ Factors Contributing to the New International Order:

- ▶ Russia's invasion of Ukraine following Crimea's annexation
- ▶ UK's exit from the EU
- ▶ Migration and energy crises
- ▶ Threat of terrorism
- ▶ Pandemic crisis
- ▶ Threat of autocracies

## ▶ Implications for the EU:

- ▶ Compelled to reorganize internal and external policies
- ▶ Ambition to become a global player in geopolitics

## ▶ Challenges to the Western-led Global Order:

- ▶ Invasion of Ukraine challenging the West's plan for a rule-based international order
- ▶ Growing number of countries challenging Western-led global order
- ▶ Increasing demand for representation from the Global South

## ▶ Role of China:

- ▶ Proposing itself as head of the Global South
- ▶ Viewing Ukrainian conflict as irrelevant to their interests

## ▶ Competition in the Global South:

- ▶ Strategic competition field between Western countries and authoritarian regimes
- ▶ Particularly intense in the African continent

## ▶ Multipolar System and Transnational Issues:

- ▶ Multiple decision-making centers forming a multipolar system
- ▶ Difficulty in tackling transnational issues such as climate change, climate justice, and energy transition.

# A multipolar world - a rethinking of the EU's global posture

## ▶ **Impact of Geopolitical Tensions on International Trade:**

- ▶ Geopolitical tensions strongly affect international trade dynamics
- ▶ Trade war between China and the United States
- ▶ European Union caught in the balance
- ▶ Paralysis of the World Trade Organization (WTO)

## ▶ **Challenges Exposed by COVID-19 Pandemic and Other Factors:**

- ▶ Infrastructural deficiencies
- ▶ Bottlenecks for strategic goods
- ▶ Climate change and natural disasters
- ▶ Lack of resilience in global supply chains

## ▶ **Rise of Protectionism and Economic Nationalism:**

- ▶ Quest for autonomy in strategic sectors like semiconductors and minerals
- ▶ Tensions leading to protectionist measures

## ▶ **Emergence of New Phenomena:**

- ▶ Acceleration of 'Deglobalisation' Trend
- ▶ Diversification of supply chains
- ▶ Decoupling of economies
- ▶ Regionalization of trade
- ▶ Selective globalization: nearshoring and friendshoring

# A multipolar world - a rethinking of the EU's global posture

## WHAT ARE THE CONSEQUENCES OF THIS PHENOMENA?

- ▶ Emergence of open strategic autonomy as new ideological foundation, marking a **departure from traditional neoliberal ideas**
- ▶ **Transition** from bastion of openness to more assertive stance acknowledging contemporary challenges
- ▶ A **new trade policy** based on qualified openness: remaining as open as possible while assuming a more defensive posture through the acquisition and utilization of **new 'autonomous tools'**
- ▶ Transition from multilateral to **bilateral or regional approaches**, necessitated by failure to secure new multilateral deal in WTO

## IMPACT ON SUSTAINABLE DEVELOPMENT OBJECTIVES:

- ▶ Geo-economic confrontation affects **EU sustainable policies**, hampering flows of green goods and technologies
- ▶ Weakening of **EU's strategic dependencies** on critical raw materials
- ▶ Calls for **multi-faceted and integrated approach to policymaking**
- ▶ Utilization of economic instruments, especially **trade-related tools**, to advance sustainable development objectives



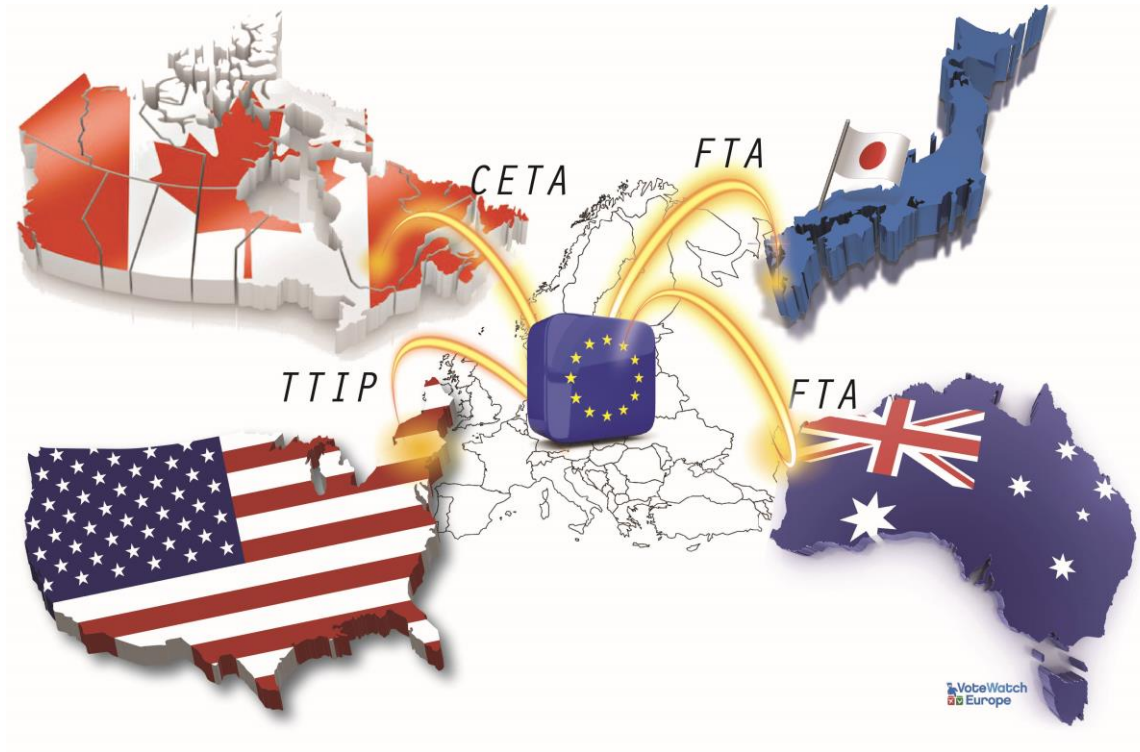
# A NEW TRADE STRATEGY



- ▶ **Sustainable purposes** lie at the heart of the new trade strategy presented by the Commission in 2021
- ▶ It frames the EU's trade initiatives in the new context of open strategic autonomy
- ▶ A new approach defined as 'governing through trade'



- ▶ **trade agreements** remain crucial in the new trade strategy for building strategic autonomy and for advancing sustainable development
- ▶ The EU now stands at the centre of an extensive network of free trade agreements



# Sustainability clauses into Free Trade Agreements (FTAs) - the EU-Kenya Economic Partnership Agreement (EPA)

- ▶ deemed as the most ambitious economic partnership agreement the EU will have with a developing country when it comes to sustainability provisions
- ▶ it includes binding provisions on trade and sustainable development, such as climate and environmental protection and labour rights, and a transparent dispute resolution mechanism
- ▶ Tailored to address Kenya's development needs, it outlines a phased opening of Kenya's market in agriculture and the protection of its developing industries
- ▶ The EU aims to enhance Kenya's competitiveness, support local farmers, and build capacity to boost economic growth and development



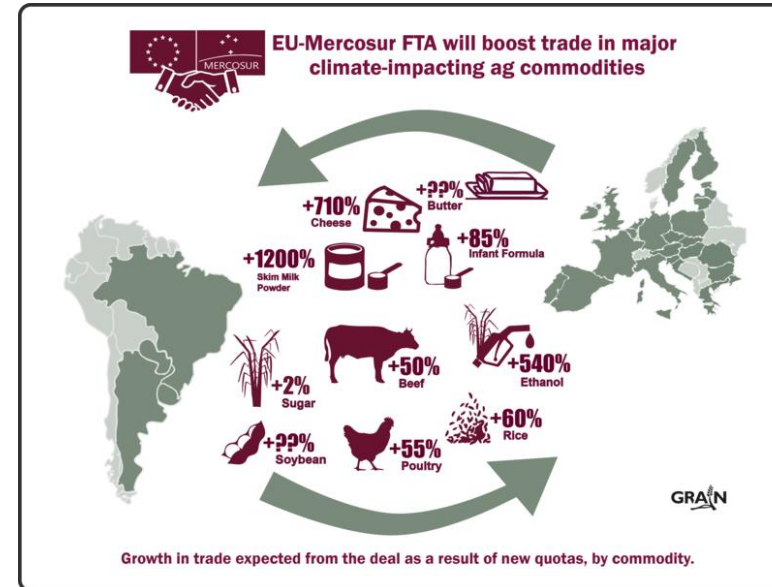
# Sustainability clauses into Free Trade Agreements (FTAs) - the EU-Korea Free Trade Agreement

- ▶ It was the first of a new generation of European FTAs that included Trade and Sustainable Development (TSD) chapters dedicated to environmental and labour standards
- ▶ To fully enforce the TSD chapter, the EU has launched dispute proceedings against South Korea due to Korea's delay in the ratification of fundamental conventions of the International Labour Organisation (ILO). This case showed how the EU is willing to enforce sustainability interests through its trade policy



# Sustainability clauses into Free Trade Agreements (FTAs) - negotiations for the Mercosur Free Trade Agreement

- ▶ The agreement, which underwent twenty years of negotiations and was ultimately finalized in 2019, has faced ratification delays
- ▶ Negotiations between the EU and four of South America's largest economies have encountered a new obstacle as Brasilia criticized Brussels' efforts to introduce environmental obligations concerning deforestation into the export agreement
- ▶ EU nations, led by France, have demanded a concrete commitment from Brasilia to safeguard the amazon forest before they will endorse it.



# Other tools of the new trade strategy

- ▶ the European Commission has recently created the **Chief Trade Enforcement Officer**, a newly established role responsible for ensuring that trade partners fulfil their FTA obligations, which also encompass sustainability commitments, and taking enforcement actions when req
- ▶ the **anti-coercion trade defence instrument**, would enable the Commission to impose economic counter-sanctions without Council approval , as a way to discourage or put an end to coercitive behaviours perpetrated by third countries

# THE GENERALISED SCHEME OF PREFERENCES (GSP)

- ▶ The GSP Regulation is a unilateral trade tool that removes or reduces import duties from products coming into the EU from vulnerable low-income countries, supporting poverty eradication, sustainable development, and their participation in the global economy
- ▶ The GSP usually includes conditionality provisions aimed at promoting human rights and labour standards. In its recent application, the Commission has been granting preferences to countries that meet conditions related to good governance and sustainable development, using the facilitated access to the Single Market as a ‘carrot’ to foster the achievement of its sustainable goals

The EU's GSP comprises three arrangements:

- ▶ Standard GSP for low and lower-middle income countries. This means a partial or full removal of customs duties on two-thirds of tariff lines.
- ▶ GSP+: a special incentive arrangement for sustainable development and good governance. GSP+ slashes these same tariffs to 0% for vulnerable low- and lower-middle income countries that implement 27 international conventions related to labour and human rights, environmental and climate protection, and good governance.
- ▶ EBA (Everything But Arms): the special arrangement for least developed countries (LDCs), providing them with duty-free, quota-free access to the EU market for all products except arms and ammunition



# THE GENERALISED SCHEME OF PREFERENCES

## (GSP)



- ▶ On 22 September 2021, the Commission adopted a [legislative proposal](#) for the EU's Generalised Scheme of Preferences (GSP) for the period 2024-2034
- ▶ as the Council and the Parliament have not yet reached an agreement on the Commission's proposal, In November 2023, the Council and the European Parliament signed an amendment to the existing Generalised Scheme of Preferences (GSP) Regulation, in order to extend the GSP scheme for the period 2024-2027
- ▶ The Commission's proposal makes the EU's GSP more focused on reducing poverty and increasing export opportunities for low-income countries. It aims to incentivise sustainable economic growth in low-income countries and offers new room for engagement on environmental and good governance issues

### A Greener GSP

To reinforce the importance of meeting climate change and environmental protection standards, the new GSP proposal:

- ▶ Introduces the possibility to withdraw GSP benefits for serious and systematic violations of the principles of the conventions on climate change and environmental protection;
- ▶ Extends the list of international conventions that GSP+ countries must ratify beyond the current seven environmental and climate instruments, now including the Paris Agreement.



# THE EU DEVELOPMENT COOPERATION POLICY

- ▶ A pivotal sector of the Eu's external action to enhance global sustainability
- ▶ Incorporation of sustainability criteria in project selection, implementation, and evaluation processes
- ▶ Promotion of sustainable development practices through capacity-building, technology transfer, and knowledge sharing
- ▶ Continual monitoring and adaptation of development cooperation strategies to ensure effectiveness and relevance in advancing sustainability goals.



## Main aspects of the new Consensus

**Integrate systematically the social, economic and environmental dimensions of sustainable development**

An icon showing two hands, one from the left and one from the right, reaching towards each other to hold three stylized human figures (two adults and one child) standing together.

**Address the crucial nexuses with external policies**

Migration Security

A stylized globe showing the continents in white and the oceans in blue, with a red and orange arc over the top half.

**Focus on the key drivers of sustainable development**

- gender equality
- youth
- sustainable energy and climate change
- mobility & migration
- investment

Do more!

# The Global Gateway Strategy

- ▶ Launched in December 2021 as EU strategy for infrastructure investment, aiming to enhance connectivity between EU and partner countries
- ▶ Focuses on sustainability as core pillar, so as to narrow international gap in green and digital infrastructure investments and to assist partner countries in combating climate change
- ▶ It puts climate change, sustainable development, human rights, and labor standards

## Geopolitical relevance

- ▶ Positioned as response to China's Belt and Road Initiative
- ▶ Aims to restore EU's global position, particularly in Africa
- ▶ Potential to address reputational issues and boost global standing, fostering the EU's position as a global leader in shaping rules and standards



# CLIMATE DIPLOMACY - The Eu at the Cop27 and Cop28

- ▶ At the **COP27 summit**, the EU supported the creation of a **'loss and damage' fund** to support the most vulnerable countries affected by climate-related disasters. This fund pertains to the **issue of climate justice**, which involves the responsibility of developed countries to provide financial support to developing nations, which are more vulnerable to the effects of global warming, considering their limited contribution to climate change
- ▶ A central issue concerns the **financing conditions for climate action in developing countries**, ensuring that they can receive substantial financial support without incurring further debt
- ▶ In this context, it is important to mention the **Bridgetown Initiative**, which foresees a suspension of debt interest related to natural disasters, financial support for climate-related issues in the form of grants rather than loans, a carbon emission tax on most polluting companies for disaster-vulnerable nations and the creation of a global climate mitigation fund

# CLIMATE DIPLOMACY - The Eu at the Cop27 and Cop28

At the **COP28** in Dubai, the EU and its countries pushed parties to agree on global energy goals:

- ▶ the international community agreed for the first time to **transition away from fossil fuels**
- ▶ parties agreed to **triple global renewable energy capacity and double the rate of energy efficiency improvements by 2030**
- ▶ The '**loss and damage**' fund proposed at the COP27 was eventually approved, although the amount of financing is still insufficient. the EU and its member states pledged **over half of the initial funding** for the loss and damage fund (over €400 million). As a whole, the **EU and its countries are the largest provider of climate finance globally.**
- ▶ It included the first global stocktake under the Paris Agreement, which measured the progress towards the climate goals set by the agreement. The stocktake highlighted the need for a **peak of global greenhouse gas emissions by 2025** and for their reduction by **43% by 2030 and by 60% by 2035**, compared to 2019 levels, in order to limit global warming to 1.5°C. Parties agreed to submit their **updated climate plans for 2035 by COP30**



*'The Earth belongs to our children. That is not an advertising slogan. It is an existential truth. The coming decade will be decisive and we are fully committed to working with every one of you to protect humanity'*

European Council President Charles Michel  
at COP28, 1 December 2023



# ACHIEVING A NET-ZERO ECONOMY IN THE CONTEXT OF OPEN STRATEGIC AUTONOMY

Sustainability is a competitive advantage, necessitating global leadership in the net-zero industry. To achieve this, the EU must bolster industrial capabilities, enhance supply chains resilience, and leverage its influential position in the world as a major trading bloc to promote high sustainability standards.

## ENHANCING INDUSTRIAL CAPACITY IN STRATEGIC GREEN TECHNOLOGIES

Massive investments in research, development, and manufacturing of net-zero technologies.

transformation from a net-zero technology importer to a manufacturer.

Coordinated measures: European Green Deal Industrial Plan, Net Zero Industry Act, Critical Raw Materials Act.

## MAKING STRATEGIC SUPPLY CHAINS MORE RESILIENT

Reduce and diversify foreign dependencies in strategic sectors (i.e. semiconductors, raw materials, batteries)

Economic security strategy to assess future dependencies and maintain autonomy.

Importance of preserving collaboration and promoting industrial cooperation agreements (TTC).

## PROMOTING MARKET FAIRNESS AND RESPONSIBLE BUSINESS PRACTICES

Embedding human rights and environmental concerns into corporate practices and governance.

Carbon Border Adjustment Mechanism (CBAM); Deforestation Regulation, Directive on corporate sustainability

The european regulatory framework for controlling foreign direct investments (FDI)



# OBJECTIVE: achieving a net-zero economy based on the dual transition

HOW? → Need to reinvent the internal market, fostering both its resiliency and sustainability

A key consideration concerns **the social dimension of sustainability**:

- In the last decade, **social support for the single market** has faded, due to austerity measures and perception of inequalities
- Need to consider the foreseeable **effects on employment of the upcoming environmental-oriented measures** under open strategic autonomy
- a careful look at **social sustainability** is necessary to attain a large-scale political and social support → **reconfiguration of the competition policy** and the substantial adjustments to **level-playing-field mechanisms** of the single market



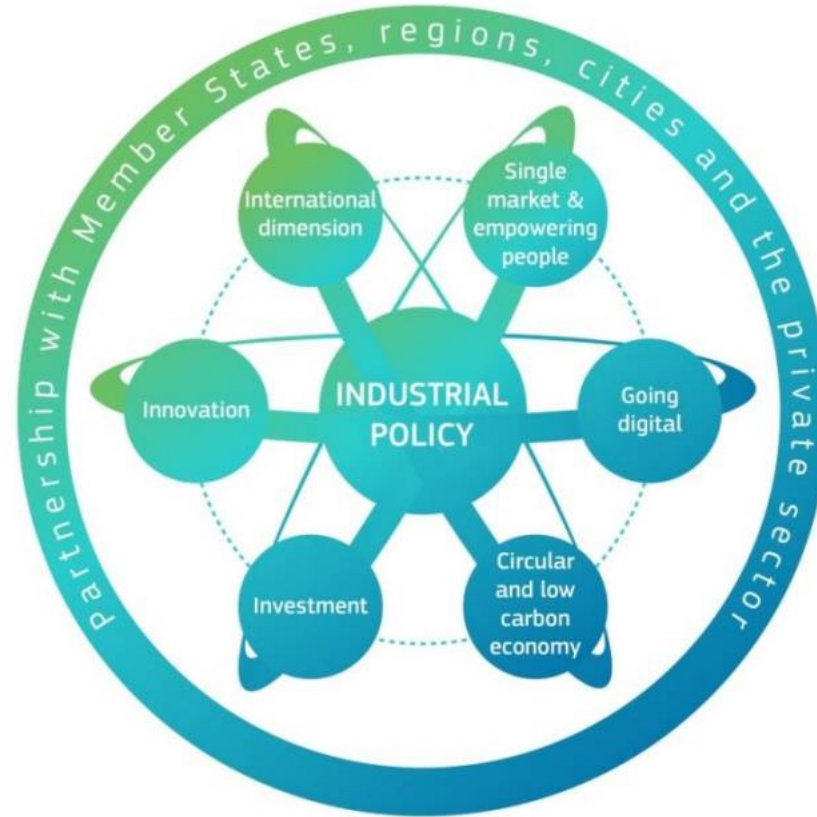
# A NEW EUROPEAN INDUSTRIAL POLICY

- ▶ As competition for industrial dominance and strategic green technologies is heating up, the EU is launching **a new industrial policy** to tackle challenges in achieving a net-zero economy.
- ▶ According to estimates, global market for net-zero technologies will triple by 2030 → **Sustainability** will be key a **crucial source for long-term competitive advantage**
- ▶ Thus, **strengthening industrial capabilities and supply chains is crucial.**
- ▶ Currently, the EU is a **net-zero technology importer.**
- ▶ To meet its green and digital ambitions, the EU must:
  - **enhance industrial and technological capacity** → Massive investments are needed in research, development, and manufacturing for EU-based net-zero technologies
  - **bolster supply-chain resilience to reduce foreign dependencies** → devise an ambitious **economic security strategy** is essential for assessing future dependencies across strategic sectors.
- ▶ These actions are vital for reinforcing the EU's open strategic autonomy and advancing its net-zero economy goals.

# A NEW EUROPEAN INDUSTRIAL POLICY

the EU is carrying out these objectives through a **coordinated package of measures**:

- ▶ the EUROPEAN GREEN DEAL INDUSTRIAL PLAN
- ▶ the Net Zero Industry Act (NZIA)
- ▶ the Critical Raw Materials Act



# The Green Deal Industrial Plan

It is structured around four key elements.

1. **establishing a stable and streamlined regulatory framework, facilitating permits for production and assembly sites for clean tech products, thus accelerating European industrial production in these sectors**
2. **expediting financial access to allow state aid to increase production in these critical sectors. In this regard, the Commission has proposed the creation of a European Sovereignty Fund**
3. **strengthening skills development, thus increasing labour market participation in green sectors.**
4. **promoting open trade with like-minded countries and resilient supply chains through their diversification for critical raw materials, an objective pursued by the Critical Raw Material Act**



# The Net Zero Industry Act (NZIA)

It introduces an industrial strategy aimed at advancing clean tech manufacturing through a four-step plan

1. identifying **eight specific net-zero technologies** categorized as 'strategic': solar photovoltaic and solar thermal, onshore wind and offshore renewables, batteries and storage, heat pumps and geothermal energy, electrolysers and fuel cells, sustainable biogas and biomethane, carbon capture and storage (CCS) and grid technologies
2. establishing an **target for EU domestic manufacturing** in these technologies, aiming to fulfil **at least 40% of the EU's annual deployment requirements** by 2030
3. outlining a **governance framework**, where member states propose Net-Zero Strategic Projects (NZSPs) with **minimal oversight from the Commission**
4. delineating a suite of **policy tools**, primarily at the **national level**, to support the selected NZIA projects





# The Critical Raw Materials Act

- ▶ It mandates the EU to achieve specific targets by 2030. These include:
- ▶ covering **10% of the consumption of critical minerals through domestic production, processing 40% of these minerals, and recycling at least 15% of them.**
- ▶ It stipulates that **no more than 65% of the EU's annual consumption of any critical raw material, at any significant processing stage, should originate from a single third country.**



# A NEW EUROPEAN INDUSTRIAL POLICY - comments

- ▶ These initiatives are **responses to similar measures enacted by major trade competitors**, such as the Inflation Reduction Act (IRA) in the United States.
- ▶ While motivated by the pursuit of strategic autonomy in green and digital sectors, the resurgence of industrial policy is viewed as **potentially leading to economic protectionism**.
- ▶ There's a **risk of these plans violating WTO rules**, which could undermine free trade and cooperation in addressing global public goods like the environment and the twin transition.
- ▶ Preserving collaboration and promoting **industrial cooperation** agreements, particularly **with like-minded countries**, will be crucial → The **EU-US Trade and Technology Council (TTC)** is an example of such cooperation, addressing topics like green technology and supply chain security.

# PROMOTING MARKET FAIRNESS AND RESPONSIBLE BUSINESS PRACTICES

- ▶ The EU has also been trying to leverage its Single Market to force trading partners to adopt similar green policies.
- ▶ it has been trying to bolster responsible corporate behaviour embedding human rights and environment-related concerns into companies' practices and corporate governance

Three instruments are an example of this strategy

1. The Carbon Border Adjustment Mechanism
2. The Deforestation Regulation
3. The Proposal for a Due Diligence Directive

# THE CARBON BORDER ADJUSTMENT MECHANISM

- ▶ Entered into force in October 2023. Objective: **reducing the risk of carbon leakage**, preventing carbon-intensive productions from relocating outside the EU and offsetting the EU's efforts to reduce emissions.
- ▶ CBAM aims to ensure that efforts to reduce greenhouse gas emissions within the EU are not undermined by increased emissions outside the EU for imported goods not subject to carbon pricing in their origin country.
- ▶ It involves **imposing tariffs on imported polluted goods not subject to carbon prices in their origin country**, maintaining a **level playing field in the internal market** for EU undertakings subject to carbon pricing.
- ▶ However, CBAM has faced criticism for its risk of fueling protectionism and potential non-compliance with WTO rules. It will have significant **impacts on both the internal market and external relations of the EU**.
- ▶ CBAM creates incentives for industries to reduce their carbon footprint and invest in cleaner technologies, fostering innovation and sustainability.
- ▶ It may lead to tensions with third-country trading partners and risks trade retaliation, especially from developing and emerging economies.

# THE DEFORESTATION REGULATION

- ▶ Entered into force in May 2023, it establishes new rules aimed at **minimizing the risk of deforestation and forest degradation** that is associated with products entering or exported from the EU market.
- ▶ **Mandatory risk-based due diligence to assess and mitigate risks along supply chains** is imposed on all operators and traders who place or make available in the Single Market a **specific list of products whose production is linked to deforestation and forest degradation**.
- ▶ Six products concerned: **cattle, cocoa, coffee, oil palm, rubber, soya and wood**
- ▶ Covered commodities and products are **not placed or made available on the market or exported unless they meet all of the following conditions:**
  - are zero deforestation;
  - they have been produced in compliance with the relevant legislation of the country of production;
  - they are subject to a due diligence declaration.





# THE PROPOSAL FOR A DUE DILIGENCE DIRECTIVE

- ▶ It aims to promote **sustainable and responsible corporate conduct** by integrating human rights and environmental considerations into companies' operations and governance
- ▶ It introduces a **corporate due diligence duty**, requiring large companies to identify, address, prevent, mitigate, and account for adverse human rights and environmental impacts within their operations, subsidiaries, and value chains.
- ▶ The **scope** covers both EU and non-EU companies operating in the EU internal market with turnovers surpassing specific thresholds.
- ▶ **Non-compliance** may lead to **Commission intervention**, including sanctions such as blocking imports, supervisory authority requirements, financial penalties, and civil liability.
- ▶ This mechanism essentially **applies EU standards extraterritorially**, subjecting foreign investors to standards on human rights, environment, and labour
- ▶ **Italy and Germany** have recently **voted against** the final text at Coreper meeting of February 28



# THE EUROPEAN REGULATORY FRAMEWORK FOR CONTROLLING FOREIGN DIRECT INVESTMENTS (FDI)

- ▶ Established for a stricter monitoring of FDI due to concerns about foreign control of critical European assets. It enables scrutiny and rejection of non-EU investments in strategic areas, allowing for the adoption of restrictive measures beyond economic concerns.
- ▶ Under this framework, the EU's Foreign Direct Investment (FDI) Regulation of 2019 is to make sure that the EU is better equipped to identify, assess and mitigate potential risks to security or public order, while remaining among the world's most open investment areas
- ▶ In January 2024, the Commission proposed a new regulation to amend the 2019 regulation
- ▶ The new proposal expands the scope of EU rules on foreign direct investment and strengthen controls. In fact, the proposal includes new procedural rules, new minimum screening requirements for member states, and provision for ex-post verification that can be initiated up to 15 months after the transaction has taken place.
- ▶ The scope of the regulation also includes **strategic assets** needed for the **green and digital transition**
- ▶ The signing of the EU-China Comprehensive Agreement on Investments (CAI) is an example of the nexus between sustainability and open strategic autonomy in FDI. The CAI secured commitments from China regarding labor, human rights, and sustainability, but its ratification faced obstacles due to human rights concerns.



# BALANCING SUSTAINABILITY AND STRATEGIC AUTONOMY

- ▶ European strategic autonomy has evolved to encompass diverse policy areas beyond defense, including today economic, trade, and technological interactions.
- ▶ The concept of autonomy has thus evolved to be more 'open,' emphasizing multilateralism and **sustainability values**.
- ▶ Today, achieving sustainability goals means combine it with the EU's open strategic autonomy, integrating both into the spectrum of EU policies, so as to contribute to the EU global leadership and its well-being
- ▶ Key areas of action include strengthening the EU's global presence and reinforcing the Single Market for a net-zero economy
- ▶ If we are to achieve the sustainability transition, it will be crucial in the upcoming future to place sustainability at the heart of the EU's open strategic autonomy, so as to deliver on a **triple promise**: *'a healthy planet and thriving environment; economic growth that is decoupled from resource use and environmental degradation; and an assurance that no person or place will be left behind'*

# THANK YOU

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