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STRATEGIC SOVEREIGNTY

EMPOWERING EU MEMBER STATES WITH STRATEGIC SOVEREIGNTY

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SUMMARY

- European countries are increasingly vulnerable to external pressure that prevents them from exercising their sovereignty.
- This vulnerability threatens the European Union's security, economic health, and diplomatic freedom of action, allowing other powers to impose their preferences on it.
- To prosper and maintain their independence in a world of geopolitical competition, Europeans must address the interlinked security and economic challenges other powerful states present – without withdrawing their support for a rules-based order and the transatlantic alliance.
- This will involve a creating a new idea of “strategic sovereignty”, as well as creating institutions and empowering individuals that see strategic sovereignty as part of their identity and in their bureaucratic interest.
- Most fundamentally, the EU needs to learn to think like a geopolitical power.

European governments' ability to have a voice in the world is under threat. When President Donald Trump pulled the United States out of the Iran nuclear deal and threatened to punish European companies for following international law, he exposed European vulnerability. Although European governments continued to back the deal, European companies such as Total and Airbus pulled out of their Iranian investments, while Belgian-registered international payments firm SWIFT suspended Iran – effectively cutting the country off from the global banking system. Europe's view did not matter.

But the fate of the Iran nuclear deal is just the tip of the iceberg of European vulnerability. European countries are increasingly aware of their vulnerability to external pressure – and struggle to exercise sovereignty. While European sovereignty seems an abstract notion, its absence could have enormous costs:

- What would happen if the Americans restricted EU trade and investment in Russia or China in the same way they have done with Iran? This would disrupt trade worth around €190 billion per year for Russia and around €1 billion per day for China.
- The cost of European cyber vulnerability was estimated at €400 billion in 2018. And this will only grow with the coming of 5G and the “Internet of Things”.
- According to PwC, artificial intelligence (AI) will contribute more than €13 trillion to the global economy by 2030. How much of this market can Europe capture if China and the US set its rules?
- Unless the European Union changes its rules, powers such as the US, Russia, and China could block the union from using its resources to stabilise an African country through the United Nations,

send an OSCE monitoring mission to eastern Europe, or bail out a third country through the International Monetary Fund (IMF).

- Europe also struggles to guarantee its security. What could the EU do if Russia decided to treat Poland or Latvia in the way it has treated Ukraine, using a combination of cyber attacks, disinformation, and direct action to destabilise an EU state and perhaps overthrow its government?

As the world descends into geopolitical competition, other powers increasingly challenge European countries' ability to defend their interests and values. Russia is willing to weaponise energy supplies, cyber capabilities, and disinformation; China invests strategically and uses state capitalism to skew the market; Turkey instrumentalises migration; Saudi Arabia leverages its energy resources. And the Trump administration is willing to exploit European dependence on the transatlantic security alliance and the dollar to achieve short-term policy goals. What unites these disparate powers is their unwillingness to separate the functioning of the global economy from political and security competition.

The EU has the market power, defence spending, and diplomatic heft to end this vulnerability and restore sovereignty to its member states. But, unless it acts soon, Europe may become not a player in the new world order but the chessboard on which great powers compete for power and glory.

This report seeks to lay out a picture of Europe's vulnerabilities – and a strategy for turning the EU into a player that can act on the world stage. Based on more detailed papers in this series – which look at the specific policy issues of international economic policy, sanctions, AI, defence, hybrid threats, and multilateral institutions – it demonstrates how the EU is becoming, or may soon become, less independent in all these domains. In these six areas, the papers make 56 specific policy recommendations for improving Europe's capacity to act. This paper looks at those problems more holistically and proposes a new concept of "strategic sovereignty" that can help guide the EU through the new era of geopolitical competition. It then proposes some overarching institutional changes at the European and national levels that can both create an overall sense of the need to protect European sovereignty and help implement the more specific recommendations from other papers in this series.

The new sovereignty challenge

For most of the last seven decades, the key problems facing the EU's citizens and member states have come from within the European space. By increasing interdependence and ripping down physical and regulatory borders, European leaders hoped to create both peace and prosperity. The biggest challenge of European sovereignty was in taming it to serve this larger goal.

But, although there will continue to be internal challenges, the most significant problem in the next few decades will be the opposite: many of the biggest dangers to Europeans come from outside the European space. And, as Europe becomes increasingly "provincialised", European states will increasingly want to regain sovereignty rather than tame it on the world stage.

A core part of the European narrative is that, in a world of superpowers, collective action can allow Europe to be a player in geopolitics. But, today, it is unclear whether the EU has the collective ability to protect European sovereignty, enhance the independence of its member states, and defend their interests and values. Europeans have traditionally struggled to influence the world when they lacked a collective strategy, were disunited, or were unwilling to put real resources into European foreign policy. This was what held Europe back on the Balkans, on Iraq, and on Russia.

But the experience with the Iran nuclear deal was different. Europeans had a long-term strategy that they had sold to the Chinese, the Russians, and, eventually, even the Americans. They remained united behind the nuclear deal and were willing to put resources into upholding it. The failure to protect the deal was a real wake-up call – and showed that there had been a structural shift in the world order.

Since the end of the cold war, Europeans have based their idea of a world they wanted to live in on three crucial pillars:

- A multilateral, rules-based order that insulates economic relations and global problems from geopolitical competition.
- A security alliance based on shared interests and values, with the US as the foundation of global order.
- Free and fair global trade that benefits everybody and that allows state policy to focus on consumer protection rather than the interests of producers.

These core assumptions are increasingly in question. The multilateral order is under assault from multiple sources as the world descends into geopolitical competition. Russia and China have long pushed back against the idea of pooling sovereignty and interfering in the internal affairs of countries. And the Trump administration is now actively undermining many core international arrangements, from the World Trade Organisation (WTO) and the Paris climate deal to the Intermediate-range Nuclear Forces Treaty and the UNESCO.

Meanwhile, Europe's alliance with the US is becoming more instrumental and transactional every day. The transatlantic alliance remains a key pillar of European security and prosperity – breaking it up is not just unthinkable; it is unwise. But opposition to multilateral institutions from the Trump administration, increasing transatlantic divergence on policy issues, and greater American willingness to leverage the alliance to restrict European sovereignty have led many Europeans to wonder how they can pursue their own goals when the US opposes them.

Finally, the idea that globalisation benefits everyone no longer has much currency anywhere, including within Europe itself. And many in the West have particularly acute concerns about the pressure that China's model of state capitalism puts on the global system through its closed markets, subsidised production, and forced transfer of intellectual property.

On a host of issues, from Iran policy to defence and technology standards, it appears that the EU has never been as sovereign as it thought. In retrospect, even the EU's

geo-economic power now appears to have resulted from a relative lack of geopolitical interference and competition. A time of fiercer geopolitical competition and an America more focused on its narrow interests have exposed the EU's lack of independence in new ways. It is also clear that the EU's highly fragmented internal power structures mean that it lacks the capacity to stand up to more centralised powers, such as Russia and China.

Europe's vulnerabilities and opportunities

Europeans need to rethink many of their assumptions about the world order and the best way of defending their interests, values, and the rules-based system that has been the foundation of European foreign policy in the last few decades.

Europeans are increasingly aware of their vulnerabilities in a series of different sectors. Secondary sanctions, asymmetric hybrid warfare, foreign investments in strategically important European economic sectors, exploitation of energy dependence, and political interference in the public debate are just a few of the means that undermine Europe's strategic decision-making and hamper its freedom of action.

With increasing awareness of vulnerabilities has come a debate about strategic autonomy and sovereignty. Given that these terms have some baggage, it is worth defining

them in this context. The goal should not be protectionism, aspiring to abandon the transatlantic relationship, nor ending interdependence. But it is important for Europeans to be clear about their own interests and values, how best to defend them, and the areas in which their dependence on others could lead to a loss of sovereignty.

It is just as important for Europeans to work out how they can stand up for their interests in the context of increasingly transactional relationships with their partners, including by taking countermeasures against acts of aggression. At the foundation of this effort will be a sufficient degree of unity among Europeans, which will prevent third powers from imposing their preferences on Europe.

In the last few months, a team of a dozen ECFR researchers have conducted a detailed study of some of the different dimensions of the challenge to Europe's strategic sovereignty – looking at both functional areas and cross-cutting structural problems. The first dimension is the fragmentation of decision-making. The second is a lack of capacity in different areas. And the third is the lack of a habit of bargaining in the global system. ECFR has analysed these vulnerabilities in three main baskets: economics and finance; security and defence; and politics and diplomacy. The table below summarises some of the biggest challenges – and some of the major policy responses to these challenges.

Strategic sovereignty: Key recommendations

| | Europe's vulnerabilities | Policy agenda |
|-------------------------------|--------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Economics and finance | US dollar and financial market dominance | <ul style="list-style-type: none"> – Create deep and integrated capital markets and a euro-area safe asset – Establish euro swap lines to central banks |
| | Secondary sanctions | <ul style="list-style-type: none"> – Create a compensation fund – Broaden INSTEX to all EU members, consult on parallel financial channels – Adopt asymmetric counter-measures with formal legal processes – Establish a European Sanctions Enforcement Office, investigate blocking regulation violations |
| | Lack of investment transparency | <ul style="list-style-type: none"> – Establish a process for national security screening of foreign investments – Empower European Commission to recommend prohibiting investments on security grounds |
| | Competition policy | <ul style="list-style-type: none"> – Expand state aid control beyond European companies, taking into account the strategic importance of sector and national security |
| | Artificial intelligence | <ul style="list-style-type: none"> – Develop shared, cleaned-up European data bases for research – Increase investment and beef up VentureEU – Leverage regulatory power to promote ethical AI, establish an EU seal – Train 1 percent of policymakers and the public |
| Security and defence | Russian threats in eastern Europe | <ul style="list-style-type: none"> – Establish a Fort Charlemagne in Poland |
| | Uncertain US security guarantee | <ul style="list-style-type: none"> – Create a European Level of Ambition within NATO – Establish a division of labour with the US: take over in Kosovo, step up in Africa |
| | Hybrid threats | <ul style="list-style-type: none"> – Transform ENISA into a cyber security institution – Establish standards for information platforms and cyber hygiene – Build domestic resilience to info war – Establish a European investigative service on foreign interference |
| Politics and diplomacy | A fraying multilateral order | <ul style="list-style-type: none"> – Strengthen the E3 and EU8 as diplomatic formats – Expand the WTO and IMF reform agendas – Establish a new EU-UN plan on migration, with elements of the Global Compact – Adopt QMV for human rights positions in the UN – Allow external role for ESM, EIB, and EBRD for independent action – Agree emergency rules for arbitration if WTO Appellate Body is blocked |
| | Instability on Europe's troubled periphery | <ul style="list-style-type: none"> – Establish a European Reconstruction Authority – Build robust framework for planning, funding, and running European-African mission |
| | New challenges to multilateralism | <ul style="list-style-type: none"> – Develop and harmonise national AI strategies – Invest in norm-setting panels like IPAI |

Economics and finance

The EU has long taken it for granted that the global system will provide a functional framework for international economic relations, regarding this as separate to the spheres of geopolitics and security. But, today, increased geopolitical competition, particularly that between China and the US, means that other powers no longer see these spheres as separate (if they ever did). The US is now willing to make full use of the global importance of its currency and its economy to enforce secondary sanctions against Iran, to secure immigration deals with Mexico, and to challenge the Nord Stream 2 natural gas pipeline.

Meanwhile, China is, according to the [European Commission](#), behaving as “an economic competitor in the pursuit of technological leadership, and a systemic rival promoting alternative models of governance”. The US and China have fundamentally different relationships with Europe, but they share an unwillingness to separate economics from geopolitics.

Although it perceives this new linkage across policy areas as deeply destabilising, the EU has the capacity to tackle these issues effectively. The EU should adopt an economic sovereignty agenda with four key goals: boosting Europe’s research, scientific and technology base; protecting assets critical to national security from foreign interference; enforcing a level playing field in both domestic and international competition; and strengthening European monetary and financial autonomy. Accomplishing these goals will require reforms to EU competition policy and its systems for controlling state aid, as well as a more coordinated approach to monitoring foreign investments, a conscious effort to increase the role of the euro as an international currency, and a new approach to both multilateral economic institutions and to European development banks.

A particularly important area is secondary sanctions. The Trump administration’s withdrawal from the Iran nuclear deal and imposition of secondary sanctions have harmed European countries’ interests in nuclear non-proliferation and laid bare their limited ability to implement an independent strategy on Iran.

European vulnerability to Washington’s secondary sanctions results mostly from economic interdependence with the US. Europe could respond by reducing such interdependence – but this would not be in its broader interests, either economically or politically. A more attractive option is to minimise Washington’s opportunities to use US-EU interdependence in ways that restrict European freedom of action. This would mean enforcing European sanctions more stringently; developing more effective mechanisms for minimising the impact of secondary sanctions through the creation of alternative financial channels and blocking regulations; strengthening the international role of the euro; adopting asymmetric countermeasures to provide a credible retaliatory capacity; and leading a global dialogue on the use (and abuse) of sanctions.

In the longer term, AI seems set to revolutionise technology, society, and the way militaries fight. But, given the power and influence new technology can have, it is striking that – unlike China, Russia, and the US – the EU and most European countries do not appear to consider AI to be of geopolitical importance. By contrast, other states appear to

be adopting techno-nationalist agendas, including through increased protectionist state action to support national champions, secure talent, and provide access to the large pools of data that fuel AI.

There is no easy way to make Europe stronger and more independent in AI, but four broad measures would help. Firstly, the EU should improve data collection and sharing on the European level, in a manner consistent with privacy concerns. Secondly, it should increase European research and development investment in AI, which lags China and the US, to help create the ecosystem and the supply chains that can support an effective AI industry within Europe. Thirdly, the EU should establish a regulatory process for AI, with the aim of creating an ethical and legal framework for the technology based on European values. Finally, the union should adequately train both its population and its policymakers in AI, as the technology is likely to permeate many areas of policy soon.

Security and defence

With a revanchist Russia now flexing its muscles on Europe’s eastern border, persistent instability to Europe’s south, and discontented rumblings from the US president about NATO and Europe, it is no wonder that Europeans are seeking to increase their defence capabilities and strategic autonomy. The trouble with this effort is not that it is infeasible. Europe has both the financial and technological resources to achieve the aim. The problem is the scale of Europeans’ defence deficiencies: achieving genuine defence autonomy would be the work of decades rather than years.

This will require a political narrative that both motivates Europeans and avoids antagonising Americans (the US reaction to revived talk of a “European army” and the European Defence Fund highlighted the dangers here). Any effort to achieve European strategic sovereignty must, first and foremost, avoid creating a rupture in the transatlantic security alliance. At the same time, the narrative must focus European defence efforts on fixing the key vulnerabilities that would arise from a weakening or withdrawal of the US security guarantee – while avoiding accusations that Europeans are wasting resources by duplicating US capabilities and undermining NATO.

Achieving that delicate balance will require the EU and its member states to undertake two broad initiatives to reform European defence. The first is to strengthen the European pillar of NATO, creating a European level of ambition with NATO to create the capacity to conduct one major operation and three smaller joint operations without US assistance. The second is to establish a division of labour with the US that can relieve the latter of some its operational burden in areas where American involvement is not essential or likely, such as Kosovo and Africa.

Beyond the conventional challenges, Europe also faces an amorphous set of threats below the level of war, broadly labelled “hybrid threats”, which seek to exploit existing societal divisions to sow instability or simply confusion and thereby limit Europe’s ability to mount an effective response to foreign challenges.

Dealing with hybrid threats requires a broad approach: on the political front, to make people aware of the threat

without causing an overreaction; on the digital home front, to establish standards for information platforms and build the capacity to respond to cyber threats, and to educate the public and the government in proper cyber hygiene; on the intelligence front, to establish an independent European investigative service and general prosecutor that can tackle the sensitive issue of foreign interference in domestic affairs; and, on the diplomacy front, to work with allies and international organisations such as NATO to mitigate these threats.

Confronting both traditional and hybrid threats will also require Europeans to embrace new technologies in the defence realm. In particular, the EU and its member states should embrace AI, seeking to adopt it in their military systems. This will create ethical challenges, but AI has many military applications even beyond hotly debated autonomous lethal systems.

Politics and diplomacy

A well-functioning multilateral system is widely acknowledged as a fundamental interest of EU member states. Europe currently confronts at least three strategic challengers in the multilateral domain: the US, China, and Russia.

Nonetheless, the current turmoil in the multilateral system provides a strategic opening for the EU. Many non-European states are simultaneously: unnerved by the US attack on international institutions; worried about China's emerging ambitions to rival or surpass the US in this sphere; and disgusted by Russia's behaviour in Ukraine and Syria. Against this backdrop, the EU's broad, if imperfect, commitment to international cooperation makes it an appealing alternative pole in multilateral affairs.

EU member states have already shown some interest in exploiting this opportunity through a flurry of initiatives to reinforce their presence at the UN Security Council; an effort to strengthen the E3 (comprising France, Germany, and the United Kingdom) as a diplomatic format; and a push to adopt European qualified majority voting on human rights, to establish a common position in multilateral forums. But the EU also needs to consider establishing an EU8 group of incoming and existing European members of the UN Security Council, while making a strong push to restore a common European position on migration within multilateral institutions. As a major economic power, the EU also has the weight to act as a leader in supporting existing trade and financial institutions, such as the WTO and the IMF; and to help craft rules for emerging industries such as cyber technology and AI.

This diverse array of vulnerabilities and solutions initially seems to be something of a grab bag. Individually, they each present important and complex policy challenges. But, collectively, they suggest that the EU and its member states should create either a mindset or a policy mechanism devoted to protecting their overall ability to act independently of other great powers. This report suggests that, rather than looking at these problems on their own, Europeans need to approach them more holistically, proposing a new concept of strategic sovereignty – and a governance system for dealing with it.

Developing a doctrine of strategic sovereignty

The Iran nuclear deal and other recent issues have certainly spurred European thinking on such issues. This has led to important debates about “strategic autonomy” and “European sovereignty”. Both these linked concepts are useful, pointing to EU member states' desire to defend the security of their citizens. Unfortunately, they both have a lot of undesirable semantic baggage.

“Strategic autonomy” suggests that Europeans want to act alone in the world and implies a desire to free Europe from the interdependent world it has co-created in the last few decades. A forthcoming ECFR mapping exercise on perceptions of strategic autonomy in the EU member states shows that many EU capitals conceive of this concept as being anti-American.

“European sovereignty” is also a problematic term. The notion of sovereignty is traditionally associated with a nation-state, while the goal of European sovereignty has often been interpreted as implying that sovereignty should be taken from national capitals and recreated in Brussels. Some analysts also see it as a product of earlier thinking about sovereignty, in which the EU's biggest challenge consisted of taming the destructive national sovereignty of its member states.

A better organising principle for the EU in the next few decades is the goal of building strategic sovereignty. Both parts of this term are carefully chosen.

The purpose of talking about “sovereignty” is to create circumstances in which – if Europeans have a clear and shared sense of what they want to do in the world – they are able to achieve it. The term “strategic” refers to setting rules at a global level rather than getting into the weeds of national life.

In this sense, sovereignty is not to be taken from EU member states but recovered from other great powers, such as China, Russia, and the US. Above all, it does not mean trying to end interdependence. On most issue areas, complete European autonomy is not possible or even desirable. Rather, strategic sovereignty should allow Europeans to decide their policies for themselves and bargain effectively within an interdependent system. By remaining able to make common decisions and credibly counter threats and hostile actions, the EU can both deliver for its citizens and demonstrate its worth.

This means fundamentally rethinking the purpose of European integration. In an earlier era, the main tools of EU policymaking served quite different purposes than they do today. Defence and security policy was about demilitarising Europe rather than building capabilities and a capacity for action. Competition policy was about eliminating state aid and unfair competition within the EU rather than defending European consumers and companies from the predatory behaviour of actors outside Europe's borders. Equally, European technology and research policies were about redistributing resources within the EU rather than matching the best in a global technology race.

Today, the power of European integration needs to focus on enhancing the capacity of EU member states to compete

effectively in a world of harsh geopolitical competition. This is quite difficult within the fragmented European governance system for foreign policy. In geopolitics and security, particularly relations with the US and other big powers, member states have largely guarded their capacity to exercise their own foreign policy. The result is that most geo-economic issues are accorded to Brussels, but most geopolitical issues remain national prerogatives.

Given that it can only work when external economic relations are protected from geopolitical interference, such a fragmented system is no longer fit for purpose. As the papers in this series demonstrate in a range of important issues, the EU's fragmented foreign policy governance is no longer able to effectively support European interests and values.

To address the problem, the EU needs to pursue a new concept of strategic sovereignty. As with other areas of EU competence, the intent is not to transfer power or sovereignty to Brussels. Member states will always be the source of European sovereignty and the EU will necessarily have a mixed governance system in which competences are shared and divided in a variety of ways. But strategic sovereignty is not simply a call for greater unity of action and a stronger sense of shared purpose. Rather, the intent is to create a mixed governance system for foreign policy that better integrates and leverage all forms of European influence, thereby enhancing member states' independence from outside powers. In this sense, European strategic sovereignty is crucial to, in Alan Milward's famous phrase, rescuing national sovereignty.

For this broader purpose, Europe needs an operational concept and a political process on the European level that allows it to implement some of the recommendations above.

A strategy for building strategic sovereignty

European policymakers can consider these disparate issues areas separately and, to a degree, can even individually manage them without paying attention to the overall problem of strategic sovereignty. At the same time, each of the challenges reflects a common problem in the EU's approach to foreign policy.

Because it does not consistently assign responsibility for maintaining strategic sovereignty to any one place, the EU's fragmented governance system for foreign policy consistently fails to protect European independence. The EU can potentially respond to, say, the crisis of secondary sanctions on Iran but it cannot anticipate the problem and gather a set of tools and assets – at the EU or national level – to protect itself or prepare countermeasures for the next problem. Its response is, therefore, necessarily piecemeal and often ineffective.

The EU needs to move to a governance system for foreign policy that can better protect European strategic sovereignty. The union should establish an operational concept and a political process on the European level that can allow it to implement some of these recommendations. The process will be quite complicated because it will involve a mixture of national and European action, and because it will cut across many areas of European and national governance.

In practical terms, building strategic sovereignty requires three things: a strategy process, a work plan for developing capabilities for independent action, and new mechanisms for achieving unity among Europeans.

1) A European Strategic Sovereignty Strategy

In the first instance, the EU needs a change of mindset to address threats to its strategic sovereignty. It needs to learn to think like a geopolitical power. The goal is to create a shared project for gaining strategic sovereignty, while learning lessons from the process used to create the EU's Global Strategy. This would result in a process to create an Agenda for Protecting EU Strategic Sovereignty, with a mandate for the new high representative for foreign affairs and security policy to assemble the plan, working with the College of Commissioners and contacts in member states, who would take the lead in different areas.

On one level, the process and the resulting change in mindset are more important than the content of the strategy. The resulting strategy will inevitably involve various compromises, so its exact content is impossible to prejudge. But one can set out a few clear goals by which to evaluate progress, as well as some structures that could helpfully result from a clear-eyed process. Principally, any such strategy will need to integrate geo-economic and strategic policymaking. Currently, European economic governance purposefully ignores geopolitical considerations. So, for example, EU state aid rules make it difficult to channel support to emerging strategic industries such as AI, thereby allowing other powers to gain an advantage in such areas.

Another important goal for the process is achieving EU unity. As Europe fragments into different tribes, it becomes ever easier for other powers to divide and rule it. Russia has long seen this opportunity. China has joined it in this, holding up EU statements on the South China Sea and other issues. And with Trump seeming to reach out to both eastern Europe and southern Europe as a way of bypassing the E3, even the US is a threat to EU unity.

What is the best way to deal with this? Is it to introduce qualified majority voting? Is it to make it costly for countries that break ranks on foreign policy? Is it to allow EU member states carte blanche in their domestic affairs in exchange for maintaining a united front on foreign policy? Is it to invest in dealing with all Europe's security concerns – in the south and to the east – so that member states feel they have something to lose?

Clearly, there will have to be compromises on all sides. The EU was built through deals, so the ultimate guarantee of strategic sovereignty will be the development of a concept broad enough for all member states to regard collective European action and solidarity as the first line of defence against their most pressing national concerns. That implies that the project has to reach deep into other policy areas, ranging from EU energy policy to telecommunications, from trade to cyber security, and from the Arctic to the Mediterranean.

2) A work plan for developing EU capabilities

The second step is for Europeans to agree on a work plan to build the capability for strategic sovereignty in various

areas. As discussed above, the papers in this series lay out 56 substantive ideas that represent a strong foundation for such an agenda. The EU member states should particularly consider the ideas below if they want to invest in economic, military, and political agency.

In the economic realm, the EU needs to create a Financial Sanctions Enforcement Office and to ensure that all member states are represented on the board of the Instrument in Support of Trade Exchanges. The EU should also adopt asymmetric countermeasures by setting out a formal legal process for enforcing the EU Blocking Regulation through investigations into companies that withdraw from a country in response to non-European sanctions. The EU could mobilise its competition policy instruments to expand state aid control beyond European companies, and bolster the euro's international role by fostering deep and integrated capital and banking markets, creating a euro area safe asset, and extending currency swap lines to partner central banks. The EU could improve its AI capacity by leveraging its significant regulatory power through shared, anonymised European databases for research, as well as an EU seal for ethical AI.

In defence and security, Europe needs to increase its readiness and force posture in eastern Europe to underscore its commitment to the region's security. A Fort Charlemagne in Poland would do just that. Such a facility would complement NATO efforts while also building up Europe's own defence capacity – especially if combined with a European level of ambition in NATO. The EU could also take over missions in Kosovo and Africa to improve burden-sharing within the transatlantic alliance. As it also needs an effective cyber security institution with centralised functions, Europe could transform the EU Agency for Network and Information Security to that end. An investigative service focusing on foreign interference would also be valuable.

In the political-diplomatic field, Europe should expand the WTO and IMF reform agendas. But it also needs to prepare to deal with blockages in international institutions. Europeans should agree on emergency rules with other multilateralists to engage in trade arbitration if the WTO's Appellate Body ceases to function. They should also prepare their own institutions to engage outside the EU if necessary: the European Stability Mechanism could bail out a country that non-European powers would allow to default on its debts, damaging European interests; and the European Investment Bank or the European Bank for Reconstruction and Development could prepare to sustain Europe's capacity to act in the development field. A European Reconstruction Authority could independently address instability on Europe's troubled periphery.

3) Mechanisms for breaking down policy silos in Brussels and building unity among member states

The overarching goal of this effort is to create new decision-making forums and organisations designed to protect strategic sovereignty at both the European and national levels. This is not merely about communication; it is about creating institutions and empowering individuals that see EU strategic sovereignty as part of their identity and in their bureaucratic interest.

One can imagine several such new forums or organisations that, in addition to their specific roles, could gradually help integrate Europe's fragmented foreign policy governance system. They are:

- **A Strategic Sovereignty Committee within the European Commission.** The Commission already includes a “priority area” focused on strengthening the EU as a global actor. This priority area brings together several relevant European commissioners (specialising in foreign and security policy, neighbourhood and enlargement, trade, international cooperation and development, civil protection and humanitarian aid) under the chairmanship of the high representative for foreign affairs and security policy. This effort would reconstitute the area in three ways. Firstly, it would introduce an economic security element to the process by including commissioners whose portfolios European leaders generally think of as separate to sovereignty, including competition policy; economic and financial affairs; and research, science, and technology innovation. Secondly, it would establish a standing staff for the committee that would handle cross-cutting issues and monitor compliance among directorates-general. Finally, the staff would seek to create an organic link with their counterparts in similar bodies in key member states, facilitating the coordination of economic sovereignty efforts across all levels of governance.
- **An EU Task Force on Strategic Industries and Technologies.** This would comprise officials from across relevant directorates and would include industry representatives and experts. The task force would seek to identify the strategically important industries of the future, while proposing limits on foreign investment and exceptions to state aid policies and competition policy as appropriate, for approval by the European Council.
- **A Financial Sanctions Enforcement Office within the European Commission.** This would be staffed by representatives seconded from the European External Action Service, the directorate-general of economic and financial affairs, and relevant member state representatives, who would closely coordinate with banks and other financial institutions to ensure that European sanctions regulations were strictly enforced. The body would also impose penalties on entities that violated sanctions and help protect European companies against secondary sanctions imposed by other states.
- **A determined EU effort, led by the high representative for foreign affairs and security policy, to move towards greater self-sufficiency in defence through the promotion and development of NATO's European pillar.** While Europe's industrial and technological capacities should be expanded through the Common Security and Defence Policy (CSDP), NATO may be – for now – the better bet for capability development. This implies a “division of

operational labour” between NATO and Europeans working without the US, whether through the CSDP or through arrangements such as the European Intervention Initiative. Both approaches should be pursued as a conscious strategic bargain between those Europeans who focus on Russia and those who look more to the south.

- **A renewed push by the European Commission for member states to agree on their positions in key multilateral debates, particularly those on human rights issues, through qualified majority voting.** To this end, the next high representative for foreign affairs and security policy should appoint informal “multilateral ambassadors” within EU missions to various multilateral institutions, aiming to begin intra-EU dialogues on key issues such as migration. The purpose of these dialogues would be to avoid splits between EU members within multilateral institutions.
- **An EU-level monitoring and best practice body for societal resilience.** National resilience will, of course, largely remain the responsibility of member states. But member states currently take a wide variety of approaches to this area and vary

greatly in their ability to resist outside interference in their domestic affairs. An EU body could, therefore, document societal vulnerabilities to external interference across the EU and recommend standards and best practice responses to this.

These steps are all both politically difficult to implement and insufficient to the task by themselves. Together, they would have a significant impact on the issues in question. They would seek to institutionalise, within the EU and member states apparatuses, the idea that protecting strategic sovereignty is the job of European governments. They would also begin to create a core of officials and technocrats with the skills and incentives to deal with each issue. Given the complexity of these areas, an effective response will require cooperation and an initiative to share competences between Brussels and member states, as well as “mini-lateral” responses that involve subsets of member states.

The goal of the effort is to create a Europe that can prosper and that maintains its independence in a world of geopolitical competition. This requires Europeans to recognise that, even as they continue to support a rules-based multilateral order and the transatlantic alliance, they need to respond to the interlinked security and economic challenges that other powerful states present. The strategic sovereignty of Europe depends upon it.

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