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Opinion of the European Economic and Social Committee on Joint Communication to the European Parliament, the European Council and the Council on 'European Economic Security Strategy'

(JOIN(2023) 20 final)

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1. Conclusions and recommendations

1.1. The European Economic and Social Committee (EESC) appreciates the approach of the Communication to address economic security measures from several points of view. While endorsing the approach based on the assessment of threats, risks and vulnerabilities, the EESC also calls for analysing and making use of the opportunities provided by the global challenges, based on the comprehensive assessment of the EU's strengths.

1.2. The EESC finds the priority of promoting the EU's competitiveness crucial. It stresses that investment in innovation, skills development and industrial capacities, together with ensuring a well-functioning internal market are indispensable means of both strengthening productivity and competitiveness and decreasing critical dependencies, while at the same time preserving the EU's social market economy.

1.3. The EESC highlights that energy and raw material security is crucial for all industries and thus key to the EU's overall economic security. Secure digital systems and strong digital capacity also play an increasingly important role, given that digitalisation affects the whole economy and society.

1.4. To ensure stable access to finance and avoid excessive foreign dependencies, it is important to complete the Capital Markets Union and the Banking Union as a matter of urgency. The EESC emphasises that in this area the EU is still lagging behind its main rivals and needs to remove existing obstacles and refrain from any new measures jeopardising access to private finance. The EU also needs to ensure adequate public funding, giving priority to investment in infrastructure, research and innovation, and education and training.

1.5. To improve the possibilities for diversifying supply chains and expanding product markets, the EESC calls for making full use of trade and investment agreements and rapidly concluding ongoing trade negotiations, as well as starting new negotiations with new potential partners. The EESC sees the new approach to trade and sustainable development (TSD)

as an essential part of it ⁽¹⁾, including its application to critical raw material partnerships. Boosting rules-based multilateral trade systems and global agreements, bilateral and plurilateral thematic partnerships, as well as partnerships with developing countries should also be priorities for the EU. The EESC believes that through international cooperation, the EU can not only reduce confrontation and its own critical dependencies, but also increase mutual benefits and the commitment of other economies to partnerships with the EU.

1.6. While proactive partnering should be seen as the primary way to strengthen the EU's economic security in international relations, there is a need for decisive countering and protecting measures in case third countries pose a risk to the economic security of the EU through measures related to trade, investment or technology cooperation.

1.7. The EESC calls on EU policymakers to enhance — through domestic policies and active diplomacy — conditions that enable, encourage and support EU businesses, including the micro, small and medium-sized enterprises (MSMEs), to manage the geoeconomic risks in their operations, and to ensure that policy measures do not incur disproportionate costs or hindrances for them. The EESC thus finds it vital to involve EU businesses closely in the identification and assessment of economic security risks, opportunities and measures.

1.8. The EESC also calls for the involvement of other relevant civil society actors in the further elaboration and implementation of the economic security strategy. Moreover, the EESC highlights the need for strengthening synergies between Member States and creating benefits throughout the EU, thus contributing to the unity, global strength and overall economic security of the EU.

2. General comments

2.1. The EESC welcomes the Communication on 'European Economic Security Strategy ⁽²⁾', launched by the European Commission and the High Representative, as a topical initiative to respond to the new and constantly changing geopolitical and geoeconomic conditions. This opinion addresses the overall approach and content of the proposed strategy while a supplementary opinion ⁽³⁾ focuses on the role of strategic technologies and sectors.

2.2. Priorities and principles

2.2.1. The EESC appreciates the approach of the Communication to address economic security from several points of view and endorses the priorities outlined in the strategy: promoting the EU's competitiveness, protecting the EU from economic security risks, and partnering with reliable countries who share the EU's concerns and have common interests. These priorities are strongly interlinked. For example, strengthened competitiveness contributes to reducing dependencies and the need for protection and makes the EU a more attractive partner in trade and economic cooperation. Beneficial cooperation in turn contributes to increased competitiveness and helps reduce harmful dependencies.

2.2.2. The interlinkage of the priorities requires a cross-policy approach to the EU's external relations and internal policies. A strong Common Foreign and Security Policy, and forward-looking trade, investment, technology and industrial policies play a central role overall. However, the impacts of various policy measures appear at different timespans, which needs to be considered in planning the implementation steps.

2.2.3. The EESC also draws attention to the interlinkages between economic, social and geopolitical security. While economic security is a necessary enabler of the EU's social model, fundamental rights and the rule of law are the foundation of the EU's economic security. At the global level, the EU should strive to be a strong actor — both through a strong economic position — and through diplomatic and defence capabilities, thereby contributing to the resolution of geopolitical conflicts and the advancement of peace, democracy, human rights and the sustainable development goals (SDGs), in multilateral cooperation within the UN system. In this context, the reform of the United Nations is crucial.

⁽¹⁾ Opinion of the European Economic and Social Committee on 'The power of trade partnerships: together for green and just economic growth' (OJ C 140, 21.4.2023, p. 69).

⁽²⁾ JOIN(2023) 20 final, Brussels, 20.6.2023.

⁽³⁾ <https://www.eesc.europa.eu/en/our-work/opinions-information-reports/opinions/strategic-technologies-driver-european-sovereignty-and-resilience-supplementary-opinion-rex579-european-economic>

2.2.4. The EESC agrees on the principles of proportionality and precision to be applied to any measures that ensure economic security. Moreover, the EESC suggests the principles of proactivity, practicality and participation to be followed in the implementation.

2.2.5. The principle of proactivity calls on the EU to take measures and guide developments based on its own strengths and opportunities, rather than to be defensive and respond only to the measures of other global players. Practicality requires the EU to ensure that the measures taken are feasible in practice and correspond to the realities of businesses and other actors. The participation principle refers to the need for cooperation and involvement of all relevant stakeholders in the elaboration and implementation of the strategy.

2.3. *Assessing risks and opportunities, strengths and weaknesses*

2.3.1. The EESC agrees on the types of risks mentioned in the strategy, i.e. risks related to the resilience of supply chains, physical and cyber security of critical infrastructure, technology security and leakage, as well as weaponisation of economic dependencies or economic coercion. This calls for assessing and paying due attention to the central factors of economic dependence: the share of imports in the use of critical or strategic raw materials, products and technologies; the concentration of imports and exports in terms of countries and the reliability of these countries; the capacity to replace critical imports with own production or new innovations; and the possibility to diversify supply chains and product markets⁽⁴⁾.

2.3.2. Moreover, the EESC draws attention to the economic risks related to the weaponisation of natural resources and the environment. This applies, for example, to the increasing tensions caused by water scarcity, and the manifold impacts of climate change which may affect the EU's economic security, at least indirectly. Environment related risks and conflicts, together with other conflicts and wars, call for proper preparedness by the EU in the context of its economic security strategy.

2.3.3. The EESC points out that besides external risks and threats, there are risks related to the EU's internal developments. As the Single Market is the foundation for external cooperation, distortions in the internal market are a fatal risk for the EU's global role too. Furthermore, domestic policies that weaken investment conditions entail risks for the EU's economic security. This highlights the need for the introduction of a proper competitiveness check in EU policymaking.

2.3.4. The EESC endorses the proposal on the regular assessment of risks and their development. Given that many of the risks are faced and managed by the private sector, the EESC finds it vital to involve EU businesses closely in the risk identification and assessment. The views and input of other relevant stakeholders, including social partners, research and education community, consumers, and other civil society actors, should also be duly considered.

2.3.5. In addition to recognising and assessing the wide variety of risks, the opportunities generated by the geoeconomic, technological and environmental developments for the EU should also be analysed. The opportunities are mainly related to providing solutions to global challenges regarding clean water and sanitation, food and energy, digitalisation and transport, healthcare and education, as well as climate change and environmental degradation. Management of climate and conflict induced migration is also an area where creating transboundary solutions and strengthening the EU's economic security require a proactive strategy and tools.

2.3.6. The EU's ability to manage its economic security is dependent on its strengths and weaknesses, which should be constantly mirrored against current and anticipated risks and opportunities. To strengthen its economic security, the EU must therefore focus on both the further development of its strengths and the elimination of its weaknesses.

⁽⁴⁾ Together with the US, China plays a key role in the world's geopolitical and geoeconomic setting and has a crucial position in global trade, supply chains and investment partnerships. The EU is also heavily dependent on China, notably in terms of certain critical raw materials and technologies crucial in the green and digital transition.

2.3.7. Regarding the opportunities, the EU needs to find specific aspects that would bring a competitive advantage for European actors. The EESC therefore calls on the EC to work closely with EU businesses and other relevant actors to identify measures that help seize these opportunities, thereby responding to the global needs and strengthening the EU's economic security simultaneously.

2.4. *Promoting competitiveness and capacities*

2.4.1. EU competitiveness has weakened for many reasons, including the shortfall of public and private investment, insufficient strengthening of productivity factors such as research and development and innovation (R & D&I) and training, as well as recent multiple crises and related cost increases. The EESC therefore finds the priority of promoting the EU's competitiveness extremely important. The EESC endorses the strategy's approach to bolster its Single Market, as well as its innovation, technological and industrial capacities, while preserving the EU's social market economy. Boosting domestic production, together with the diversification of supply chains, and ensuring a well-functioning internal market are also indispensable means of decreasing critical dependencies.

2.4.2. The EESC calls on the European Commission and the Member States to enhance fair competition and a level playing field in the internal market and to efficiently enforce the existing rules. It must be ensured that all market participants, including foreign ones, follow EU rules and standards in the EU's single market.

2.4.3. Secure and affordable access to energy and raw materials is crucial for all industries and clearly reflects the importance of adequate domestic supply, a well-functioning internal market and reliable foreign supply chains. Secure digital systems and strong digital capacity are also ever more important for the EU's economic security, given that digitalisation affects the whole economy and society and data is intrinsically linked to the single market of goods, services, capital and people. The EU's capacity and influence in the development and use of AI and other advanced digital technologies should be particularly ensured.

2.4.4. The completion of the Financial Union, i.e. the Capital Markets Union and the Banking Union is also essential. A well-functioning and stable EU capital market and an independent EU banking sector are necessary to ensure stable access to finance, while avoiding excessive foreign dependencies. The EESC urges national authorities and competent institutions within the EU to increase their efforts to complete both the Capital Markets Union and the Banking Union. Furthermore, the EU must remove existing obstacles and refrain from any new measures that could jeopardise access to finance, in particular for small and medium-sized enterprises (SMEs).

2.4.5. In addition to well-functioning capital markets, there is also need for adequate and efficiently allocated public funding, to be able to achieve the desired economic security objectives. The EESC emphasises the need for prioritising adequate investment in secure infrastructure — especially in the critical infrastructure — as well as in research and innovation, and in education and training. In this context, the EESC regrets that the EC did not propose a European Sovereignty Fund in its latest revision of the multiannual financial framework (MFF) ⁽³⁾.

2.4.6. The EESC also highlights that economic security should cover all segments of the economy, including macroeconomic sustainability, macrofinancial stability, and the sustainability, inclusiveness and resilience of the real economy. Encouraging conditions for economically, socially and environmentally sustainable investment are key to enhancing these objectives.

2.4.7. Instead of entering a subsidy race to promote its industries, the EU must strive for and rely on excellence in innovation, entrepreneurship, skills and competences. Increase in innovation capacity requires investment in R&D&I infrastructure, high-level talent, and diverse innovation ecosystems. Education and training must respond to the current and future skills needs and cover the whole range of labour skills, from high to basic skills, including thorough retraining and

⁽³⁾ EESC opinion on 'Additional considerations on the Annual Sustainable Growth Survey 2023' (OJ C, C/2024/871, 6.2.2024, ELI: <http://data.europa.eu/eli/C/2024/871/oj>).

high-quality apprenticeships. Tapping and developing the talent of young people requires providing them with an encouraging outlook on the future, through enhancing both opportunities and capabilities to shape one's own future.

2.4.8. In addition to skills development, promoting favourable conditions for job creation and facilitating the movement of workers in the labour market are necessary measures to enhance employment in the circumstances of several parallel transitions.

2.4.9. Given that the demographic change is generating labour shortages across all sectors and in various jobs and tasks, the EU must also encourage and facilitate the cross-border mobility of skilled people, both within the EU and particularly in cooperation with countries outside the EU. Specific efforts must be focused on attracting and retaining talent needed in strategic technologies and activities⁽⁶⁾. The EESC highlights the importance of a comprehensive approach to boosting industrial capacities. Instead of 'picking the winners', which involves the risk of politically misguided investment and reduced risk-taking by businesses, the EU should provide favourable conditions for the continuous progress and development of new solutions on a wide basis. For example, enhancing green transition by only promoting individual sectors or technologies labelled as 'green' or 'clean' is not optimal, because all kinds of businesses participate in the green transition, with many 'traditional' companies providing necessary raw materials and components or an innovation platform for new products and solutions.

2.4.10. Similarly, when defining and promoting 'strategic' or 'critical' technologies, all relevant technologies and sectors must be considered. As highlighted in the supplementary opinion, the EESC calls for defining 'strategic' and 'critical' technologies and sectors in a consistent, justified and transparent manner, so as to provide the necessary legal and operational certainty. In light of various aspects related to the nature and use of technologies, the EESC points out the role of those technologies serving the critical functions in society. These cover, for example, energy, digital and transport technologies, water and health technologies, as well as security related technologies.

2.4.11. Instead of deciding on production structures, product assortments or supply chains of businesses, the vital role of policymakers is to establish enabling frameworks and encourage and support businesses to manage the new geoeconomic risks, including the global fragmentation, in their operations, while taking care of the economic, social and environmental sustainability of the business. This includes, for example, facilitating access to critical raw materials or helping overcome bottlenecks. Strong foreign and security policy, in coordination with other policies such as trade, industrial and energy policies, is essential to this common endeavour.

2.4.12. Considering that economic security risks affect a wide variety of business operations, such as supply chain management, import, export, investment, and technology cooperation, the EESC finds it important to ensure that the policy measures addressing the risks do not cause disproportionate costs or hindrances for EU businesses. In line with the principle of practicality, the EESC calls on the Commission and Member States to help increase awareness, knowledge and capacities for coping with the economic security risks, especially by MSMEs who simultaneously struggle with the green and digital transitions.

2.4.13. The EESC also highlights the need for the EU to make use of and strengthen the synergies between Member States and to strive for creating benefits throughout the EU, thus contributing to the unity, global strength and overall economic security of the EU.

2.5. *From harmful to beneficial cooperation*

2.5.1. The EESC fully agrees on the urgent need for the EU to reduce economic dependencies that pose risks to the economic security and resilience of the EU and its Member States. At the same time, the EESC agrees on the statement that the EU cannot achieve economic security on its own and endorses cooperation with the broadest possible range of partners,

⁽⁶⁾ Opinion of the European Economic and Social Committee on Proposal for a directive of the European Parliament and of the Council concerning the status of third-country nationals who are long-term residents (COM(2022) 650 — final) — Proposal for a directive of the European Parliament and of the Council on a single application procedure for a single permit for third-country nationals to reside and work in the territory of a Member State and on a common set of rights for third-country workers legally residing in a Member State (COM(2022) 655 — final) — Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions — Attracting skills and talent to the EU (COM(2022) 657 — final) (OJ C 75, 28.2.2023, p. 136).

provided it is economically, socially and environmentally sustainable and reasonable. The EESC supports 'derisking' as the general approach to the EU's economic security, while 'de-coupling' should be applied to extremely serious situations, as is the case with the Russian aggression.

2.5.2. The EESC believes that besides reducing its own critical dependencies, the EU should aim further and strive for creating ties and partnerships that rely on the EU's strengths, provide mutual benefits and increase commitment to cooperation. This calls for building a strong economic position for the EU in the global arena. On top of protection against unfair import, the EU should decisively enhance the export opportunities and the internationalisation of EU businesses. This would also serve other EU interests such as the enhancement of environmental and social objectives.

2.5.3. Increasing and diversifying partners improve possibilities to diversify supply chains and help to access to both critical and ordinary production resources. It also contributes to expanding the export markets, thus reducing dependencies on limited customers. To this end, it is important to make full use of relevant existing trade and investment agreements and to rapidly conclude ongoing trade negotiations, as well as to start new negotiations with potential new partners. To ensure a holistic approach, as well as the necessary public legitimacy, it is important that the critical raw material partnerships are subjected to the same level of sustainability requirements as trade agreements. This means a robust sustainable development chapter, focused monitoring and implementation, civil society monitoring and sanctions as a last resort ⁽⁷⁾.

2.5.4. The EESC finds it useful for the EU to enhance thematic partnerships in fields such as digitalisation, raw materials and energy. The EESC also highlights the increasing importance of blue diplomacy and cooperation in the water sector, including the sustainable management of water resources and the enhancement of blue technologies.

2.5.5. Research and innovation are an essential field of thematic cooperation. While technology partnerships require the EU to protect itself against abuses, they increase the possibilities for the EU to be involved in the development of strategic and critical technologies. Joint and high-level research projects, in cooperation with industries, also contribute to the development, attraction and retention of high-level talent.

2.5.6. An active role in the development and enforcement of international rules and standards provides the EU with an opportunity for being a global standard-setter. While promoting the EU's economic interests, cooperation with like-minded countries also makes it possible to promote sustainable and trustworthy technologies and products worldwide.

2.5.7. The EESC believes, in line with the strategy, that it is in the EU's interest to strengthen multilateral — and when appropriate, plurilateral — cooperation through international fora and organisations. More attention and efforts need to be focused on cooperation within the WTO and to the reform of the organisation. This would counterbalance the ongoing trend towards fragmentation of the global economy and markets. Supporting international cooperation is crucial, considering the impact of fragmentation and confrontation on the European economy, mainly on trade, technology and investment, including the payment system and the stability of the euro. Multilateral cooperation is also indispensable, for example, in addressing common environmental and health problems.

2.5.8. The EESC agrees that partnerships with developing countries contribute to the economic security of the EU, by improving access to resources and providing new markets. On top of market-based economic cooperation, the EU should facilitate an increased participation of EU enterprises and other civil society actors, including NGOs and social economy enterprises, in development cooperation projects. Capacity building, including education and skills development, should be an essential part of these partnerships

2.5.9. Cooperation in the context of the Global Gateway is an example of financial and technical partnerships aimed at creating mutual benefits for the partners. Moreover, this kind of partnerships bring multiple benefits in terms of sustainable development, by responding to economic, social and environmental needs and objectives simultaneously. To provide more added value, this cooperation should be complemented with ecosystem partnerships that make use of infrastructure.

⁽⁷⁾ Opinion of the European Economic and Social Committee on 'The power of trade partnerships: together for green and just economic growth' (OJ C 140, 21.4.2023, p. 69).

2.6. *Protecting against threats and risks*

2.6.1. While proactive partnering should be seen as the primary way to strengthen the EU's economic security in international relations, there is a need for decisive countermeasures in cases where third countries threaten the economic security of the EU through unfair or illegal trading conditions and practices, abuses related to inbound or outbound investments, or risks linked with technology cooperation. The EESC supports the proposal to assess and make use of the wide variety of existing and possible new instruments to prevent and tackle trade and investment related risks and distortions.

2.6.2. At the same time, it is important to avoid stimulating increased protectionism and by and large keep partnering as the first choice. The EESC also points out the importance of coordination and unity between EU Member States as well as cooperation with partner countries when using these instruments. Moreover, proper cost-benefit analyses are necessary when planning and deciding on their use.

2.6.3. The EESC supports the development and implementation of effective measures to tackle the risks related to dual-use technologies. Moreover, the EESC finds it crucial to protect intellectual property rights and prevent technology espionage and leakage, as stressed by the strategy.

2.6.4. With the growing data economy, ever more attention and investment must also be focused on cyber security and the security of digital infrastructure. The EESC also emphasises the need to protect the security of other types of critical infrastructure, including energy, transport, water and health infrastructures. Both physical and cyber security must be strengthened, taking into account the wide variety of potential attacks and incidents.

2.6.5. To improve the EU's preparedness for crises and emergency situations, various kinds of risks should be considered in an integrated manner and a comprehensive approach should be taken to risk management. Cooperation in foresight activities and contingency planning should also be intensified, making full use of public-private cooperation which combines the framework provided by public governance and the practical experience and action by businesses, workers and citizens at large.

3. **Specific comments**

3.1. Based on the above general comments and argumentation, and considering that strengthening competitiveness and enhancing beneficial partnering are key to improving the EU's economic security, the EESC suggests that the European Commission consider adding the following aspects and measures to the list of the next steps.

3.2. Constantly monitor the economic security related strategies and measures by third countries.

3.3. Assess the strengths of the EU in relation to the geopolitical and geoeconomic developments and measures by other global players.

3.4. Identify, together with businesses and other relevant stakeholders, policy measures needed to seize and realise the trade and partnership opportunities provided by global developments.

3.5. Define 'strategic' and 'critical' technologies and sectors in a consistent and transparent manner so as to provide the necessary legal and operational certainty.

3.6. Apply a proper competitiveness check on both the economic and social impact of EU policy initiatives, thereby contributing to the EU's economic security.

3.7. Strengthen the EC's economic intelligence and foresight capabilities.

3.8. Facilitate cooperation on research, innovation and skills development with like-minded partners in increasingly critical themes such as water resources management and 'blue' technologies.

3.9. Improve preparedness for migration flows, induced by climate and environment related phenomena, on top of conflict and war circumstances.

- 3.10. Enhance public-private cooperation to improve preparedness for economic security-related emergency situations.
- 3.11. Involve the whole range of relevant civil society actors in the further elaboration and implementation of the economic security strategy.

Brussels, 14 February 2024.

The President
of the European Economic and Social Committee
Oliver RÖPKE
