

Positioning the ETUC for an EU open strategic autonomy with a strong social agenda

Adopted at the Executive Committee meeting of 22 and 23 June 2022

Summary of key messages

- **ETUC calls for an ambitious agenda on a European open strategic autonomy**, as a key strategic policy framework to mitigate the increased EU vulnerability due to disruptive crisis situations that the EU faces, while delivering to reach the just, green and digital transition and strengthening industry in Europe.
- **ETUC requests a strong focus on the social and democratic dimensions of the EU open strategic autonomy** and how it interacts with EU labour and social policies, as well as with the EU green deal.
- **ETUC therefore asks that the EU open strategic autonomy is articulated around several social priorities.** It should:
 1. aim at **creating sustainable quality jobs in the EU**
 2. include a **strong focus on education, training, reskilling, and upskilling of the EU workforce**
 3. should **enhance democracy at work with a strong role for social partners**
 4. trigger the creation of **sustainable supply chains and** rely on **strong regulations against social dumping** as well as **concrete action for more sustainable ruled based trade practices**
 5. should **foresee a strong role for public services and ensure quality public infrastructures**
 6. should **rely on sufficient investments to secure revenues and to adopt ambitious public budgets.**
- EU open strategic autonomy should be one of the promising avenues to re-establish a fair level playing field for a resilient economy, in full respect of EU democratic, social, and environmental values. The objective should ensure the Union's ability to create stability, cohesion and security on the basis of an inclusive and sustainable governance including trade unions.

EU strategic autonomy has emerged again in the EU narrative as a key strategy to cope with the high EU dependence on a series of goods and services, commodities and technologies that dramatically expose the European Union to supply disruptions and price volatility. Initially applied to security and defence, EU strategic autonomy has been extended to other policy fields to reduce EU vulnerability in a wide range of domains such as energy and industry in order to achieve the EU green transitions. In the digital sphere, the increase of monopolies of foreign companies in quantum computing, cloud and edge technology as well as in artificial intelligence and communication networks has led to disruption affecting not only the EU (cyber)security but also impacting adversely fundamental rights such as data privacy and non-discrimination (at work) including through undue surveillance.

Recent geopolitical developments and disruptive crisis situations have exacerbated this EU vulnerability. The 2020 COVID-19 pandemic has shown the dramatic dependency not only towards critical raw materials and semiconductors. It has shed new light on dependency on intermediary products and goods in strategic sectors such as pharmaceutical reagents and medical equipment.

The 2022 Russian invasion of Ukraine, in breach of international law, has not only worsened the energy price crisis, it has underlined the need for the EU to rethink its security and defence policies, along with food security and affordability, chemical components and access to critical raw material. The Russian invasion of Ukraine may well trigger a change in paradigm towards a more radical transformation of the economic interdependence and production processes, in particular towards autocratic regimes.

The collective choice of multilateralism, putting trade at the forefront of EU international policy has been a means to pacify international relationships through economic exchanges and has had a positive impact on sectors where the EU manages to keep its competitive advantage. At the same time, the laissez-faire approach of the EU and its Member States in trade policies and the downside of lack of regulation of globalisation have led to a loss of strategic industrial capacity in Europe and pressured public services. The externalisation of costs, used as business strategy by many companies has furthermore fuelled social dumping and in many cases undermined labour rights. The dependence on a limited number of suppliers for a wide range of products and commodities makes the EU vulnerable to possible disruptions or price volatilities that can be used also as political weapons to blackmail and exercise power. This is particularly true in a context of growing geopolitical instability and aggressive military behaviours.

These developments have led the EU to embrace a more holistic approach for the EU strategic autonomy: the EU open strategic autonomy, initially put forward as EU sovereignty by the European Commission and relayed by the 2022 French Council presidency, strikes the balance between on the one hand, the need for the European Union to address its vulnerabilities by reinforcing its strategic autonomy in particular in essential goods and services, and on the other, the willingness to maintain an open economy that attracts investors and supports sustainable rules- based trade, in the framework of multilateralism, thus taking a clear stand against protectionism.

The EU open strategic autonomy should be developed as a key feature of the European project, the uniqueness, and strengths of which builds on the (still unbalanced) combination of economic and social integration, to guarantee a 'highly competitive social market economy, aiming at full employment and social progress, and a high level of protection and improvement of the quality of the environment' as laid down in Article 3(3) of the Treaty on European Union. The European Union is bound by the European Charter of Fundamental Rights and should develop the EU open strategic autonomy with a strong social and democratic focus including the environmental dimension. The EU open strategic autonomy should factor the role of trade unions in anticipating economic and

industrial changes; it should also aim at regulating sustainable corporate due diligence, sustainable trade practices and provide for quality investment.

Therefore, the ETUC calls for an ambitious agenda on a European open strategic autonomy. Not only will such a strategic policy framework be key to achieving the green and digital transitions targets while delivering for all, but it should represent a sustainable, inclusive and regulated alternative to the increased EU vulnerability due to disruptive crisis situations that the EU faces.

What is (open) EU strategic autonomy and how has it been implemented so far

EU open strategic autonomy can be achieved by combining different approaches: (re)industrialisation and reshoring of strategic activities, better control of key supplies, diversification of supply sources, stockpiling, circular economy, energy and resource efficiency, increased independence when it comes to the development and mastering of strategic technologies as well as reinforced know-how and innovation capacity. The European Union, in the framework of its 2020 new industrial strategy, proposed a series of initiatives to increase its resilience, reduce its strategic dependencies while at the same time accelerating the digital and green transitions.

To that end, several areas of strategic importance have been identified such as raw materials, batteries, hydrogen, semiconductors, renewables, energy storage, cloud/edge technologies cybersecurity, broadband infrastructures, plastics, as well as space launchers and zero emission aviation. More recently, following the COVID-19 pandemic and the Russian invasion of Ukraine, the need for a more strategic EU approach in the fields of health, medical supplies, security and defence, agri-food have also appeared high on the agenda.

In recent years, concrete actions have been undertaken by the EU Executive to advance on some of those domains. To name but a few, until 2014, Important Projects of Common European Interest (IPCEIs) were limited to infrastructure projects. Since 2018, they have been extended to batteries and microelectronics. New IPCEIs should be created for hydrogen, cloud, and smart health. These projects, combined with a revision of competition law and state aid guidelines, aim at encouraging the development of European value chains while ensuring a fair competition. In parallel to IPCEIs, industrial alliances have been created to develop large scale and cross border industrial projects in strategic domains. The ETUC calls for IPCEIs and industry alliances to better contribute to the EU economic and social cohesion policy objectives. They should be conditional on effective social dialogue and the respect of workers' rights, notably when it comes to information and consultation.

The creation of a Carbon Border Adjustment Mechanism aims at adopting stricter greenhouse gas emission reduction targets while protecting EU industries from an uneven level playing field that could lead to carbon leakage.

The set-up of an EU Industrial Forum in which ETUC and its affiliates are taking an active part, and the related process of co-creation of transition pathways for 14 industrial ecosystems has helped "to identify the actions needed to achieve the twin transitions, giving a better understanding of the scale, benefits and conditions required".

The revision of international public procurement rules, a new strategy for standardisation, the strengthening of foreign direct investment screenings and the regulation to address potential distortive effects of foreign subsidies are key initiatives to restore a level playing field with state subsidised international competitors and fair access to external markets for EU companies.

The European Green Deal and REPower EU aim at reducing EU's dependency towards fossil fuels while accelerating the green transition, diversifying its energy sources, increasing the share of decarbonised energy production in the EU energy mix as well as increasing energy savings, energy efficiency and circular economy. If properly designed and implemented, those policies can, in the medium to long term, help the EU reduce its dependency on fossil fuels imported from Russia while reducing GHG emissions, in line with the EU Climate Law objectives. The EU should however think strategically to avoid replacing its dependency on Russian fossil fuels by other dependencies towards autocratic regimes. ETUC draws attention to the fact that the accelerated pace of the process might also expose European energy intensive industry to higher production costs, that will also impact downstream industries. These consequences should be assessed and compensated to avoid job losses in the exposed sectors. Likewise, the impact of the EU open strategic autonomy on inflation and purchasing power must be assessed, in order to provide for strong compensation to preserve workers' income. However, changes in prices should trigger transformation of the economy toward new renewable energy sources. Similarly measures to mitigate speculation in the energy markets should be taken to protect purchasing power and fight against energy precariousness of workers in Europe.

In response to the supply shocks due to the COVID-19 crisis and Russia's invasion of Ukraine, a Single Market Emergency Instrument currently in the pipeline should address fragmentation, barriers and weaknesses of the Single Market in times of crisis in order to ensure the free movement of persons, goods and services, as well as greater transparency and coordination. ETUC stresses that any emergency measure must comply with and guarantee the effective enforcement and full respect of labour laws and fundamental rights, including social, workers' and trade union rights. Strong social protection, the importance of public services and the role of social partners should be respected. Mobile and cross-border workers should be protected and general principles of public procurement must be assured at all times.

The need to strengthen EU open strategic autonomy in particular after the Russian invasion of Ukraine

The Russian invasion of Ukraine that began on 24 February 2022 has considerably changed the political context in which EU open strategic autonomy was discussed.

Energy availability and affordability is the key condition to increase the EU open strategic autonomy. The EU is importing 60% of its energy needs and that proportion reaches more than 90% for gas and oil. Russia being by far the largest source of the gas, oil and solid fuels import in the EU, there is an urgent need to reduce that dependence. First, by using the Green Deal legislative proposals to dramatically increase energy efficiency and decarbonised electricity production in Europe. Second, by using the EU trade policy to work, together with reliable and democratic trade partners, in a pragmatic and realistic approach towards EU security of energy supply and transport while respecting the Paris agreement on climate change and the UN Sustainable Development Goals. In parallel, it is essential that the EU uses all available means, including a revision of the price setting mechanisms in the electricity market to mitigate the impact of reducing its energy dependence on prices for consumers and companies.

Similarly, the current situation exposes the vulnerabilities of Europe's agri-food sector, due to dependence on import of gas, fertiliser, and animal feed from conflict areas. Russia and Ukraine jointly account for more than 30% of the world's trade in wheat and barley, 17% of corn and over 50% of sunflower oil, seeds, and cakes for feeding animals (according to the TDM 2021 and IFPRI Trade in Macro-Nutrients database 2018-2020 average). Russia is the largest exporter of finished mineral fertiliser products to the EU. Europe will need to reinforce its autonomy in agriculture, agri-food industry, and the sustainable use and production of fertilisers. It is crucial that Europe boost the ambitious

objectives of the Farm to Fork strategy and rethinks the Common Agriculture Policy – both in terms of production and consumption – to reduce its dependency while at the same time speeding up environmental transition, including through just transition measures, and ensuring good working conditions for agri-food workers. This requires the implementation of the shortening of agricultural value chains, while securing the rights of and decent jobs for seasonal workers, implementing EU measures and international commitments to protect biodiversity. Specific attention should be given to guaranteeing that future policies contribute to fighting against undernutrition worldwide.

The Russian invasion of Ukraine has revamped the need for Europe to address its security and defence policy. The EU institutions and Member States have in that regard redefined their priorities and should work towards a more integrated European approach as stated in the Versailles Declaration of 10 and 11 March 2022 and in the conclusions of the EU Council of 24 and 25 March 2022. The EU Strategic Compass adopted on 21 March 2022 by the Council sets the roadmap and tools to reduce critical defence capabilities gaps as well as technology and resource strategic dependencies. While a more coordinated approach on defence is necessary, ETUC believes that a race to militarisation and weapons expenditures should be avoided, and that the priority should remain the promotion of negotiated solutions based on multilateral rules. Besides, any increases in military spending should not be done at the expense of other public investments in accessible and quality public services or further social spending to tackle key challenges faced by workers and EU citizens. Both, while in a different manner, the Covid-19 pandemic and the Russian invasion of Ukraine have led to unprecedented strategic autonomy trade-offs and possibly more to expect, with unmatched economic and social impacts in the short to long term.

Trade Unions call for a strong social, labour, and democratic agenda so that EU policy on open strategic autonomy delivers for all.

In support of those considerations, it should be clear that EU strategic autonomy should be developed in the full respect of EU Treaty values and principles of democracy and the respect and promotion of human rights. EU open strategic autonomy should include anticipation of change in terms of quality jobs and not be used as a vehicle for austerity measures or deregulation. In that regard, ETUC requests any development of the EU open strategic autonomy to include a strong focus on the social and democratic dimensions and how it interacts with EU labour and social policies as well as EU social and economic governance.

ETUC believes that the EU open strategic autonomy should be a solid driver to strengthen fundamental EU principles and values enshrined in the Treaties, such as social market economy, social progress and human rights. It should further promote workers' and trade union rights and contribute to the implementation of the European Pillar of Social Rights, in line with the 2021 Porto Declaration.

ETUC therefore asks that, in parallel to an ambitious climate and environmental agenda, the EU open strategic autonomy is articulated around several social priorities:

First, ETUC is of the opinion that the EU open strategic autonomy agenda should aim at **creating sustainable quality jobs in the EU**, for example by boosting the green and digital transition. Joint investments in research and innovation should be a key feature of the open strategic autonomy agenda. The development of such an agenda should reinforce social, economic, and territorial cohesion, notably by creating new quality job opportunities, especially in regions most affected by the twin transitions and support reindustrialisation where relevant, with a clear strategy to develop and revitalise strategic

value chains in the EU while respecting the European Green Deal objectives. In this respect, the role of the EU and of the members states as strategic investors in sectors of high public interest should be enhanced, which necessitates further reflection on the current competition and fiscal policy framework. At the same time, the level playing field of the internal market should be safeguarded to maintain fair competition within the EU. To ensure that public funding, state aid and public procurement contribute to the creation of sustainable quality jobs, recipients of public money should in any case be subject to effective social conditionality, including minimum wages, decent working conditions, trade unions rights, as well as environmental conditionalities. When it comes to trade, the EU should preserve its right to regulate on social and environmental issues in joining international investment protection treaties.

Second, the EU open strategic autonomy agenda should trigger **public and private investment in education, paid apprenticeship, training, reskilling, and upskilling of the EU workforce**. Good public education systems, vocational education and training strategies are indeed essential to prevent labour shortages, seize job opportunities and ensure EU autonomy in the development, deployment, and maintenance of strategic sectors and technologies. As part of the EU open strategic autonomy agenda, ETUC requests involving social partners to map and identify the skills needs in relevant regions and sectors and to develop skills strategies, in particular to support the digital transition—through social dialogue. ETUC also urges policy makers to reinforce workers’ rights to access quality trainings. Skills and qualification needs should be better anticipated and relayed in respective training schemes accessible for all workers (including flex, self-employed and migrant workers). Specific attention should be given to prevent brain drains within and outside Europe, making sure that labour mobility is always undertaken on a voluntary basis and not due to a lack of opportunities or prospects. If workers are encouraged to seize job opportunities in other regions, this should be done in full respect of EU rules on labour mobility, while combatting business models based on undeclared work, abuse of workers’ rights, artificial arrangements and optimisation of labour costs. Systemic labour shortage, in particular in sectors such as agriculture, transport and construction- which are partly due to the poor quality of working conditions and low level of wages – should trigger the necessary policy transformation including the revalorisation of qualifications, decent pay and working conditions.

Third, the EU open strategic autonomy agenda should **enhance democracy at work**. Good and inclusive governance is associated with more resilience, in particular in times of crisis. By promoting, supporting and reinforcing social dialogue and collective bargaining, the EU actively contributes to better and safer working conditions for workers, as well as to finding relevant solutions to mitigate undergoing rapid changes in the labour market. Reinforcing workers’ rights to information, consultation, including of European Works Council, as well as codetermination definitively contributes to anticipating and managing the changes ahead brought by the green and digital transitions. It aims at reducing the negative impacts of restructuring processes and avoiding the offshoring of activities abroad. In the same vein, the EU open strategic autonomy agenda should promote inclusive governance structures, so that trade unions, as key social and economic actors, play a significant role in the shaping and monitoring working conditions in the supply chains.

Fourth, the EU open strategic autonomy agenda should trigger the creation of **sustainable quality jobs in the supply chains and fight against social dumping and green washing**. This requires an increased ability to promote human rights and decent work in supply and values chains. In that regard, ETUC calls on the EU to adopt an ambitious corporate sustainability due diligence directive to prevent violations of workers and trade union rights, by corporations whose business models are based on exacerbated externalisation of labour costs and short termism. It should hold businesses

accountable for the adverse impacts of their operations on people, in particular the workers and their families, and on the environment. This goes hand in hand with a robust regulatory framework on reporting obligations for business and a ban of products produced by child and forced labour. Ultimately, ETUC requests a zero-tolerance policy for products and services based on human rights abuses. In parallel, the EU open strategic autonomy agenda should help shorten global supply chains to make them more resilient, both socially and climate friendly, while preserving and improving sustainable trade relations with emerging and developing countries, which rely on export opportunities to create employment.

Fifth, the EU needs **strong antidumping regulations** and more action against unfair foreign trade practices. For example, in parallel to a Carbon Border Adjustment Mechanism that should equalise CO2 cost between EU producers and their competitors, the EU should reflect on mechanisms to make less attractive products that are manufactured by countries and companies in breach of trade union rights, labour law and ILO Conventions. Reference to the European Convention of Human Rights and the European Social Charter should be guaranteed in trade agreements with countries that have ratifying Council of Europe instruments. Ensuring labour rights compliance among trade partners must be a key feature of the EU trade agenda. To that end, ETUC asks to condition the entry into force of trade agreements to the ratification of ILO core Conventions as global social norms. In the same way, labour and environmental clauses in trade agreements and international public procurement processes should be reinforced. Enforcement should be monitored, and deterrent sanctions mechanisms put in place. In the same logic, EU instruments in support of investment abroad in the form of guarantees and loans (including those from the European Investment Bank and the European Bank for Reconstruction and Development) should be accompanied by stronger labour safeguards and conditionalities. ETUC is asking for more sustainable trade relations. As global economic hub with close economic and trade relations with like-minded partners, the EU should condition negotiating sustainable free trade agreements to strong social and environmental chapters that are properly implemented and enforceable. The EU should also engage in the reform of the WTO in order to support the twin transition, by providing transparent, updated trade rules, a level playing field and promoting core labour standards.

Sixth, the EU open strategic autonomy agenda should **provide for a strong role for public services and ensure quality public infrastructures**. Indeed, developing industrial ecosystems requires efficient and well-funded infrastructures such as railways and road networks, electricity networks, waste, and water services. Public services such as education systems ensure a highly qualified workforce while industry innovation often heavily depends on fundamental research that is carried out in public universities and research institutions. In the same vein, public infrastructures for childcare and elderly care provide much needed support to workers and their families. ETUC therefore calls on the European Commission to boost its investments in public infrastructure as well as to strengthen public services in all Member States in order to ensure that our societies remain resilient to external shocks and able to manage transition processes. There is a particular need to guarantee the EU strategic autonomy of digital infrastructure and systems needed for essential services and communications. ETUC also underlines the need to invest in quality public administrations like labour inspectorates, environmental protection agencies and tax administration. Those are essential features for creating the right conditions for the EU economy to thrive and to increase the resilience of our society. These investments can also be used as leverage to support the creation of quality jobs. The EU should refrain from engaging in austerity measures or pursuing an agenda of liberalisation of public services that jeopardises their efficiency and effectiveness and puts workers at risk.

Finally, the European Union and its Member States need to secure revenues to adopt ambitious public budgets. To achieve that, it is essential that the EU step up its game to fight against tax fraud/evasion, tax avoidance and harmful tax competition between countries. In addition, more should be done to promote fairer and more efficient taxation by switching from labour taxation to capital taxation, for example through the introduction of a Financial Transaction Tax, a minimum corporate tax, a Common Consolidated Corporate Tax Base with an appropriate apportionment formula, a digital tax or a Wealth Tax. In parallel, the Stability and Growth Pact should be revised to allow for the necessary public expenditure, notably to support a just green and digital transition. A better integration of the EU open strategic autonomy agenda in the Semester Process or in the Recovery and Resilience Facility could also help channel the necessary investments. The EU must increase its own resources and permanent EU debt capacity as tools to finance investments needed to achieve the objectives mentioned by the ETUC resolution.

Conclusion

The unprecedented shocks due to the COVID-19 pandemic, the energy price crisis and the Russian invasion of Ukraine have exacerbated the EU's vulnerability leading to supply disruption, price volatility for energy, commodities, as well as shortage of strategic goods and components. Not only do such shocks jeopardise the efforts put in the necessary green and digital transitions, but they also threaten the EU economic and social cohesion. Rightly so, they have triggered a renewed interest in EU strategic autonomy. This strategy should provide for a combination of initiatives and tools to mitigate the adverse impacts of these shocks while creating the enabling framework to address these disruptions. The strategy should combine circularity, efficiency gains, stockpiling, supply diversification and reshoring where relevant, as well as sustainable trade practices for a regulated globalisation, with the ILO as global leader of social regulation. Achieving EU open strategic autonomy is a *condition sine qua none* to secure essential goods and services relevant for social, economic, and territorial cohesion. It will also be key to achieving the green and digital just transitions, leaving no one behind.

The EU open strategic autonomy is a vehicle for the EU to defend and promote its fundamental values of democracy, peace, human rights, including workers' rights, next to engaging in upwards convergence, social progress and prosperity. In this respect, it will be a decisive feature to protect EU citizens for example when it comes to their health and safety, or their data privacy. Finally, a European open strategic autonomy should be embedded in the European social model, to deliver on the social dimension of the EU market economy, including on robust industrial relations systems, on quality jobs, strong social protection and quality public services.

For these reasons, ETUC calls for an ambitious agenda on EU open strategic autonomy. While participating actively to the development of IPCEIs, a Carbon Border Adjustment Mechanism, the revision of competition policies, state aid and international public procurement, as well as the revision of the economic governance framework. ETUC requests a much stronger social approach. In that regard, ETUC calls for the open strategic autonomy agenda to include the following social priorities: the creation of sustainable quality jobs inside and outside the EU, investment in education, reskilling and up skilling, the strengthening of democracy at work, strong antidumping regulations and sustainable trade practices, quality public services and public infrastructures and the ability for public authorities to make the necessary investments.

ETUC believes that EU open strategic autonomy is one of the promising avenues to re-establish a fair level playing field for a resilient economy, in full respect of EU democratic, social, and environmental values. The objective of the EU open strategic autonomy

agenda should be to ensure the Union's ability to create stability, cohesion and security. EU open strategic autonomy should entail an inclusive and sustainable governance at all levels with the involvement of trade unions in decision-making processes.