



ETUC Position on Economic Security Strategy and the Strategic Technologies for Europe Platform (STEP)

Adopted at the Executive Committee Meeting of 27-28 September 2023

In a fast changing scenario, the [Joint Communication on A European Economic Security Strategy \(ESS\)](#) assumes particular relevance because it frames all initiatives implementing the Versailles Declaration of March 2022 in a single strategic and financial framework. Articulated on 3 lines of action, this position refers mainly to Promoting the EU's economic base, competitiveness and growth and aspects concerning the Single Market, and social and environmental implications of the EES.

The EU is affirming itself as a security provider against external threat. Investments and activities of the ESS are well identified but financed in great part by reprogramming EU MFF resources while postponing the discussion for the envisaged European Sovereign Investment Fund to 2025.

The Strategic Technologies for Europe Platform (STEP) is an additional tool but financed through the reallocation of resources from existing EU programmes. The Sovereignty Seal should reward investments that are recognised to be implementing the Economic security strategies, placing them on a priority lane and in facilitating circuits.

CHALLENGES

New financial resources for the European Union are needed. Investment in strategic technologies and specific industrial sectors are essential to drive forward the transformation and to strengthen the European economy, but the additional budget of 10 billion Euro cannot cover the need for investment by far.

The EU Economic Security Strategy bears a democracy challenge. Faced with relevant economic and geopolitical risks, no country can win alone and 27 national policies are impossible to coordinate without the risk to erode the EU solidarity. It is of exclusive importance to keep the EU united, make it a place of peace, where mutual trust feeds regional cooperation and the EU integration process is made irreversible.

The STEP risks to undermine social and environmental objectives of the EU. EU resources are redirected toward the STEP priorities curtailing resources from original objectives. The regulation identifies a social dimension of STEP but surprisingly refers the issue to implementing authorities, which are encouraged (not obliged) to take them into consideration. Worryingly, the EU has the ambition to increase military annual expenditure of member states, instead of focusing on investments for open strategic autonomy that are conducive to quality sustainable jobs.

Moreover, **the STEP Regulation can potentially increase inequalities further**, driven by disproportionate accumulation of assets and jobs in subsidised regions, sectors and companies in detriment of jobs and workers in non-subsidised ones. It also transfers resources (for instance those of the RRF) that are for public investments to the private sector or resources for territorial cohesion to big companies (such as those of the ERDF).

The STEP is not bound to job creation and unclear on social conditionalities, which should include the application of collective agreements, respect of collective bargaining, the exercise of information and consultation with unions on merger and investment decisions, avoid redundancies and deterioration of working conditions, and the activation

of just transition measures such as reskilling and the creation of high-quality apprenticeships.

STEP can potentially activate €165 billions of investment without submitting them to any form of social conditionality nor measures against corruption or fight against all forms of organised crime. The Sovereignty Seal does not require any alignment to sustainability criteria and does not involve social partners. This would undermine the European agenda for decent work. On the contrary, collective bargaining and employee participation are key to achieve social justice, economic fairness, and job-rich transformations, hence ensuring social acceptance of the deep transformation amid workers.

ETUC PROPOSALS

ETUC urgently asks the EU institutions to take into account the following proposals.

- **Investments needed for economic security should be additional** to the ones already mobilised on the MFF and the RRF. The ETUC finds inappropriate to distract resources of the MFF or RRF from its original objectives and asks that the ESS, including the STEP, will be financed with additional resources, also collected by a European Sovereign Investment Fund.
- **A proposal for European sovereign investment should be tabled as soon as possible** and designed in a way that the most critical strategic technologies would be a *common wealth* of the EU and its member states; that all citizens could *equally benefit* from it and that the political, social and economic *stability* of the EU is reinforced; that strategic technologies shall be used for the only purpose of maintaining and promoting *peace*. All member states must be given greater leeway for public investments in a *just transition*.
- **The entire ESS should have a stronger democratic dimension.** In this scenario, social dialogue is more than an instrument of industrial relations. Social dialogue should be a pillar of democracy and legitimation of the EU action.
- **All investments, strategic asset formation and economic activities, including those receiving the Sovereign Seal, shall not undermine environmental and social standards and must be subject to social conditionalities** on the application of collective agreements, respect of collective bargaining, the exercise of information and consultation with unions on merger and investment decisions, avoid redundancies and deterioration of working conditions, and activation of just transition measures such as reskilling and the creation of high-quality apprenticeships.
- **They, including the assignment of the Sovereign Seal, will be planned and implemented in consultation with social partners,** in view to conclude collective agreements, in order to ensure integrity of single market, promote better living and working conditions and prevent any form of social dumping. They should reinforce public services and align to social and environmental criteria set in the EU taxonomy for sustainable investments. Access to skilling, reskilling and skill-matching needs adequate investments and new rights for workers.
- **All major economic players** that operate in the framework of STEP **should be required to implement processes of employee involvement** in the governance and in their main decisions and implement due diligence processes. Investments and capital flows should be properly monitored with the aim to **avoid excessive accumulation of capital and strategic assets** in countries that would develop an excessive advantage on other member states.
- **Within a well determined framework, state aid regimes should be revisited up to certain limits, to create additional capacity to support strategic technologies.** The level playing field of the internal market must be safeguarded anyhow, as some members states may not have the same fiscal capacity as other MS to subsidize key industries. While the modernisation of state-aids regime can favour investment in the very short term, fiscal capacity of the EU and preservation of the integrity of the Single Market, would help maintain investments and full employment in the medium-term.

ANNEX I - Additional and background information

Considering the complexity of the topic at stake some additional info and context information may help the Executive Committee to take a fully informed decision.

With the Communication on Economic Security Strategy, the EU Commission takes another step along the way with the Versailles Declaration in March 2022 which remains a milestone of the recent history of the EU. In Versailles the EU and its member states sealed their partnership to prepare the continent to cope with external threats and open a new era in the EU integration process. It sets a new direction heading the EU defence capabilities (security), energy impendence and a robust economic base.

The EU is proposing itself as a security provider in the fields of defence, digital systems, health and food. It creates a shelter against military, technological, and economic threats (critical raw materials, food, energy, etc.) and covers some social aspects connected to poverty, creation of jobs and quality of work.

This communication should be read in combination with the [Communication on the Climate and Security Nexus](#), addressing the impact of climate change and environmental degradation on peace, security and defence. The EU agendas for internal and external affairs are now coordinated and moving in the same direction of maintaining peace and provide security to European people without setting aside the green agenda.

The European Commission is proposing a range of actions (including investment programmes) that extend the area of influence of the EU in new areas. To do that, the EU explored all possible avenues that the Treaties allow to operate in these new areas. Many of such programmes revisit the state-aid rules as in the [Temporary Crisis and Transition Framework](#) or mix relaxed state-aid rules with facilitations and permitting measures to activate strategic investments such as in the [Zero-Net Industry](#), [Critical Raw Materials Act](#), the [Chips Act](#). And the [Strategic Compass for Security and Defence](#). Also, the [Important Projects of Common European Interest](#) leads to specific treatment for investments aligned to EU common objectives. Common objectives are also appearing in the proposed reform of the economic governance of the EU so justifying an approach that would orientate strategic planning of member states when planning their mid-term budgets.

Several ETUC positions have to be taken into account in assessing the proposal for the Economic Security Strategy and the STEP, including the ETUC Action Programme 2023-2027. In particular, this Position refers to the ETUC Resolution for an EU open strategic autonomy with a strong social agenda (2022), the ETUC for Growth and Social Progress (years 2021 and 2022), ETUC resolution on European Green Deal initiatives: Climate Law, EU Sustainable Investment Plan, Just Transition Fund Regulation and new EU Industrial Strategy (2020) and as integrated by the ETUC position for A Just Transition Legal Framework to complement the Fit for 55 package (2022).

In terms of financing, the Joint Communication recalls already existing tools such as the RRF and its national plans and some EU programmes that should address market failures (InvestEU), innovation defence technologies. Reflecting the sense of urgency and to give response to the high demand for new investments – that in the past had pushed the President to envisage a EU sovereign fund for investments - the European Commission proposes a new tool called Strategic Technologies for Europe Platform (STEP). The Platform is an additional tool that help reallocate resources to priorities investments and measures that more directly and promptly develop tools of the Economic Security Strategy.

The STEP regulation sets up the Platform, lays down its objectives, finances, rules of the Sovereignty Seal and the Portal with reporting duties. The STEP intervenes in the several EU areas of competence that develop industry and manufacturing, steering industrial change, cooperation, innovation with specific attention to development of SMEs.

It intervenes with the instruments of economic, territorial and social cohesion, and contributes to the multiannual framework for research technological development also in the space sector and pursues the EU objectives for environmental protection. It also moves on the European Social Fund with the objective to adapt and prepare the EU workforce to the progresses made under the STEP.

For that reason, the STEP changes or allows change in the MFF and RRF allocation of resources to activate €165 billion of new investments aligned with the STEP objectives and priorities. Considering the scale of investments needed a full mobilisation of funding under existing EU programmes and funds is needed. The communication refers exactly to budgetary guarantees for financing operations and implementation of financial instruments and blending operations, including equity and quasi-equity for strategic business.

Several steps of the Economic Security Strategy are subject to unanimity with a consequent veto rights from member states that are already pursuing divergent objectives in their external policy or are dangerously deviating from the rule-of-law.

Particular attention should be paid to defence and military expenses. According to the 2022 Coordinated Annual Review on Defence, defence expenditure in the EU reached EUR 214 billion in 2021 (an increase of 6% compared to 2020) and is estimated to grow further up to an extra EUR 70 billion by 2025. However, less than 20% of all investment in defence programmes in the EU is done in cooperation among Member States, still far below the 35% agreed benchmark.

The European Defence Fund provided a total EU support of almost EUR 1.2 billion in 2022. Additional calls for proposals have been published in June 2022 for a total budget of EUR 930 million to be allocated by mid2023. They continue to generate significant interest from the EU industry (134 proposals received involving entities from 26 Member States and Norway) and a strong involvement of Small and Medium Enterprises (43% of entities in selected projects). In addition, in 2022, Member States have launched nearly 100 cooperative projects within the European Defence Agency amounting in total to EUR 672 million.