The European Council of 1 and 2 October 2020 defined “achieving strategic autonomy while preserving an open economy” as a key objective of the Union. True, there is no full consensus around the implications of this objective. But Open Strategic Autonomy (OSA) broadly encompasses the EU's aspirations to independently project its influence on the global stage – by reinforcing the multilateral governance framework and through dialogue and cooperation with external partners – and to defend, at the same time, its interests and values at home and abroad. This box reviews the setting in which this objective arises and the EU's main initiatives in this area.

The notion of strategic autonomy, traditionally used in connection with the EU Common Foreign and Security Policy, was introduced as a more cross-cutting component into the EU Global Strategy in 2016. Recently, the economic facet of this notion has gained in significance as the considerable exposure of European economic activity to numerous geopolitical risks has become patent. The European economy's high sensitivity to this type of shock stems, among other factors, from its dependence on external commodities sources (both energy commodities and other raw materials essential for the development of new technologies) and from its high trade openness (meaning the EU is particularly vulnerable to the recent questioning of the multilateralism set in place by the Bretton Woods consensus in the wake of the Second World War; to the deployment of protectionist policies in the United States in recent years and to events such as Brexit). Moreover, the supply problems with medical and healthcare equipment and products further to the COVID-19 pandemic (exacerbated in part by the export restrictions imposed by some governments) have prompted a debate on how best to mitigate these supply risks. Alternatives such as building up strategic reserves, increasing internal production, diversifying supplies, and simplifying and bringing certain supply chains closer to home all have been considered.

These issues have led the European Commission (EC) and the Council to place OSA at the heart of their actions to strengthen the resilience of the EU economy and financial system and to reinforce their global integration. Hence, in January 2021, the EC proposed reinforcing strategic autonomy in the financial system and in payment systems by adopting twin measures. The first aims to increase the international stature of the euro, promoting its use and that of euro-denominated reference instruments and indices, and fostering its role as a benchmark currency in key sectors such as energy and commodities. The possibility of a digital euro will be part of this set of initiatives. As to the second measure, actions to increase the resilience of EU financial market infrastructure and to improve the effectiveness and independence of the Union's sanctions regime have been identified.

Economic and trade measures have so far taken the form of an update of the guiding principles of EU trade policy. In this connection, making European value chains more sustainable and resilient has become an explicit objective, in tandem with reaffirming commitment to multilateralism and to a stable rules-based framework for international

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9 The EC and the European Central Bank have set up a working group to study this matter. See “Joint statement by the European Commission and the European Central Bank on their cooperation on a digital euro”, 19 January 2021.
10 See, for example, EU-Iran: the way forward, European Parliamentary Research Service (2020).
trade. Further, the EC will review in 2021 the industrial policy strategy it published in March 2020\(^\text{12}\) so as to take into account the vulnerabilities identified as a result of the COVID-19 crisis. Also, to ensure that competition conditions in the internal market are not distorted, the EC has launched a foreign direct investment analysis mechanism. This will be supplemented in 2021 with a system for assessing the State aid that international firms seeking access to the European market may have received.\(^\text{13}\)

In conclusion, Open Strategic Autonomy in the EU appears to be shaping up as a coordinating framework for a very broad set of policies to boost the external projection of the Union. It is a commitment to trade openness and multilateralism, reinforcing at the same time the region’s economic and financial resilience. It is still too soon to accurately gauge the implications of this relatively incipient strategy. But some aspects of it may actually hinder convergence and cohesion among the Member States and distort the workings of the single market. A case in point might indeed be aspects relating to any future far-reaching review of industrial policy strategy. Admittedly, a renewed, common industrial policy might contribute to the EU retaining its leadership in sensitive and high-value-added sectors, boosting economies of scale and positive network effects. However, insofar as this policy focuses on specific sectors and activities, it might affect different EU countries and regions asymmetrically, given the prevailing differences in productive specialisation. Were these heterogeneous effects to materialise, a resolute strengthening of the European governance framework would be in order. Permanent mutual insurance tools to mitigate asymmetries – such as a central fiscal capacity, unemployment insurance and a common safe asset – and reinforced cohesion policies would need to be set in place.

\(^\text{13}\) The attendant arrangements are included in the White Paper on levelling the playing field as regards foreign subsidies, published in June 2020.