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The **7D**
S
for Sustainability

Debt
Decarbonisation
Defence
Democracy
Demography
De-risking Globalisation
Digitalisation

IN DEPTH



Wilfried
Martens Centre
for European Studies

The 7Ds for Sustainability - De-risking Globalisation in Depth

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The Wilfried Martens Centre for European Studies is the political foundation and think tank of the European People's Party, dedicated to the promotion of Christian Democrat, conservative and like-minded political values.

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Table of acronyms

AI	Artificial Intelligence
ASEAN	Association of Southeast Asian Nations
CAI	Comprehensive Agreement on Investment
EDA	European Defence Agency
EUMS	European Union Military Staff
FTA	Free Trade Agreement
G2	Group of Two
G7	Group of Seven
IDEA	Inspire, Debate, Engage and Accelerate Action (EU Fellowship Programme on China)
IoT	Internet of Things
NATO/SHAPE	North Atlantic Treaty Organisation / Supreme Headquarters Allied Powers Europe
NSS	National Security Strategy
PESCO	Permanent Structured Cooperation
SME	Small and medium-sized enterprises
TEC	Transatlantic Economic Council
TTTI	Transatlantic Tech and Trade Initiative
WTO	World Trade Organization

Introduction

Peter Hefele

Several crises over the last two decades, including the Covid-19 pandemic and, most recently, the Russian war against Ukraine, have shown the vulnerability of global supply-chain systems and have shattered illusions about ever-progressing globalisation. This has forced the EU to rethink its traditional reliance on and support for multilateralism and global cooperation, which had led to an over-dependence on certain countries and producers in crucial fields such as raw materials and chemical products. Over the last couple of years, the Union has responded to these developments by creating a series of policies and launching initiatives to de-risk its economic relations and reduce the potential for political blackmail.

The biggest systemic competitor in this respect is China, due to its economic power, political governance system and global revisionist ambitions. The challenges posed by its unique politico-economic system require a comprehensive answer from all open and market-based societies in the West.

Any de-risking strategy has to consider the effects on the sustainable transformation the EU is currently undergoing. Europe has always been a herald for open markets and globalisation. As it undergoes a massive transformation towards a low-emission economy, Europe should not build ‘green walls’ and engage in a subsidy race that may damage its long-term competitiveness.

The success and flexibility of Europe’s economy lie largely in supporting flourishing ecosystems for small and medium-sized enterprises. Industrial policy can contribute to enhanced resilience but must avoid overregulation and unilaterally favouring large companies.

Shielding Europe’s economy and political system from external risks should not lead to abandoning the efforts to revitalise an open and sustainable global trade system. The priority should be to create alliances of the willing and promote the EU as a regulatory leader and reliable partner for third countries, particularly in the Global South. Strengthening the transatlantic trading relationship will continue to be a key element of this strategy.

In 2023, the Martens Centre published its *7Ds for Sustainability* strategy document. This text comprised 175 proposals for the next legislature to future-proof EU policy in the areas of debt, decarbonisation, defence, democracy, demography, de-risking globalisation, and digitalisation. Sustainability was chosen as the guiding principle to ensure that the policies reconcile the needs of both the present and the future, and systematically include the interests of the next generations.

The *7Ds* document has already inspired reflection on what to do over the next five years. These discussions are based on Christian Democrat and conservative thinking and the available in-house expertise of the Martens Centre. For the next phase of intense discussions about the programme to be implemented during the 2024–9 legislature, the Martens Centre has invited renowned external experts to put forward their own, more extensive proposals based on the original document, thereby deepening the available expertise. It is hoped that these proposals, published at the beginning of April 2024, will help to clarify the way forward at a critical juncture, when the European Parliament, the European Commission and the European Council are negotiating on and finalising their strategic priorities.

Strengthening Transatlantic Relations

Roberta N. Haar

With regard to the US, the goal to de-risk globalisation coalesces around three central issues of the transatlantic relationship. The first is a leadership problem, which has bedevilled relations since the Obama administration. More recently, both the traditional leadership role of the US and Europeans' willingness to follow its lead have been undermined by shifting geopolitical landscapes and the emergence of new global challenges, such as the energy crisis in Europe, the rise of authoritarianism, the upsurge of populism, threats related to pandemics, vulnerabilities linked to critical infrastructure, pressures stemming from climate change and a general surge in global violence.

This leads to the second issue: capability. The US is currently focusing on security challenges in the Asia-Pacific region, and some US politicians are advocating isolationism. Moreover, new types of security threats are emerging in the wake of Putin's invasion of Ukraine and the renewed violence in the Middle East.

The third challenge is a solidarity problem. Like the issues already described, it has several sources. The most prominent of these is the growing sense of disillusionment among European leaders and citizens regarding the commitment of the US to the rules-based international order that it built after the Second World War. Certainly, the Trump administration's 'America First' foreign policy and its rejection of multilateralism propelled this disillusionment. However, the Biden administration's attempt to engineer a comparative advantage through its Inflation Reduction Act, its CHIPS and Science Act, and its Infrastructure Investment and Jobs Act has given Europeans the feeling that Biden has pulled the rug out from under his promised 'we're back' multilateral foreign policy—at least when it comes to free trade. Other factors that have undermined transatlantic solidarity include divergent views on how to interact with China, how to address climate change and (during the Trump years, in any event) how to deal with Iran. Domestic factors on both sides of the Atlantic, such as the increasing political polarisation, are creating pressures that make it still more difficult to pursue a common transatlantic foreign policy agenda on de-risking globalisation.

	Programme 1	Programme 2	Programme 3
	Strengthening the global leadership role	Investing in capabilities to enable engagement with the US on an equal footing	Addressing the solidarity issue
Project 1	Reinforce the idea that Americans and Europeans share a common purpose and maintain a strong strategic partnership in sustaining global inclusive institutions such as the G20, the WTO and the UN.	Do not play into the new isolationists' campaign narrative in the US by failing to invest in national security and defence plans, in digital infrastructure and in strategic capabilities and technologies. Adopt 'total defence' models that emphasise defence preparedness and civil defence.	Focus on the competitive but also cooperative element of the transatlantic economic relationship by cultivating trust and transparency and developing a cooperative relationship via the TEC, the TTTI and current negotiations on a critical minerals agreement.
Project 2	Develop a European grand strategy within the transatlantic partnership. It should be built on the premise of shared global governance and a complementarity with the grand strategy of the US as specified in the US NSS.	Invest in the means to meet new types of security threats, such as the vulnerability of global supply-chain systems, of energy security and of critical infrastructure, such as smart electrical grids. Coordinate EU investments with the US through the EU-US Task Force on Energy Security and the EU Global Gateway.	Renew the EU's commitment to diplomacy and invest in soft power initiatives such as cultural exchanges (e.g. Youth in Action, and European Voluntary Service), educational programmes (e.g. Erasmus+) and by expanding Euronews. With the unifying framework of the Cold War diminishing, the alliance appears less suited to the contemporary geopolitical landscape. Reminding publics on both sides of the Atlantic of the importance of their partnership and the global governance system could build solidarity.
Project 3	Embrace a more prominent role in promoting values globally, with a focus on values that pertain to the co-development of strategic technologies, green technologies and the revolution in digitalisation. Coordinate EU leadership through G7/ G20 Summits and the EU-US High-Level Dialogue on Climate Action, Environment and Energy.	Invest in ways of rectifying fragmentation in the intra-European context. Invest in enhancing the cooperative development of strategic technologies and infrastructure, in green technologies and in harnessing the revolution in digitalisation. Coordinate EU investments through the EDA and PESCO.	Collaborate with the US on a common policy for the Middle East, Africa and China. If the EU is to be a truly valuable partner in rebuilding a viable multilateral system, it must develop a meaningful focus on China and the Indo-Pacific. Coordinate EU policy through NATO/SHAPE and the EUMS.

Derisking EU–China Relations

Jakub Janda

Since 2019 the EU has taken a three-pronged strategic approach to China, treating it as a partner, an economic competitor and a systemic rival. In the last two years, China has increased its hostility to EU interests. It is pursuing an ‘unlimited partnership’ with Russia, which is committing war crimes against Ukraine while enjoying significant material, political, informational and diplomatic support from China. Beijing has been steadily increasing its disruptive actions against Taiwan and the Philippines, in this way violating international maritime law and upsetting the stability of regional maritime trade routes in East Asia, the EU’s core interests there. Chinese economic coercion and technological espionage against the EU member states have been increasing in recent years, despite the Union’s continuous diplomatic efforts to ‘talk to China’ and extensive EU–China trade. Therefore, a new strategy has to be developed for relations between the EU and China. De-risking economic relations with China and other adversarial nations must be part of this new approach.

The aim of the de-risking policy is to ensure that neither China nor any other nation can damage the EU in such a way that the Union would be prevented from pursuing its own autonomous strategic interests, such as stability of trade in and with the East Asian region. Numerous economic and technological interdependencies exist between the EU and East Asian countries such as Japan, South Korea and Taiwan. Thus, the Union has every reason to deter China from taking hostile or even military actions in East Asia, which could lead to an economic disaster for Europe. Therefore, the EU must be able to develop and, if necessary, implement (sectoral) sanction packages. Moreover, it needs to communicate to the leadership of the Chinese Communist Party that it would impose these sanctions if China were to launch attacks in East Asia in violation of the international law of the sea. To be able to employ such deterrence tools, the EU first needs to rapidly decrease its strategic, economic and technological dependencies on China and create a robust set-up of economic security institutions.

	Programme 1	Programme 2	Programme 3
	Setting up a robust institutional structure within the new European Commission to be better prepared for new geoeconomic competition	Developing an internal policy toolkit for addressing the economic security interests of the EU	Building a resilient global network of like-minded democracies and rapidly decreasing the EU's dependence on its competitors
Project 1	The new European Commission should establish an economic security portfolio for which one Commissioner would be responsible.	The Commission should prepare a toolkit for a trade defence escalation ladder with detailed economic, security and political analysis discussed with the EU member states. Those measures should also include possible scenarios for the deployment of the EU Anti-Coercion Instrument.	The Commission should proactively enhance its options for trade and investment cooperation agreements with like-minded countries in the Indo-Pacific, including the Philippines, Australia and Taiwan.
Project 2	Establish an internal Commission think-tank that would deal with all strategic policy areas important for the EU–China relationship. It should build on the pilot version of the IDEA under the guidance of the president of the Commission and expand it into the wider Indo-Pacific.	The Commission should conduct an annual assessment of strategic dependencies of the EU and its member economies on its adversaries and competitors. The Commission should also conduct simulations of crisis scenarios.	Terminate the EU–China CAI as it would deepen Europe's strategic dependence on China.
Project 3	The Commission should set up a formal standardised platform for EU companies, one which would provide a safe space where companies and business associations could receive selective intelligence and lessons from specialists to help them make trade decisions in the most informed way.	The Commission should declare specific sectors to be strategically relevant for European interests and develop specific action plans to provide enhanced protection. These sectors should be selected on the basis of their strategic vulnerability to external players.	Share lessons learned in setting economic security policies with selected allies and like-minded partners that are facing systematic Chinese economic coercion. A specialised team should be organised for this purpose.

Working With Global Partners to Shape Global Trade

Peter Hefele

The global trade landscape is undergoing dramatic changes linked to technological advancements, shifting consumer preferences and destabilising geopolitical factors. Companies and governments alike must navigate these trends and create new frameworks to ensure stable supply chains and optimise the cost advantages they offer, and contribute to a sustainable transformation of the global economy.

There is an increasing focus on regional trade agreements as countries and regional blocs seek to bolster economic ties within their regions or with their neighbours. Agreements such as the United States–Mexico–Canada Agreement and the Regional Comprehensive Economic Partnership in Asia aim to reduce tariffs and create more streamlined trade conditions within regions. However, Europe has not been very successful in promoting its sophisticated and ambitious free trade agreements with extra-European partners, for instance with India or the Association of Southeast Asian Nations, and thus is losing influence in shaping the principles of global trade. Its efforts to revitalise existing global trade governance mechanisms, in particular the World Trade Organization (WTO), have been blocked by other major powers.

The impact of the global pandemic and the fallout of the Russian war against Ukraine—that is, the high energy prices and volatile raw materials markets—will remain significant uncertainty factors. Hedging these risks by supply chain diversification, whether through friend-, near- or re-shoring, has just begun and will remain a decade-long challenge.

At the same time, a growing emphasis on sustainability has already begun to shape global trade practices, including the use of renewable energy in transportation, eco-friendly packaging and a focus on circular economy models. Consumers and regulators are pushing for more sustainable practices, influencing trade policies and company strategies alike. Digitalisation, in the form of blockchain, artificial intelligence and Internet of Things technologies, is helping companies to make transactions faster, more transparent and more secure.

Technologically-driven shifts in factor combination and allocation will also influence global trade flows and economic policies, and they are increasingly impacting trade-related services as well. Furthermore, innovation in trade finance is seen as a game-changer, with fintech companies introducing digital platforms that will make financing more accessible to small and medium-sized enterprises (SMEs) engaging in international trade.

	Programme 1	Programme 2	Programme 3
	Enhancing the resilience of the global trade system against external shocks	Unleashing the potential of new technologies to optimise the economic benefits of trade	Making Europe a stronger voice in regional and global trade architecture
Project 1	Improve the coordination of forecasting and consulting on trade developments among Europe and its like-minded partners.	Make it easier for Europe's SMEs to obtain innovative forms of trade financing to gain better access to the global market.	Revise the current concepts of the EU FTA and switch to a more modular, gradual approach, reducing the duration of negotiations and implementation.
Project 2	Develop joint platforms with like-minded countries, both industrialised and developing, to streamline policy reactions in times of supply-chain disruptions.	Help SMEs in Europe to make better use of innovative digital platforms and tools to enhance market transparency and to improve these companies' access to global markets.	Introduce a fair playing field for digital services among like-minded countries to improve minimum global standards for digital trade.
Project 3	Reorientate global trade policy along the lines of sustainable development and aim to better link developing economies into this process.	Assist SMEs in developing countries to get better access to European markets. They can reach this goal by using innovative digital and financial tools and, as a result, diversifying their sales structures.	Link efforts to enhance the global trade architecture with promoting democracy and the rule of law through initiatives such as the Global Gateway—as an alternative to economic integration with authoritarian governments.

Empowering SMEs in the EU

Horst Heitz

SMEs are the lifeblood of the EU's economy, contributing significantly to employment, innovation and economic growth. These businesses play a vital role in driving economic activity and job creation. They represent 99.9% of all companies in the EU, with 99.7% having fewer than 10 employees. Indeed, approximately 60% of SMEs are one-person companies. It is important to recognise the diverse conditions in which they operate—in different sectors, member states and regions. Furthermore, it is worth noting that women often face disadvantages in accessing loans to start businesses. Despite their diversity, SMEs encounter common challenges that warrant attention and a consolidation of efforts.

Accessing finance. This is one of the most significant challenges facing SMEs. Due to factors such as lack of collateral, limited credit history and perceived riskiness, many of these businesses struggle to secure funding from traditional sources such as banks.

Regulatory complexity and bureaucracy. SMEs often grapple with complex and burdensome regulatory requirements imposed by both EU and national authorities. Navigating through this regulatory maze consumes both valuable time and resources.

Accessing the EU's internal market. Expanding into even this market can be daunting for SMEs due to barriers such as trade regulations, customs procedures, language and cultural differences, a lack of networks and insufficient knowledge about the market.

Digitalisation. Digital technologies offer SMEs immense opportunities to improve productivity, enhance competitiveness and expand market reach. But due to various factors, many of these businesses are struggling to embrace digitalisation.

	Programme 1	Programme 2	Programme 3
	Handling bureaucracy and accessing finance	Supporting EU cross-border trade	Promoting digitalisation
Project 1	Create a European award for the public service with the best track record in assisting SMEs.	Examine how well SMEs understand the EU's single market and support services. Where and why are there gaps in this knowledge?	Develop an EU forum for public and private providers offering SMEs education services in the area of digitalisation. On this forum these providers would be able to exchange experiences of how best to reach SMEs, deliver knowledge effectively and establish long-term learning cycles.
Project 2	Develop a platform for exchanging best practices and experiences among EU member states as well as between SMEs and financial institutions. This would make it easier to identify successful approaches and replicate them.	Develop an EU mentorship programme aimed at helping micro-businesses enter the market in neighbouring regions.	Develop an EU website on which SMEs could find the most suitable free digitalisation training programme offered by public or private providers. All providers listed would be certified and adhere to the highest standards.
Project 3	Create a SME-friendly index to EU legislation and a compilation of the best examples of the implementation of this legislation by the member states.	Establish an EU emergency assistance centre for trade issues in the EU single market. To benefit, SMEs would have to register beforehand and submit their trade transactions.	Establish a European flagship programme for schools and universities to prepare students for a career or entrepreneurship in the field of digitalisation.

About the Authors



Roberta N. Haar is Professor of Foreign Policy Analysis and Transatlantic Relations at Maastricht University within the field of International Relations. She teaches courses in International Relations, in particular foreign policy. She is the Principal Investigator for the REMIT EU Horizon Project, for which the EU Commission and the UK awarded €3 million over four years. The REMIT consortium consists of 9 partner institutions in 8 European countries with over 40 researchers.



Peter Hefele has been the Policy Director at the Wilfried Martens Centre for European Studies since 2022. He graduated in economics and economic history from the Catholic University of Eichstätt-Ingolstadt in 1997. He worked as an economic researcher at the Institute for Economy and Society/Bonn and joined the Konrad-Adenauer-Stiftung (KAS) in 2003 in different capacities, mainly in the Asia-Pacific region. From 2019 till 2021 he was the Director Asia and Pacific of KAS in Berlin. His work focuses on foreign and security policy, economic policy, international development cooperation and energy/climate policy. He is also an expert on Asia's political, economic and social developments.



Horst Heitz is Secretary-General and Special Representative for SMEs of the Taxpayers Association of Europe (TAE). In this capacity, he joined the Steering Committee of SME Connect (SMEC) in 2017 and was appointed chairman in the same year. Since 2012, Horst Heitz has been Executive Director of the SME Europe of the EPP (SMEE). Additionally, he serves as Ambassador of the League for Digital Boost and Senator of the European Economic Senate.



Jakub Janda specialises in European policy towards Russia and China, also specifically to the response of democratic states to hostile influence operations. In 2016–7, he was tasked by Czech security and intelligence institutions to consult on the ‘Influence of Foreign Powers’ chapter within the National Security Audit conducted by the Czech government, where he was involved in the Czech policy shift on this issue. He has delivered expert briefings and testimonies to Members of US Congress, NATO Political Committee or to the European Parliament Special Committee on Foreign Interference in all Democratic Processes in the European Union, including Disinformation (INGE). He spent four months living in Taipei where he established the European Values Center Taiwan Office in January 2022, making EVC the first European think-tank to set up permanent presence in Taiwan.

