that it was ‘goal number one for our generation’ (European Council, 2020). The current debate on how to ensure strategic autonomy has embraced the defence sector (Box 9.6).

Moreover, a foresight report published by the European Commission has identified dependence on certain imported products like microprocessors and on imported raw materials for key technologies, such as borates, heavy rare earth elements and light rare earth elements, as potential threats to Europe’s economic sovereignty (EC, 2020a, pp. 17–19).

In parallel, foreign acquisitions of European high-tech companies are fuelling concerns that Europeans may be losing strategic assets. Examples are the American chipmaker Nvidia’s purchase of British chip-designer Arm in 2020 and Chinese appliance-maker Midea’s acquisition of German robotics company Kuka in 2016. In recent years, there has been a surge in Chinese acquisitions of, and strategic investments in, high-tech European companies, with Chinese firms targeting particularly robotics, next-generation information technology, new materials, energy-saving and new-energy vehicles. Germany has attracted the greatest share of these investments (EC, 2019d).

Growing concern over foreign strategic takeovers of European firms, particularly by China, resulted in a report by the European Court of Auditors (2020) on how Europe should respond to ‘China’s state-driven investment strategy’ and in an EU regulation on Foreign Direct Investment Screening, which came into effect in October 2020 (Box 9.7).

In sum, numerous testimonials and reports point to an increasingly complex balancing act for Europe as it strives to protect itself from overreliance on foreign technology, while continuing to champion the global enterprise of science [see, for example, SFIC (2020)].

**Europe as a soft power for responsible openness**

The EU is, by essence, more about engaging internationally than decoupling. The Covid-19 crisis has highlighted the advantages of such a culture of sharing. Europe’s seven-year framework programmes for research and innovation are one of the most ambitious means of promoting cross-border scientific collaboration among European countries and beyond. This culture is reflected in the much higher ratio of international scientific publications in the EU than in China, Japan, the Republic of Korea or the USA (EC, 2020a, p. 408).

In recent years, the EU has increasingly called for more reciprocity in opening up its research system, programmes and access to data, in messaging addressed to China, in particular (Kelly, 2020b).

The size and strength of its consumer market, combined with an ability and willingness to enforce regulations, has allowed the EU to exercise considerable influence, or ‘soft power’, in a number of realms in recent years (Bradford, 2020a). Examples include data protection and privacy through the General Data Protection Regulation, raising the global bar for antitrust or market-distorting behaviour, environmental, and consumer health and safety regulations (Bradford, 2020b; Barthelemy, 2019).

As set out in a recent iteration of the European industrial policy (EC, 2020b):

**At the same time, the EU needs to be able to strengthen its strategic interests abroad through economic outreach and cooperation.**

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**Box 9.6: The European Defence Fund**

In March 2019, the European Commission launched the European Defence Fund to support a competitive defence industry capable of contributing to the EU’s strategic autonomy.

The fund will co-finance joint defence industrial projects worth up to €500 million, with an additional €25 million to support collaborative defence research projects.

The focus will be on drone technology, satellite communications, early warning systems, artificial intelligence, cyberdefence and maritime surveillance.

The idea is also to build an integrated defence industrial base across the EU, investing in European defence industrial value chains and dynamic supply chains that include small and medium-sized enterprises and new entrants.

**Stronger integration of defence capabilities**

Europe relies on two pillars for its defence, the North Atlantic Treaty Organization (NATO) and the EU. As only 22 EU member states are also NATO members, some EU member states are excluded from the defence pact.

Moreover, over the past decade or so, the USA has urged NATO members in Europe to assume greater responsibility for assuring their own defence: as of 2019, only the three Baltic States, Greece, Poland, Romania and the UK devoted more than 2% of GDP to their defence sector.

This state of affairs led the EU to create an obligation, in 2009, for member states to come to one another’s assistance in the event of armed aggression on their territory, through the Treaty of Lisbon on European Union.

This treaty laid the groundwork for strengthening the EU’s Common Foreign and Security Policy by creating the Permanent Structured Cooperation (PESCO) in 2017 to pursue structural integration of the national armed forces.

Under PESCO, member states commit, *inter alia*, to raising their investment in the defence sector, including as regards R&D; to participating in identifying military needs and in deploying units; and to developing the European Defence Technological and Industrial Base.

This has, in turn, led to the creation of the European Defence Fund.

Source: compiled by authors; see: https://tinyurl.com/EU-defence-fund

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