

## Strategic Autonomy – Views from the North

Perspectives on the EU in the World of the 21<sup>st</sup> Century



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# Preface

Global developments have changed the parameters of the EU's position in world affairs. This has sparked ideas and discussions on reform that aims to make the EU more resilient and better equipped to pursue common interests. Debates on European strategic autonomy has set off positive energies in many corners of the EU, but also an amount of scepticism.

This Occasional Paper analyses how the strategic autonomy concept is received and understood in the Nordic EU member states: Denmark, Finland, and Sweden. The authors provide an account for the Nordic countries and their respective points of departure and positions on the many policy proposals that relates to strategic autonomy.

With this anthology we aim to shed more light on a policy debate that is prevalent on the European continent, but also to provide a clearer understanding of the Nordic countries as EU members and their vision of the future of the EU in an increasingly connected and more competitive global environment.

Göran von Sydow  
Director

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# Table of contents

Executive summaries.....	6
1 Introduction.....	8
1.1 Strategic autonomy: origin and content .....	8
1.2 The global landscape has changed – EU to follow?.....	9
1.3 A timeline .....	10
1.4 Why the North? .....	11
1.5 Method and outline .....	12
2 European Strategic Autonomy as seen from Denmark: Essentially Contested .....	14
2.1 Denmark in a changing security context.....	14
2.2 The Danish debate on European strategic autonomy.....	20
2.3 Concluding remarks.....	26
3 Finland and European Strategic Autonomy: ‘Yes, but...’ .....	28
3.1 Introduction .....	28
3.2 Finland in a world in flux .....	29
3.3 Finland and the strategic autonomy debate .....	36
3.4 Conclusions: Finland’s contribution to the European debate .....	46
4 European Strategic Autonomy – Engaged, Drawing Red Lines. A View from Stockholm .....	48
4.1 Introduction .....	48
4.2 The Swedish political debate on EU strategic autonomy .....	49
4.3 A Swedish world view and the new political development.....	54
4.4 Future policy development and concluding remarks.....	62
5 Postscript .....	64
5.1 The virtues of membership – Nordics in the EU.....	64
5.2 Nordics on the same page – A more capable EU in the world, but sticking to the fundamentals .....	66
5.3 A stronger Europe – for the benefit of whom?.....	67
5.4 Institutional arrangements.....	68
5.5 China and multilateralism .....	68
5.6 Multilateralism under pressure – what route for the EU? .....	69
5.7 Taking the Nordic view to Europe .....	69
Sammanfattningar på Svenska .....	72

# Executive summaries

## **European Strategic Autonomy as seen from Denmark: Essentially Contested**

By Christine Nissen

From a Danish outlook, the concept of strategic autonomy is highly contested. Because of Denmark's special status within EU security and defence with a national opt-out from EU defence cooperation, the initial response to the EU achieving capacity for autonomous action has been one of 'resistance'. The essential fear is that strengthened European strategic autonomy can be interpreted as an alternative to NATO and the transatlantic relationship. Indeed, Denmark sees no credible alternative to the American collective defence guarantee. That said, Danish policy makers are increasingly also realising the need for a collective – and independent – ability to take responsibility for Europe's own security. Such an endeavour, however, must be in a form where the transatlantic relationship is safeguarded, and increased strategic autonomy aims to strengthen global partnerships. Within such a reading of the concept, increased autonomy is also a way to shoulder a greater burden in security cooperation with the US as perceived by Danish policymakers.

## **Finland and European Strategic Autonomy: 'Yes, but...'**

By Tuomas Iso-Markku & Niklas Helwig

The idea of European strategic autonomy and the role of the EU in achieving it has entered policy debates in Finland in recent years with growing vigour. However, Finland's views on strategic autonomy remain somewhat ambiguous. On the one hand, Helsinki is a fervent supporter of the EU as a global actor and security provider, and generally recognises the need to adjust the Union's policies in order for Europe to prevail in a more competitive international environment. On the other hand, Finland is wary of any proposals that could challenge the functioning of free markets within or outside the EU, upset the EU's institutional set-up, or undermine the Union's internal cohesion. Moreover, Finland insists that efforts to increase European strategic autonomy should strengthen the EU's global partnerships, above all the transatlantic link. Especially in the area of security and defence, they should also closely involve non-EU states such as Norway and the UK.

## **European Strategic Autonomy – Engaged, drawing red lines.**

### **A View from Stockholm**

By Calle Håkansson

Sweden's approach and discussions towards the concept and ideas of European strategic autonomy could often be seen as vague and negative. The concept has traditionally been met with scepticism and suspicion within the Swedish political discourse, which have voiced concerns about the risks of a weakened transatlantic link within the security and defence policy domain. However, as the concept has expanded to other policy fields – especially as a result of the COVID-19 pandemic and the state of global affairs – and the concept has been firmly anchored in the EU's political rhetoric, Sweden has started to more proactively engage with the notion of European strategic autonomy. Sweden hence sees the importance of strengthening both the resilience of the EU as well as the Union's role in the world. However, Sweden is adamant in defending global free-trade rules, the workings of the internal market as well as the transatlantic link in security and defence. Consequently, Sweden has now started to publicly engage in the discussions on European strategic autonomy to try to steer the policy direction.



# 1 Introduction

*Jakob Lewander*

## 1.1 Strategic autonomy: origin and content

In recent years voices from different corners of the European Union have argued that Europeans must face global realities head-on and must look to their own strengths and capacities to pursue their interests. They must have, it is said, ‘the ability to set priorities and make decisions in matters of foreign policy and security, together with the institutional, political and material wherewithal to carry these through – in cooperation with third parties, or if need be alone’.<sup>1</sup> The ideas and policies attributed to these capacities are what is known as ‘strategic autonomy’. This introduction aims to provide a conceptual and historical outline of the strategic autonomy discussion.

The vision of European autonomy is not new. In 1998, The Franco-British St. Malo declaration described the need for EU capacity to decide and act autonomously.<sup>2</sup> This document became the embryo of the subsequent deepening of EU security and defence structures. The term *strategic* autonomy was used by the European Council back in 2013, in discussions on strengthening the defence pillar of the Common Security and Defence policy (CSDP).<sup>3</sup> The concept then flared up in think tank seminars, speeches and opinion pieces in the final years of the last decade. Most distinct was probably the notion of European ‘sovereignty’, a phrase used by President Macron in 2017.<sup>4</sup> Despite minor variations in name, the content remained largely the same across the instances: discussions on global developments and challenges, what these meant for the EU and its member states, and what the EU needed to do to adjust to these changes. This would gradually lead to a discussion on further European integration moving beyond defence and security policy into climate, digitalisation, industrial and economic policy. This became all the more evident during the COVID-19 pandemic. Starting as a rhetorical concept to explain visions of deepened EU integration, strategic autonomy is for the European Commission today a political end as routine as jobs, competitiveness and prosperity.<sup>5</sup>

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<sup>1</sup> European Strategic Autonomy – Actors, Issues, Conflicts of Interests, 2019. Stiftung Wissenschaft und Politik. <https://www.swp-berlin.org/10.18449/2019RP04/>

<sup>2</sup> Franco-British St. Malo Declaration (4 December 1998). [https://www.cvce.eu/obj/franco\\_british\\_st\\_malo\\_declaration\\_4\\_december\\_1998-en-f3cd16fb-fc37-4d52-936f-c8e9bc80f24f.html](https://www.cvce.eu/obj/franco_british_st_malo_declaration_4_december_1998-en-f3cd16fb-fc37-4d52-936f-c8e9bc80f24f.html)

<sup>3</sup> Why European strategic autonomy matters. EEAS blog 03-12-2020. [https://eeas.europa.eu/headquarters/headquarters-homepage/89865/why-european-strategic-autonomy-matters\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/89865/why-european-strategic-autonomy-matters_en)

<sup>4</sup> Macron Emmanuel. Sorbonne speech 2017. <http://international.blogs.ouest-france.fr/archive/2017/09/29/macron-sorbonne-verbatim-europe-18583.html>

<sup>5</sup> Making Europe’s business future-ready: A new industrial Strategy for a globally competitive, green and digital Europe, 2020. [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_20\\_416](https://ec.europa.eu/commission/presscorner/detail/en/ip_20_416)

This SIEPS occasional paper gives an account of the Danish, Finnish, and Swedish understanding of the strategic autonomy debate and its main tenets. The purpose is to describe the general view on strategic autonomy in these countries, the areas where they coincide, and those where they don't. This builds a picture of Nordic priorities and interests regarding the many proposals and visions that fall under the topic of strengthening the Union's external capacities. Finally, the collection will shed light on what direction these member states see for the EU in the future and the very notion of membership itself.

## **1.2 The global landscape has changed – EU to follow?**

The central coordinates of global affairs have changed since the turn of the century. Just how much they have changed is clear if one compares the description of Europe and the world in the EU's 2003 Security Strategy (ESS) with that in the EU's 2016 Global Strategy (EGS). In 2003 the introductory words of the ESS stated that

Europe has never been so prosperous, so secure nor so free. The violence of the first half of the 20<sup>th</sup> century has given way to a period of peace and stability unprecedented in European history. The creation of the European Union has been central to this development. It has transformed the relations between our states, and the lives of our citizens. European countries are committed to dealing peacefully with disputes and to co-operating through common institutions. Over this period the progressive spread of the rule of law and democracy has seen authoritarian regimes change into secure, stable and dynamic democracies. Successive enlargements are making a reality of the vision of a united and peaceful continent.<sup>6</sup>

These words contain all essential elements of political promises of the European project: peace, prosperity, and democracy through integration and cooperation. By 2016 however, the EGS sets a starkly different tone:

The purpose, even existence, of our Union is being questioned. Yet, our citizens and the world needs a strong European Union like never before. Our wider region has become more unstable and more insecure. The crises within and beyond our borders are affecting directly our citizens' lives. In challenging times, a strong Union is one that thinks strategically, shares a vision and acts together.<sup>7</sup>

The central message here is that the success of 2003 is threatened. Also, and more importantly, it calls for strength and unity from the Union. Not only to safeguard the values of the EU, but for the benefit of the world. This is the

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<sup>6</sup> European Security Strategy – A secure Europe in a better world, 2003. <https://data.consilium.europa.eu/doc/document/ST-15895-2003-INIT/en/pdf>

<sup>7</sup> A Global Strategy for the European Union's Foreign and Security Policy – Shared Vision, Common Action: A Stronger Europe, 2016. [https://eeas.europa.eu/archives/docs/top\\_stories/pdf/eugs\\_review\\_web.pdf](https://eeas.europa.eu/archives/docs/top_stories/pdf/eugs_review_web.pdf)

backdrop and framework for understanding the different calls for making the EU more willing and able to face internal, regional, and global challenges.

### **1.3 A timeline**

To better understand this shift in perception of the world visible between these two documents, it is instructive to look back at the major events that have shaped European politics the last 20 years. The divided Europe of the late 20<sup>th</sup> century was ended with a major wave of European integration through the enlargement process of 2004–2007. The Euro had been launched in 1999, during a period of sustained economic growth that saw a considerable leap in purchasing power for the expanding middle classes. But during the time of the financial crisis and the fall into recession (late 2007 onwards), the scope of today's challenges – external and internal – started to take shape. Here are some of the central events that followed:

- In 2010 the first protests of the 'Arab Spring' occurred and were met in the EU with a mix of surprise, confusion, and hope, albeit with recognition of the EU's limited room for manoeuvre. This led the Union to focusing its neighbourhood policy towards stability and resilience. The disastrous employment situation for North African youth and the weak functioning of rule of law, along with authoritarian and intensely corrupt rule was a social catastrophe on the EU's borders and a source of major political concern. Today, the reactions to the popular uprisings have led to years-long conflicts and violent civil wars. These have generated a dynamic of shattered state structures and forced considerable numbers of citizens to leave from their homes escaping wars and low-prospect futures. The migration crisis of 2015 was one link in this chain of international events in North Africa and the Middle East.
- In late 2011 the UK blocked the attempt to convert an updated Stability and Growth Pact into an EU-treaty, aimed at combining tighter fiscal integration and surveillance along with capacitating the European Stability Mechanism (ESM) to issue loans to struggling eurozone countries. The UK shortly after initiated a process of serious debate on its EU membership, and in 2015 Parliament voted to hold a referendum on the UK's membership of the EU.
- In 2014, pro-European protests at the Maidan (Independence Square) in Kyiv were violently suppressed by riot police and 130 people died. In February Russia occupied Crimea and a Russia-backed war of independence subsequently broke out in Eastern Ukraine. The trigger for all of this was the question of an accession agreement between the EU and Ukraine, to the detriment of Russian influence, a clear sign of the return of geopolitics as a concept in European politics.
- In 2016 the UK voted to leave the European Union, and the USA elected Donald Trump as President. This spurred a palpable reaction in the EU to consider what the Union itself could or should do to serve its own interests and purposes.

The political, economic and security framework that enabled the EU to prosper in the world after the two world wars had a number of elements: a transatlantic military alliance with the USA that served as a bulwark against the Warsaw pact countries and Soviet influence; a modernized European industrial economy boosted by the Marshall Plan; institutionalized welfare state systems and stable party systems, and multilateral fora that provided opportunities for conflict resolution and legitimacy for the world order.

Today, each of these elements faces challenges and the framework as a whole has substantially loosened. The EU is no longer divided by the structural logic of the Cold War. China is today an omnipresent economic actor in world trade and is also a commercial and political competitor on the Union's domestic scene. Whereas Soviet socialism was once the imminent systemic threat that facilitated the hegemony of European welfare systems, today those systems are subjected to stress and struggling to adapt to global – primarily Chinese – competition. The transatlantic alliance, though still intact, is in a state of reconfiguration after various moments of diverging directions. The US-led invasion of Iraq was one such moment, and accentuated divisions *within* Europe. Notwithstanding the popularity of President Obama among Europeans, his administration's foreign policy 'Pivot to Asia' was perceived as America's political, military, and economic focus shifting away from Europe. President Trump's outright hostility towards the EU and friendliness with likeminded illiberal leaders at member state level, along with his explicit complaints about the US bearing the bulk of NATO's costs made the message abundantly clear: the state of the transatlantic axis could not be taken for granted. The all-encompassing rise of China and Eastern-moving gravity of the global economy towards South-East Asia, in tandem with the recent isolationist direction of President Trump, has left multilateralism suffering at the expense of fragmentation. Despite the relief felt by many European citizens and leaders at the victory of President Joe Biden, concrete signs of cooperative rapprochement between USA and EU on global affairs remain scarce. After dealing with President Trump at the G7 in 2017, Chancellor Merkel took her message to the Germans in May 2017. Not a 100-minute-long vision at Humboldt University – but two sentences before party comrades in Munich: 'The era in which we could fully rely on others is over to some extent. We Europeans truly have to take our fate into our own hands.' The conversation on EU strategic autonomy today is about deciding on how true those words are and how they should be put into practice.

## 1.4 Why the North?

The Nordic countries are part of a region whose modern political and economic union predates the European project. Open borders were codified between Denmark, Finland, Iceland, Norway and Sweden under the Nordic Passport Union in 1952. The Nordic EU members share some general perspectives on EU membership: the importance of free markets, innovation, budgetary restraint, and further development of the single market.

As expressed in the Sieps Occasional Paper of 2015 *Same, same but different – The Nordic EU members during the euro crisis*, Denmark, Finland, and Sweden are all small countries, mostly separated from continental Europe, and characterized by advanced market economies and universal welfare states. Danish and Swedish memberships are closely linked to the benefits of the internal market and its well-regulated openness. The consensus in Denmark and Sweden is that any deepening of European integration should be weighed against national sovereignty. Denmark – a NATO member and a strong proponent of Atlanticism – is against any EU measures that question NATO's presence in Europe and has kept its treaty-based opt-outs from common defence policy. For Finland however, national sovereignty went in tandem with EU membership and the consolidation of national security. Swedish and Finnish foreign policy has been driven fundamentally by its non-alignment and neutrality, although in tandem with deep bilateral defence cooperation arrangements.

All this being said, what unites these three countries in the discussion on strategic autonomy is a strong insistence that the EU should remain an open market economy with low tolerance for protectionist measures. This reveals the underlying logic of EU membership for these export-driven economies concerned to protect and fund their welfare models. These similarities are however accompanied by important caveats, which highlights the meaning and focus of this study. Denmark has kept Maastricht-era opt-outs in the areas of Common Security and Defence Policy, Justice and Home Affairs and the adoption of the euro. While Denmark's negative disposition to integration stance is constitutionally codified, Sweden's reluctant position is better described as *ad hoc*. Not a euro member, and while positive to a stronger EU role as an external actor it remains hesitant regarding the coordination of foreign policy among member states. Finland, however, has been more integrationist in its EU membership. As a eurozone member, Finland has perceived EU integration as a source for both economic growth and political influence rather than a threat to national sovereignty. This traditional stance however faced internal resistance during the financial management of the euro crisis.

## 1.5 Method and outline

The analysis in each country chapter is based on government policy documents; op-eds; academic and think-tank research, and interviews with civil servants who work on EU, foreign and defence policy. Though the contributions are written separately, they take a common approach: first, there's an account of the national understanding (insofar as there is one) of the international environment and global politics. That worldview informs an assessment of the country's position vis-a-vis the EU. Secondly, the contributions run through the central policy lines that are being debated within the framework of strategic autonomy. Thirdly, the authors describe and explain the countries' respective positions, interests, and active engagement in shaping this debate and policies on EU level.

The collection concludes with a synthesis of converging and diverging policy lines extracted from the three country-specific chapters. These convergences and divergences are considered in the context of the general debate on strategic autonomy initiatives and further European integration.

## 2 European Strategic Autonomy as seen from Denmark: Essentially Contested

*Christine Nissen*

In Denmark, the idea of European strategic autonomy is highly contested. Essentially, Denmark faces the challenge of investing in a stronger EU presence on the international scene while simultaneously keeping the United States committed to European security. Of course, all European states will need to strike a similar balance, but Denmark has a unique perspective on EU security and defence issues that sets it apart from the European mainstream because of the instalment of a national exemption from the defence-related aspects of the Common Foreign and Security Policy (CFSP) in place since 1992. This chapter addresses Denmark's approach to the EU's wider security and defence policy, and in particular new EU ambitions to strengthen the Union's strategic autonomy across a range of policy areas. The chapter begins by presenting the Danish view of its security environment and general developments in world affairs, before discussing how Denmark perceives of different aspects of European strategic autonomy. The chapter concludes by suggesting how and where Denmark seeks to be particularly proactive in shaping the EU's approach to strategic autonomy.

### **2.1 Denmark in a changing security context**

In recent years, a series of global developments have changed the parameters of European security, and as a result, Denmark's operating environment is in a state of flux. This applies to the nature and scope of new perpetual threats, such as hybrid warfare, migration pressures, climate change, and the COVID-19 pandemic. Adding to the level of complexity, the multilateral frameworks to provide solutions for transnational challenges are under pressure and global power competition is on the rise.

#### **2.1.1 Diagnosis of threats: a moving target**

Denmark's perception of its immediate security environment and potential threats have shifted significantly in recent years. To the east, the Russian threat is seen to have returned, following the Russian annexation of Crimea in 2014. To the south, conflict and poverty in the Middle East and Africa are framed as having direct security implications for the European continent in the shape of migration and terrorism. In response, Denmark is refocusing its security and

defence policy on regional security and territorial defence.<sup>8</sup> The current Defence Agreement covering 2018–2023 pledges to increase the Danish defence budget by DKK12.8bn – a significant raise.<sup>9</sup> It refers to new, severe threats, including to the territorial integrity of Europe with implications for national security. With the defence agreement, funds were channelled *inter alia* to strengthen NATO's collective deterrence policy, especially in Eastern Europe following the annexation of Crimea; to raise Denmark's ability to take care of its own security; to further develop its national cyber security and finally, to support international military operations in general. While the latter focus areas have been the main spending post for the Danish Armed Forces for decades, the former focus areas are new ones, all relating to furthering national territorial defence in some degree. Thus, this focus on territorial defence and Denmark's immediate neighbourhood should be seen in stark contrast to Danish security and defence policy the past decades, which, since the end of the Cold war, has focused on out-of-area operations and international conflict management.

At the same time as this refocusing there has been a broadening of the scope and 'kind' of challenges which constitute threats from the Danish perspective. Across government, Danish policymakers are increasingly focused on 'new threats' where insecurity stems not only from military threats but is increasingly manifested in other areas of society such as trade, technology, and critical infrastructure. Such a complex threat pattern requires an equally broad application of policy tools. Critical infrastructure, and modern warfare, and in particular new threats such as misinformation and cyber-attacks are challenges that are of top priority from the Danish perspective. Compared to other EU countries, Denmark is relatively vulnerable to threats in this realm, for example when it comes to potential attacks on Danish critical infrastructure, cyber-attacks or disinformation campaigns.<sup>10</sup> This vulnerability has been shown by the fact that Denmark has experienced severe cyber-attacks on the digitalised public infrastructure and private companies.

As such, while the Danish Armed Forces – and indeed the broader Danish security identity, are becoming reengaged in a territorial type of threat perception, this does not imply that only traditional – hence military – threats are considered. Quite the opposite: defence policy and threats have become much more broadly interpreted in recent years and can mean anything from migration to hybrid warfare.

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<sup>8</sup> Nissen, C. & Albrecht, P. (2018). The willing, the hesitant and the late-comer. DIIS policy brief. Copenhagen: Danish Institute for International Studies.

<sup>9</sup> The Danish Defence Agreement 2018–2023 (Danish: Forsvarsforlig 2018–2023) is the white paper adopted by the Parliament which structures the military of Denmark in the period of 2018 to 2023.

<sup>10</sup> Jakobsen, A. (2019). Når Hydra angriber: Hybrid afskrækkelse i gråzonen mellem krig og fred. Report. Centre for Military Studies. Copenhagen University.



### 2.1.2 The multilateral system under pressure

Another aspect of world politics undergoing fundamental change is the multilateral system, which is under increasing pressure. As a small country, the defining characteristic of Danish foreign and security policy since at least the end of the Second World War has been its adherence to multilateralism in order to further its own state security and as a means to promote internationalist norms. Denmark was a founding member of the UN in 1945 and NATO in 1949, joined the GATT in 1955, and became a full member of the European Union on the 1 January 1973. This remains the case: multilateral organisations are seen as the primary place for Denmark to promote national priorities across different policy areas. As an example, Denmark belongs to those countries which contribute the most per citizen to the UN,<sup>11</sup> and is currently pursuing a seat for a Danish candidate on the United Nations Security Council in 2025–2026, which means a significant increase in staff and resources being spent on active membership in the UN.

That said, Danish policy makers are also deeply aware of the existential crisis that the (western) multilateral system currently finds itself in.<sup>12</sup> While the Trump administration made this crisis significantly deeper, multilateral organisations have been losing their luster for decades, with the UN and its manifold agencies being criticised for lack of efficiency and the WTO failing to conclude the negotiations of the Doha round which began in 2001. In the past two decades or so, we have also seen how Denmark is making less use of some multilateral frameworks, including the WTO and the UN system. One example is UN peacekeeping missions, which Denmark was a strong supporter of since the first missions. Indeed, the UN represented a natural and attractive framework for supporting peace operations globally and appeared an ideal avenue for the outward promotion of values related to the Nordic welfare state model. From the end of the 1990s however, Denmark sharply reduced their contributions to UN peacekeeping operations, cementing a trend that has continued up until today: a reorientation towards military operations led by NATO or through bilateral coalitions.<sup>13</sup>

### 2.1.3 Geopolitics of the day: the Transatlantic Link and increasing Great Power competition

Besides relying on the multilateral system, another key characteristic of Danish security policy, has been its dependence on – and trust in – the American security guarantee.<sup>14</sup> There exists a broad understanding among national policymakers

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<sup>11</sup> Andersen, L.R. (2021). *Hvad vil Danmark med FN?*. DIIS report. Copenhagen: Danish Institute for International Studies.

<sup>12</sup> Author's interviews.

<sup>13</sup> Nissen, C. and P. Albrecht (2018). "To UN or not to UN. The question of Nordic UN peacekeeping. DIIS policy brief. Copenhagen: Danish Institute for International Studies.

<sup>14</sup> Mariager, R. and Wivel, A. (2019) *Hvorfor gik Danmark i krig?*. Uvildig udredning af det historiske forløb i forbindelse med Danmarks militære engagement i Kosovo, Irak og Afghanistan.

that the US has been and indeed is the only country that can guarantee Danish security against external threats, and the NATO framework is seen to institutionalise such a guarantee. As it appears from the Danish national security strategy covering 2019–2020 and published just after the election of Donald Trump as President, Denmark reaffirms the importance of the United States acting as a global power:

Global American leadership is in Denmark's national interest [...] and pivotal for national security and rule-based, international cooperation [...]. Therefore Denmark must strengthen our engagement to actively maintain American Global leadership.<sup>15</sup>

Of course, it is also recognised by Danish policy makers that the world system can no longer be seen as unipolar with the US as the only dominant leader. Here, the general view among Danish policymakers is that regional power constellations will increasingly structure international relations, although China may emerge as a global power within the near to medium term.<sup>16</sup> As a result, Denmark is increasingly focused on the future role of China in the world economy as well as in international security. As recently formulated by Foreign Minister Jeppe Kofod, 'China is an unavoidable giant in the World economy, and the question for us is not if, but how and under what rules, we should engage with China in the future.'<sup>17</sup> Danish policymakers do not view China only, or even primarily, as an economic challenge, but rather a geopolitical one. As such, economic, security and more fundamentally geopolitical issues are intertwined, and must be approached in a comprehensive matter, including when it comes to dealing with major powers. That said, there also exists a general sentiment that Denmark and the EU should not be overly concerned about China's economic and security dominance, at least not yet, since China presents just a little over 5 percent of the total trade of EU member states in 2019.<sup>18</sup> Here, the Danish position is largely to follow the EU, and push for an EU approach that is less passive and reactive than it has been until now.<sup>19</sup> For example, the Danish government strongly supported the Trade agreement recently concluded between China and the EU, while also wishing that the agreement will be used pro-actively to push China in a direction that is compatible with European standards and norms.<sup>20</sup> As such, the Danish China policy remains highly Europeanised.<sup>21</sup>

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<sup>15</sup> The Danish Government (2018). Udenrigs- og Sikkerhedspolitik Strategi 2019-2020, p. 8. Author's own translation.

<sup>16</sup> Author's interviews.

<sup>17</sup> Information, "Kofod forsvarer aftale med Kina: Vi kan ikke bare være passive", 7 January 2021.

<sup>18</sup> Author's interviews.

<sup>19</sup> Author's interviews.

<sup>20</sup> Author's interviews.

<sup>21</sup> Author's interviews.

That China is increasingly perceived to be a geopolitical challenge and one that should be handled within the European framework is partly related to the role played by the US in the international system. While Denmark rejoiced the Biden victory in November 2020 and Danes have high expectations of his ability to reaffirm the transatlantic link and reassume the USA's position in world affairs, the Trump presidency nevertheless planted an emerging fear about American world leadership. As such, there is a growing sentiment that Europe should deal with China in a more autonomous manner, rather than getting involved in a conflict between the two superpowers.<sup>22</sup> With Biden, there is a great chance for a revival of Atlanticism, which Denmark would definitely prefer, but a European alignment against China should not be taken for granted either.

#### 2.1.4 The World Economy, and other key issues: COVID-19 and Climate change

Denmark has a small, open economy that is not highly diversified and depends heavily on European and global export markets. As such, the small country in the North has a natural inclination to back an economic and security architecture that covers the global commons in addition to the European continent. Similarly, the general Danish outlook is for the EU and the European economy to be as open and liberal as possible. With the United Kingdom now out of the EU, a highly salient issue for Danish officials and politicians is what is perceived as a post-Brexit risk of the EU's trade policy becoming more protectionist as the UK is no longer there to provide a commercially liberal balance in the Council.<sup>23</sup> As a small state with a national opt-out to remain outside the euro-zone, Denmark's weight on economic governance in the EU system is limited. Accordingly, Copenhagen has been looking for new friends in the negotiation rooms and has teamed up with a group of like-minded countries; the so-called 'frugal four' consisting of the Netherlands, Sweden, Austria and then Denmark. The four countries are all relatively small, relatively rich, and as such are taking a relatively timid approach to deepened, economic integration within the EU. When negotiating the Multiannual Financial Framework (MFF) the group stayed united in rejecting a larger EU budget. Undoubtedly, Denmark will push for this new alliance to become a lasting group within the EU that may act together in the future.<sup>24</sup>

While Denmark's international trade policy fundamentally aims at promoting free trade on a global basis and securing market openings with key trade partners, Denmark also increasingly recognizes that trade must also be viewed in a security perspective. Recently, Denmark has adopted a new investment screening act on

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<sup>22</sup> Krastev, I. and Leonard, M. (2021). The Crisis of American Power: How Europeans see Biden's America. ECFR Policy Brief; Author's interviews.

<sup>23</sup> Author's interviews.

<sup>24</sup> Sørensen, C. (2020). How the frugal four could grow in number and influence. Analysis. Think Tank Europe.

foreign direct investment (FDI) with reference to national security concerns.<sup>25</sup> The bill was approved by all parties of parliament with no controversy.<sup>26</sup> This is even though the FDI bill constitutes an entirely new regime in Danish legislation, as thus far foreign investment in Denmark has been subject to no – or very limited – regulation.<sup>27</sup> During the negotiations over the bill, all political parties stressed the necessity of protecting critical infrastructure, and essentially perceived of FDI-screening as a means of protecting national security. Furthermore, most parties emphasised that Denmark needed to follow the general tendency across Europe to implement the EU's FDI screening regulation adopted in 2019, and which the Danish act directly was based upon.<sup>28</sup>

Climate change is another highly salient issue where Danish policymakers see the need for strong transnational cooperation, especially within a European framework. In Denmark, there is an emerging consensus across political lines regarding the need to 'do more' on the overall issue of climate change and indeed, there exists widespread support for this across the political spectrum and in public opinion.<sup>29</sup> The Danish climate strategy, which became law with broad parliamentary support, includes targets to reduce carbon emissions by 70 per cent by 2030 and to achieve carbon neutrality by 2050.<sup>30</sup> For the Danish economy, sustainable energy is an important and growing market, accounting for around €13 billion in exports in 2019. Therefore, Denmark hopes that European countries' transitioning to green energy will generate further growth in the sector. As such, Denmark is also supportive of the European Green Deal and the EU's 2030 goal of cutting emissions by 55 per cent from 1990 levels. Within the EU framework Denmark has actively sought to push the EU's climate goals further.<sup>31</sup> That said, there are also some political concerns regarding a supranational, EU climate policy. For example, some Danish policymakers and diplomats are somewhat sceptical about the EU's proposed carbon border adjustment mechanism, which they fear could undermine free trade to the detriment of Danish exports and jobs.<sup>32</sup>

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<sup>25</sup> The Danish act builds directly on the EU FDI screening regulation adopted in March 2019.

<sup>26</sup> Parliament debate (2021). L 191 Forslag til lov om screening af visse udenlandske direkte investeringer m.v. i Danmark. Debate in the Danish Parliament on Bill L191.

<sup>27</sup> Gjørl-Trønning, T. & Gall, M. (2021). Danish Parliament adopts investment screening act on foreign direct investment. M&A Corporate Matters, Bech Bruun. 2 June 2021.

<sup>28</sup> Parliament debate (2021). L 191 Forslag til lov om screening af visse udenlandske direkte investeringer m.v. i Danmark. Debate in the Danish Parliament on Bill L191.

<sup>29</sup> Public Opinion polls 2018–2021 om Danskernes holdning til klimadilemmaer. Norstat for Energi-, Forsynings- og Klimaministeriet. 2018, 2019, 2020, 2021.

<sup>30</sup> The Danish Government (2020). A Green and Sustainable World: The Danish Government's long-term strategy for global climate action.

<sup>31</sup> ECFR (2021). *Europe's green moment*, Susi Dennison, Rafael Loss & Jenny Söderström: European Council on Foreign Relations, 2021.

<sup>32</sup> Author's interviews.

Finally, COVID-19 has been yet another vivid example of how contemporary threats to national and international security are not only complex but may also be highly unexpected and require diverse solutions. Besides controlling the situation nationally, Danish policymakers have been pushing for transnational solutions to strengthen European economies during the crisis as well as to strengthen Europe's health infrastructure. At the same time, when it comes to the EU's concrete fiscal and policy response to the COVID-19 pandemic – Next Generation EU (NGEU) – Denmark has taken a restrictive approach, supporting the instrument only as a 'one-off' mechanism, rather than a blueprint for future crisis management. It was in negotiating NGEU that Denmark joined forces with the 'frugal four', pushing for a model where the loans came with certain conditionalities.<sup>33</sup>

## **2.2 The Danish debate on European strategic autonomy**

In such a complex security context, where the need for European autonomous action is widely shared, Denmark finds itself in a tricky spot, especially when it comes to security and defence policy. With its defence opt-out, its longstanding inclination for American leadership, and indeed, the most EU-sceptic government to date, Denmark may risk being side-lined when EU member states are strengthening their common security policies. At the same time, however, Denmark supports some aspects of the quest for European strategic autonomy and national policymakers are also currently broadening the scope of their room for manoeuvre within the opt-out.

### **2.2.1 Towards a defence Union?**

In the Danish debate, European strategic autonomy is mostly discussed in relation to the policy field of security and defence in a narrower sense. Here, Denmark has generally been very sceptic of rhetorical aspects of the strategic autonomy debate taking place in the EU, although it largely agrees with its contents.<sup>34</sup> Essentially, the Danish fear is that strengthened European strategic autonomy can be interpreted as an alternative to NATO and the transatlantic relationship. Denmark sees no credible alternative to NATO's collective defence guarantee when it comes to traditional, military defence and the key priority for Denmark in terms of the EU's defence aspirations is thus to avoid any type of duplication with NATO.<sup>35</sup> To avoid a reading of the term where strategic autonomy can be interpreted as an alternative to NATO and the transatlantic link, Denmark has actively sought to nuance the language and limit the use of the concept in EU council conclusions.<sup>36</sup> In policy discussions at EU level, Denmark has promoted

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<sup>33</sup> de la Porte, C, Jensen, Mads Dagnis Jensen. (2021). The next generation EU: An analysis of the dimensions of conflict behind the deal. *Soc Policy Adm.*; 55: 388– 402.

<sup>34</sup> Nissen, C. & Larsen, J. (2021). European strategic autonomy: from misconceived to useful concept what can we learn from the Northern outlook?. DIIS policy brief. Copenhagen: Danish Institute for International Studies.

<sup>35</sup> Author's interview.

<sup>36</sup> Author's interview.

the position that the transatlantic relationship must be safeguarded, and that strategic autonomy must not mean that reduced cooperation with the outside world, quite the contrary. Within such a reading of the term, Denmark believes that there is good sense in the EU gaining more autonomy which can be further framed as a desire for Europe and the EU to shoulder a greater burden in security cooperation with the US.

At the same time, Danish policy makers are also becoming aware of the need for Europe and the EU to develop some level of autonomy across policy areas, latest being exemplified by the dramatic American exit from Afghanistan. While the American exit was not a surprise *per se*, it demonstrated how much Europeans depend on American capabilities, and indeed emphasised the fact that the US may not always choose to keep its European allies in the loop in terms of strategic decisions.<sup>37</sup> That said, Denmark will continue to emphasise strongly how an increased European strategic autonomy should certainly not be seen as autonomy from the US, but rather autonomy to act in cases where the US is less willing or interested in doing so. Thus, a strengthened sense of assertiveness on the part of Europe should only take a form which is backed by the Americans.<sup>38</sup>

### 2.2.2 The (changing) nature of the Danish EU defence opt-out

Danish resistance towards building a genuine defence union not only has to do with the fear of weakening the transatlantic link but is also tied to the opt-out which exempts it from participating in defence-related aspects of the EU's Common Foreign and Security Policy (CFSP). Concerns about the EU's impact on national identity and the fear of losing sovereignty have characterised the Danish perception of its EU membership for many years, and the Danish defence opt-out means that Denmark has a unique perspective on European security which sets it apart from the European mainstream. By virtue of this opt-out, Denmark cannot participate in EU defence mechanisms, such as the EU Military Committee and its Military Staff, the European Defence Agency (EDA) or in Permanent Structured Cooperation (PESCO) initiatives. Furthermore, the opt-out means in practice that Denmark has no influence over the direction of EU defence policy. It also prevents Denmark from participating in any EU CSDP missions that have military implications.

That said, the Danish defence opt-out is confined to EU activities that have their legal bases in a certain set of CFSP provisions (namely article 42–46 TEU) and have defence implications.<sup>39</sup> Whether an EU activity has 'defence implications' is a matter of legal interpretation on a case-by-case basis, which makes the opt-

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<sup>37</sup> Author's interview.

<sup>38</sup> Author's interview.

<sup>39</sup> Banke, C. et. al. (2019). Europæisk forsvarssamarbejde og det danske forsvarsforbehold: udredning i EU og Europa på det sikkerheds- og forsvarspolitiske område og betydningen for Danmark. DIIS Book. Copenhagen: Danish Institute for International Studies. Copenhagen: Denmark.

out somewhat flexible. Until recently, the opt-out has however mostly been interpreted very strictly: if an EU provision or activity had the slightest ‘smell’ of defence, Denmark would not take any part.<sup>40</sup> Now, where EU defence is moving beyond merely matters of the EU’s common security and defence policy regime, and we see new defence initiatives based on a non-CSDP legal basis, Denmark has been allowed to participate in a range of EU defence related activities, despite the opt-out.<sup>41</sup> This includes initiatives such as the European Defence Fund, new cooperation on military mobility, and the launch of a European peace facility to bolster external action on peace and security.

A new tendency is emerging whereby the opt-out becomes interpreted less strictly than beforehand, and this is enabled by the emerging grey-areas regarding what constitute defence matters. For example, Denmark has participated in the recent scenario-based exercises designed to test the so-called mutual defence clause – the first of these focused on hybrid warfare and occurred in January 2021 and was followed by two others. This is despite the fact that the mutual defence clause (article 42.7) is part of the legal articles that are explicitly covered by the opt-out.<sup>42</sup> However, because these military exercises were centred around hybrid threats, the Danish Foreign Ministry interpreted that the Danish opt-out would in fact not apply, because there were no ‘defence implications’.<sup>43</sup> While such an interpretation is primarily related to the blurring of military and non-military threats, it is also an active – and new – choice made by Danish policymakers, to strive to participate ‘as much as possible’ within the boundaries of the opt-out.<sup>44</sup> The common belief among the current, Social-democratic government, is that the opt-out ‘is here to stay’: Prime Minister Mette Frederiksen as well as Defence minister, Trine Bramhsen and Foreign Minister Jeppe Kofod, on several occasions have stated that the defence opt-out should not be lifted.<sup>45</sup> Generally, the government has been significantly more sceptical of the EU than its predecessors, all of which emphasised their ambition to end the defence opt-out when the time was right.<sup>46</sup> Curiously, besides being the most EU-sceptic to

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<sup>40</sup> Formally, Denmark, in cooperation with the EU Council’s legal service, determines whether the opt-out applies in specific matters. In practice, the legal service in the Danish Foreign Ministry deals with the interpretation and application of the opt-out.

<sup>41</sup> Nissen, C. et al. (2020). *European Defence Cooperation and the Danish opt-out: recent developments in the EU and Europe in the field of security and defence policy and their implications for Denmark*. DIIS Book. Copenhagen: Danish Institute for International Studies. Copenhagen: Denmark.

<sup>42</sup> Butler, G. (2020). *The European Defence Union and Denmark’s Defence opt-out: A Legal Appraisal*. *European Foreign Affairs Review*, Vol. 25, Issue 1. Pp. 117-150.

<sup>43</sup> Author’s interview.

<sup>44</sup> Author’s interview.

<sup>45</sup> DR (2019). *Bramsen vil beholde forsvarsforbehold: EU er ‘utrolig langsom’, når der skal handles*. 8 November 2019; Berlingske (2018). *Mette F: De danske forbehold er grundlag for EU-politik*. 16 June 2018.

<sup>46</sup> The time, however, has never really been ‘right’; these governments have been unsuccessful whenever they have held a referendum on opt-outs – including those on the eurozone in 2000 and on justice and home affairs in 2015.

date, the current government is the first to explore ways to increase its room of manoeuvre on EU defence cooperation. Thus, Denmark is compelled to retain the opt-out as a sovereignty guarantee while participating in this expanded defence cooperation to some extent.

### 2.2.3 The European defence fund

The most central example for Danish participation in EU defence union is the European Defence Fund (EDF). Here, Denmark has increasingly come to prioritise active participation. It did though, have a slow start figuring out where to place itself and which priorities to pursue in a context where the national opt-out has created a certain mindset over time where Danish policy makers, researchers, companies and the like are simply not used to thinking in EU terms when it comes to defence.<sup>47</sup> In the beginning, therefore, Danish authorities spent all of their time figuring out Denmark's place in the fund, rather than considering its substantial priorities for the fund.<sup>48</sup> The confusion regarding Danish participation in the fund was also very much present abroad, where European partners have mistakenly assumed that Danish companies and research institutions could not participate in EDF consortia, when in fact they can.<sup>49</sup> After this initial stage of confusion, the challenging backdrop for Danish participation in the EDF has however meant Danish authorities and companies have actively worked to establish an institutionalised approach to Danish participation in the EDF. Here, the government has sought to mobilise the full range of Danish companies and research institutions that could benefit from the participating in the fund. A broad-based advisory group was established by the Danish government as an initiative to forge a common strategy for Danish engagement. Denmark has come to see the EDF as a unique opportunity for the Danish defence industry, which is small and dependent on partnerships, to take part in longer-term and transnational cooperation, providing new knowledge and export opportunities for the Danish defence industry. Danish companies and research institutions have worked in a proactive manner to become involved in projects under the test-programs of the fund, and successfully been included in a range of consortia under the capability window (EDIDP) and the research window (PADR) of the fund.<sup>50</sup>

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<sup>47</sup> Nissen, C. (2021). Forsvarsfond uden forbehold: Det er en politisk opgave at udnytte mulighederne i EU's nye forsvarsfond. DIIS policy brief. Copenhagen: Danish Institute for International Studies.

<sup>48</sup> Banke, C. et. al. (2019). Europæisk forsvarssamarbejde og det danske forsvarsforbehold: udredning i EU og Europa på det sikkerheds- og forsvarspolitiske område og betydningen for Danmark. DIIS Book. Copenhagen: Danish Institute for International Studies. Copenhagen: Denmark.

<sup>49</sup> Ibid.

<sup>50</sup> Nissen, C. (2021). Forsvarsfond uden forbehold: Det er en politisk opgave at udnytte mulighederne i EU's nye forsvarsfond. DIIS policy brief. Copenhagen: Danish Institute for International Studies.



When it comes to the Danish vision for the EDF, it perceives of the fund as a tool for enhancing defence industrial competition and economies of scale in Europe rather than seeing it as a first step towards achieving a defence union.<sup>51</sup> Generally, Denmark is opposed to building a European defence union from the EDF core, and supports instead an inclusive model where non-EU NATO allies are also able to be affiliated with the EDF projects.<sup>52</sup> As such, Denmark also supports third state participation in the fund, and are satisfied with the EDF provisions for the inclusion of third countries such as the United States or Norway.<sup>53</sup> While Denmark aspires to reduce dependencies on industries outside the EU, policy-makers emphasise that a precondition for European strategic autonomy is to remain open to trade and cooperation with third parties.<sup>54</sup> An EDF which is kept in an inclusive form, could also help mitigate some of the implications of the Danish opt-out, given that as well as being excluded from PESCO Denmark does not participate in the EU's Capability Development Plan (CDP) or the Coordinated Annual Review on Defence (CARD). It should however be emphasised that Denmark is not seeking to weaken these links. Rather, Denmark is focusing its efforts on furthering the defence planning process already provided by NATO – since this is the only option given the opt-out – and also on avoiding duplication and allowing third state participation.<sup>55</sup>

#### 2.2.4 The scope of European Strategic Autonomy

While Denmark is thus reluctant about the idea of building a genuine defence union, the country does see that there is an increasing need for the EU to be able to defend its interests on the international scene, not least when it comes to issues broader than the question of military cooperation and territorial defence. From a Danish point of view, strategic autonomy should therefore also be broadened to also include other aspects of foreign and security policy, such as diplomatic, civilian, technological and economic dimensions.<sup>56</sup> Here, Denmark pushes for a broad application of policy tools to reflect today's complex threat pattern, where insecurity stems not only from military threats but is increasingly manifested in other areas of society, such as trade, technology and critical infrastructure. This is reflected, for example, in Danish priorities regarding the EU's strategic compass, which is currently being negotiated. While Danish policy makers note that they still find the ongoing discussions on the strategic compass too broad and general, they also see them as a helpful means to concretize plans of strengthening the EU's capacity. Here, Denmark primarily prioritises the work basket of the compass which focuses on resilience, covering, *inter alia*, hybrid threats.<sup>57</sup> New

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<sup>51</sup> Rynning, S. (2020). National Expectations Regarding the European Defence Fund: The Danish perspective. Comment. Armament Industry European Research Group.

<sup>52</sup> Rynning, S. (2020).

<sup>53</sup> Author's interview.

<sup>54</sup> Author's interview.

<sup>55</sup> Rynning, S. (2020).

<sup>56</sup> Author's interview.

<sup>57</sup> Author's interview.

threats and modern warfare is indeed a focus area where Denmark sees the EU framework as a crucial one. Herein lies the strength of the EU as a security provider compared to NATO, namely the EU's manifold foreign policy toolbox that can address security threats outside the 'traditional' spectrum of threats, as well as conflict and instability, in a comprehensive and long-term manner. Denmark also has a certain interest in furthering the non-military aspects of EU security and defence cooperation, given that the Danish EU opt-out from defence prevents Denmark from participating in military CSDP.

One aspect of strategic autonomy beyond that of defence where Denmark takes a more reluctant approach is when it comes to deepened EMU integration. Denmark has also opted out of EMU cooperation, and as a non-euro country, its 'outsider' status has come to shape its stance on deepened economic integration within the eurozone. Denmark is particularly worried about the creation of a eurozone bloc which would shape the rules of the entire EU, and not just for members of the euro, and in turn risk marginalising non-euro members such as Denmark. Concerned about the very future of the eurozone, and also about being 'infected' if they joined the group, Denmark has adopted a 'wait and see' approach to the euro and related issues, such as the banking union, where Denmark does not have a clear stance on its national position.<sup>58</sup> As discussed, Denmark also belongs to the 'frugal four' group generally wishing to limit spending in an EU framework.<sup>59</sup> At the same time, however, Denmark also has an interest in eurozone recovery particularly in light of COVID-19, including the creation of better rules and improved governance.<sup>60</sup> Denmark is bound to the euro area by its fixed exchange rate policy, and Danish officials see themselves as 'the best euro country that never was'. As such, Denmark has generally sought to be bound by as much eurozone legislation as possible or has bilaterally adapted to EMU legislation.

### 2.2.5 Towards multi-speed Europe?

Being a country with several official opt-outs in place, it is difficult for Denmark not to be accepting of a multi-speed form of integration, where willing states move forward while others stay behind.<sup>61</sup> It is also foreseen by various Danish policymakers that the future will increasingly involve differentiated integration, not least in the delicate policy area of security and defence policy. As such, we have also seen how a certain flexibility has been introduced to the CSDP, where specific law provisions such as the constructive abstention mechanism (Article 23 (1) TEU), the extension of enhanced cooperation to CFSP (Article 20 TEU), coalitions of member states (Article 42.5 and 44 TEU) and the introduction of

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<sup>58</sup> Author's interview.

<sup>59</sup> Berlingske, 'Kompromismaskinen i EU slog til igen', 23 July 2020.

<sup>60</sup> Author's interview.

<sup>61</sup> Author's interview.

PESCO (Article 42 and 46 TEU) emphasise that differentiation in the field of defence is not only accepted but also legally made possible within the treaties.

While this differentiated approach to integration as made possible through legal mechanisms is accepted and even preferred in a Danish context, there is a resistance towards mechanisms that would override the exclusive right of the member states to determine the direction of the EU's future paths, such as qualified majority voting within the CFSP.<sup>62</sup>

Denmark is also sceptical about the discussions on the establishment of a European Security Council or any similar arrangement that connects the UK and the EU, and would essentially give big member states more influence in the decision-making process.<sup>63</sup> Paradoxically, however, Denmark finds itself in an odd position when it comes to strengthening EU integration since the opt-out is constructed in such a way that Denmark has no influence over initiatives introduced in this field of policy. Specifically, the opt-out states that Denmark 'will not prevent the development of closer cooperation between member states in this area'<sup>64</sup>. While it seems quite understandable that Denmark cannot block further integration, now that it has chosen to keep out of such integration, it is nevertheless a striking legal feature that Denmark formally has lost its power in the Council at its own request.<sup>65</sup> Thus, while the opt-out was framed politically as a means of retaining sovereignty and demonstrating legal guarantees, it *de facto* also means that Denmark has lost strategic control over its participation in EU defence.

### 2.3 Concluding remarks

The Danish stance on European strategic autonomy is ambiguous. While Denmark has been very sceptical of the rhetorical aspects of the strategic autonomy debate, it largely agrees with its contents, not least when applied to a broader spectrum of policy fields than a narrow focus on defence. Moreover, the scope of the Danish EU defence opt-out is currently undergoing change and being interpreted in a less restricted form than has previously been the case, which will, in turn, have implications for Danish participation in EU defence in the future.

Denmark will continue to be sceptical of the term 'strategic autonomy' but will at the same time aim to contribute to the debate as it takes place at the European level. Concretely, it welcomes any step towards concretising the scope and use of the term, such as the work carried out on the strategic compass. Here, Denmark

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<sup>62</sup> Author's interview.

<sup>63</sup> Author's interview.

<sup>64</sup> Presidency Conclusions. European Council Meeting in Edinburgh on 11–12 December 1992.

<sup>65</sup> Butler, G. (2020). The European Defence Union and Denmark's Defence Opt-out: A Legal Appraisal. *European Foreign Affairs Review*, 25(1), 117–150. Link: <https://kluwerlawonline.com/journalarticle/European+Foreign+Affairs+Review/25.3/EERR2020008>

will continue to push for its national interests relating to the broader field of EU defence – i.e. on issues where the opt-out allows for Danish participation.

As has been discussed, it is indeed the US question that largely determines the Danish approach to increased European strategic autonomy. Denmark hopes that the new Biden administration presents an occasion to reaffirm transatlantic security relations, and that enhancing European strategic autonomy can support this effort by bringing greater EU defence capabilities to the table. Indeed, the US has for decades pressured Europe to take more responsibility for their own security and this expectation is shared by the Biden administration. With the US pivot towards Asia, and a more assertive China and Russia, this is also in the interest of Europe (and Denmark). Moreover, the hybrid and unconventional nature of contemporary security threats – be they great power politics, trade wars, or technological competition – necessitates the activation of all relevant policy areas that can protect and promote European values and interests in the years to come.

# 3 Finland and European Strategic Autonomy: ‘Yes, but...’

*Tuomas Iso-Marcku & Niklas Helwig*

## 3.1 Introduction

As elsewhere in Europe, the idea of European strategic autonomy and the role of the EU in achieving it is gaining increasing attention in Finland. This analysis looks at how Finnish policymakers – and the Finnish government in particular – approach European strategic autonomy and the central proposals that have been put forward in conjunction with the concept. Like all member states Finland evaluates these on the basis of its own foreign and security policy traditions; the role it assigns to the EU as a political framework and an international actor; the make-up of its national economy; the international connections and partnerships it maintains, as well as its assessment of the world around it.<sup>66</sup> To get a comprehensive view of the Finnish thinking on the key questions related to strategic autonomy, this analysis advances in three steps.

First, the analysis studies the most important Finnish foreign, security and defence policy documents and looks at how Finland’s assessment of its security environment has changed over the last two decades. It shows that Finland recognises most of the same trends that have underpinned the discussions about European strategic autonomy at the EU level. In the last 5–10 years Finland has grown increasingly worried about the state of international politics and its own neighbourhood, seeing its operational environment as being in an ‘intense state of flux’<sup>67</sup> due to great power competition, weakening commitment to multilateral cooperation and the increasing use of geo-economic instruments and hybrid influencing. At the same time, one thing that has remained constant during the last two decades has been Finland’s strong belief in, and support for, the EU’s role as a global actor. Meanwhile, the importance of the transatlantic partnership, through NATO, the US military presence in Europe and Finland’s advancing bilateral defence cooperation with the US, has grown further.

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<sup>66</sup> See N. Helwig, ‘EU strategic autonomy: A reality check for Europe’s global agenda’, *FIIA Working Paper* 119, Helsinki, Finnish Institute of International Affairs, 2020.

<sup>67</sup> Finnish Government, *Government Report on Finnish Foreign and Security Policy*, Publications of the Finnish Government 2020: 32, 29 October 2020, p. 11; Finnish Government (2016), *Government Report on Finnish Foreign and Security Policy*, Prime Minister’s Office Publications 9/2016, 19 May 2016, p. 8.

Second, the analysis examines Finland's views on the more concrete ideas and proposals that have emerged from the strategic autonomy debate. By doing so, it points to some inherent tensions in the Finnish discourse on strategic autonomy, which veers between Finland's resolve to strengthen the EU as a global actor and security provider and the country's aversion to any changes that could challenge the functioning of free markets within or outside the EU, upset the EU's current institutional set-up, undermine the Union's internal cohesion, or negatively affect Europe's central partnerships such as the transatlantic link.

Third, the analysis concludes with an outline of European strategic autonomy that would be in line with Finland's current national preferences. Finland's focus will likely be on value-added solutions that seek to bolster the EU's capacity to act in foreign, security and defence matters; increase member states' competitiveness in the face of the economic and technological transformation; promote rules-based governance both inside and outside the EU, and strengthen the EU's bond with the US, NATO, the UN and other global partners. Overall, Finland wants European strategic autonomy to boost the EU's capacity to deal with the diverse regional and global challenges facing it rather than increasing the Union's autonomy from the rest of the world.

### **3.2 Finland in a world in flux**

Since the early 2000s Finland's assessment of the world – both its own neighbourhood and international politics at large – has changed significantly. In 2004, the Finnish government noted that the enlargement of the European Union and NATO, deepening integration within the EU and some developments in Russia had increased security and stability in Finland's neighbourhood and in Europe more broadly.<sup>68</sup> The main security challenges for Finland and Europe were thus seen to emerge from outside the continent. However, today Finland sees its whole operating environment as being in an 'intense state of flux'.<sup>69</sup> This applies to both the relations between the great powers, increasingly driven by mutual competition, and the situation in Finland's own neighbourhood, where Russia's actions in Ukraine and beyond have shaken the established security order. Moreover, the uncertainty of international politics unfolds against the backdrop of major global challenges, above all the climate crisis and the COVID-19 pandemic.

#### **3.2.1 Global power relations: From US dominance to great power competition**

One of the crucial changes in Finland's assessment of the world over the last two decades concerns the global power relations and the relationship between the great powers – with US dominance gradually giving way to competition between

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<sup>68</sup> Finnish Government, *Finnish Security and Defence Policy 2004: Government Report 6/2004*, Prime Minister's Office: Publications 18/2004, 24 September 2004, p. 5.

<sup>69</sup> Finnish Government 2020, *Government Report on Finnish Foreign and Security Policy*, p. 11; Finnish Government 2016, *Government Report on Finnish Foreign and Security Policy*, p. 8.

the great powers. In the early 2000s, Finland viewed the United States as the 'only global power', with a leading position both politically and militarily.<sup>70</sup> While other major powers were seen to be growing in strength, this was expected to happen primarily in a regional context, although China's potential to establish itself as a global power in the long run was acknowledged.<sup>71</sup>

A shift in global power relations has been observed in Finland from the early 2010s onwards, with China's continued economic growth providing it with more political influence vis-à-vis the United States and the EU.<sup>72</sup> However, at the beginning of the 2010s, China was still considered to focus above all on its internal challenges while also defending state sovereignty and non-interference in states' internal affairs on the international stage.<sup>73</sup> By contrast, Finland's assessment of Russia had already started to emphasise the country's aim to be recognised as a key actor in global politics and its attempts to promote a multipolar world order.<sup>74</sup>

By the mid-2010s, Finland's assessment of great power relations had become increasingly negative, highlighting the tensions that resulted from the ambitions of China and other (re-)emerging countries to achieve global political status. However, Finland's focus was above all on Russia, reflecting the profound impact that the events of 2014 – Russia's annexation of Crimea and the war in Eastern Ukraine – had on Finnish security thinking. Russia, 'through its actions and interpretations', was seen to have challenged key pillars of the European security regime, creating instability in Finland's operating environment.<sup>75</sup> In the resulting tense international climate, Finland underlined – even more strongly than before – that the role of the United States, its commitment to NATO, and its military presence in Europe were 'essential' to Finland's security.<sup>76</sup>

It is since the late 2010s and the early 2020s that the state of great power relations has emerged as a major concern – perhaps even *the* major concern – in Finnish foreign policy thinking. According to the 2020 foreign and security policy report, 'China's rapid rise among the global actors has shifted the great power dynamics', with the competition over global primacy between China and the US now affecting relations among states and other international actors worldwide.<sup>77</sup> The Finnish government states that it is aware of China's determined endeavours to strengthen its global status, and is therefore enhancing national coordination

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<sup>70</sup> Finnish Government 2004, *Finnish Security and Defence Policy 2004*, p. 35.

<sup>71</sup> *Ibid.*, pp. 35-36.

<sup>72</sup> Finnish Government, *Finnish Security and Defence Policy 2012: Government Report*, Prime Minister's Office Publications 1/2013, 15 March 2013, p. 20.

<sup>73</sup> *Ibid.*, p. 31.

<sup>74</sup> *Ibid.*, p. 32.

<sup>75</sup> Finnish Government 2016, *Government Report on Finnish Foreign and Security Policy*, p. 11.

<sup>76</sup> *Ibid.*, p. 22.

<sup>77</sup> Finnish Government 2020, *Government Report on Finnish Foreign and Security Policy*, p. 11.

and situational awareness in issues related to China.<sup>78</sup> Traditionally, Finland has had a very pragmatic relationship with China<sup>79</sup>, in which trade continues to be the central factor.<sup>80</sup> However, most recently, Finland has adopted the general EU position, according to which China is simultaneously ‘a cooperation partner, an economic competitor and a systemic rival’.<sup>81</sup>

Regarding the US, the attitude of Donald Trump’s government towards the rule-based international order and multilateral cooperation, including on trade, caused worry in Finland. Nonetheless, Finland continues to view the US as a key pillar of the international order.<sup>82</sup> Indeed, Finland’s bilateral relationship with the US has actually deepened in recent years, driven primarily by closer military cooperation between the two.<sup>83</sup> In addition to the security relationship, Finland has extensive commercial ties with the US, which is Finland’s third most important export partner<sup>84</sup> and a significant source of foreign direct investment.<sup>85</sup> Finally, the negative view of Russia’s role both in Finland’s neighbourhood and more broadly persists, as the country is considered as the main culprit of the weakened security situation in the Baltic Sea region and Europe. At the same time, dialogue and punctual cooperation with Russia are seen as a necessity.<sup>86</sup>

### 3.2.2 The state of the multilateral system: under growing pressure

As a small state, Finland is a strong supporter of the multilateral system. However, Finland is also aware of the difficulties facing the multilateral institutions. Throughout the last 20 years, Finland has constantly seen the multilateral system as being under pressure, although the urgency of the challenges facing it has arguably increased over time – primarily because of changing great power relations.

While Finland has long emphasised the growing weight of global challenges and the resulting need for multilateral cooperation, the shortcomings of the central global institutions in adapting to the post-Cold war era have been a source of concern since the 2000s. As a small state, Finland was critical of the increasing

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<sup>78</sup> Ibid., p. 33.

<sup>79</sup> J. Kallio, ‘Finland and China: Pragmatism prevails’, B. Sverdrup-Thygeson, Y. Lindgren and M. Lanteigne (eds.), *China and Nordic diplomacy*, Abingdon and New York, Routledge.

<sup>80</sup> B. Gaens and J. Kallio, ‘Finland’s relations with China and the US’, in M. Esteban and M. Otero-Iglesias (eds.), *Europe in the Face of US-China Rivalry*, A Report by the European Think-tank Network on China (ETNC), 2020.

<sup>81</sup> Finnish Government 2020, *Government Report on Finnish Foreign and Security Policy*, p. 33.

<sup>82</sup> Gaens and Kallio, ‘Finland’s relations with China and the US’, p. 61.

<sup>83</sup> Ibid., p. 63.

<sup>84</sup> Finnish Customs, ‘Finnish international trade 2020: Figures and diagrams’, Finnish Customs, [https://tulli.fi/documents/2912305/3437550/Figures+and+diagrams+2020+\(preliminary+data\).pdf/74a4e1df-fe35-bb79-5672-e5a997339f24/Figures+and+diagrams+2020+\(preliminary+data\).pdf?t=1612537093488](https://tulli.fi/documents/2912305/3437550/Figures+and+diagrams+2020+(preliminary+data).pdf/74a4e1df-fe35-bb79-5672-e5a997339f24/Figures+and+diagrams+2020+(preliminary+data).pdf?t=1612537093488), (accessed 16 July 2021)

<sup>85</sup> Gaens & Kallio 2020, ‘Finland’s relations with China and the US’, pp. 60-61.

<sup>86</sup> Finnish Government 2020, *Government Report on Finnish Foreign and Security Policy*, pp. 32-33.



move towards unofficial groupings, such as the G8 or the G20. In Finland's view, these 'may identify solutions to individual problems but they cannot provide any long-term solutions to global governance'.<sup>87</sup>

In the early 2010s, Finland's attention turned to the implications of the global power shifts for the multilateral system. Key issues, from the Finnish government's point of view, were whether the emerging countries would 'assume more responsibility for solving global problems' and how their relations with each other and with established democracies would develop.<sup>88</sup> Especially as a result of the financial crisis and growing nationalism and protectionism, Finland became increasingly concerned about the ability of the international order to adapt to the changes in global politics.<sup>89</sup>

Finland's most recent assessment of the state of the multilateral system is permeated by its increasing concerns about the state of great power relations. China is seen 'to use its economic and military strength to change the universally agreed rule-based international system from within to make it conform to its own views'.<sup>90</sup> The US, for its part, is considered to be more selective when assessing the benefits of multilateral cooperation, although this view builds primarily on the experiences with the Trump administration. Finally, Russia continues to be seen as a disruptive actor, having weakened European security by violating international law and employing military force.<sup>91</sup> In addition to the great powers, other actors are also seen to challenge the international rule-based order, including nationalist populists, extremist organisations and authoritarian governments.<sup>92</sup>

In Finland's view, the current global environment has affected several areas of multilateral cooperation negatively, from the UN system to arms control and the global trading system. With regard to the UN, the persistent differences between the permanent members of the UN Security Council have weakened the UN system as a whole. In terms of arms control, the situation has worsened because of the selective commitment of the great powers to the existing agreements. The global trade regime, for its part, is weakening because of great power competition and the increasing use of trade as means of political influence.<sup>93</sup> Moreover, long-standing tensions between industrial and developing countries persist.<sup>94</sup>

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<sup>87</sup> Finnish Government, 'Finnish Security and Defence Policy 2009: Government Report', Prime Minister's Office Publications 13/2009, 5 February 2009, p. 36.

<sup>88</sup> Finnish Government 2012, *Finnish Security and Defence Policy 2012*, p. 22.

<sup>89</sup> Ibid.

<sup>90</sup> Finnish Government 2020, *Government Report on Finnish Foreign and Security Policy*, p. 16.

<sup>91</sup> Ibid., pp. 16–17.

<sup>92</sup> Ibid., p. 17.

<sup>93</sup> Ibid., pp. 17–18.

<sup>94</sup> Ibid., p. 18.

Within this rather gloomy overall situation, the 2030 Agenda and the Paris Agreement are seen as a glimmer of hope in Finland. In addition to these two significant achievements, Finland emphasises the importance of the European and Euro-Atlantic structures in supporting the rule-based international order. In practice, this means the EU, NATO, the OSCE and the Council of Europe.<sup>95</sup>

### 3.2.3 Security challenges and threat scenarios: Increasingly complex

Since the end of the Cold War, Finland's foreign and security policy has been driven by comprehensive security thinking, encompassing both military and non-military threats. However, while Finland's approach has remained similar, its assessment of its security environment has undergone some important changes. Most importantly, Finland considers its own immediate neighbourhood to have moved from a period of relative stability to a state of increased uncertainty. Moreover, Finland puts a strong emphasis on hybrid threats, which have been acknowledged since at least the late 2000s.

In the early 2000s, Finland's view of its neighbourhood was marked by much of the same optimism that is evident in the 2003 European Security Strategy. The enlargement of both the EU and NATO, together with some developments in Russia, were considered to have strengthened security and stability in Finland's vicinity and in Europe more broadly.<sup>96</sup> Consequently, the most important security challenges were seen to emerge from outside Europe.

This assessment still prevailed in the late 2000s. However, at the same time, Finland already noted that the Russo-Georgian war in August 2008 had the potential to create 'long-term tensions in Europe, further complicating the security situation.'<sup>97</sup> Moreover, Finland's 2009 foreign and security policy report expressed concern about an increasing blurring between war and peace, with threats of armed aggression or the limited use of force being combined with 'political and economic pressure as well as various means of information warfare and asymmetric warfare [...]'.<sup>98</sup>

The most significant change in Finland's threat assessment took place in the aftermath of the Russian annexation of Crimea and the ensuing conflict in Eastern Ukraine. The Finnish government was unequivocal in its view that the international security situation had deteriorated because of the Russian actions. According to the 2016 Finnish foreign and security policy report, '[c]hanges in the international security environment, the return of Russia to thinking in terms of power politics, including its internal development, the growth of its

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<sup>95</sup> Ibid., p. 18.

<sup>96</sup> Finnish Government 2004, *Finnish Security and Defence Policy 2004*, p. 75.

<sup>97</sup> Finnish Government 2009, *Finnish Security and Defence Policy 2009*, pp. 66–67.

<sup>98</sup> Ibid., p. 18.

military potential and increasing military activity challenge the very foundations of the European security regime and create instability in Finland's operating environment'.<sup>99</sup> The resulting tensions were deemed to be particularly important in the Baltic Sea region, but Finland was also wary of Russia's increased military footprint in the Arctic.<sup>100</sup> In this context, Finland also put a strong emphasis on hybrid threats, including political, economic and military pressure, information and cyber warfare, and combinations of all them.<sup>101</sup>

The Finnish government's most recent assessment reflects a sense of even greater concern, concluding that '[t]he security situation in the neighbouring areas of Finland and Europe is unstable and difficult to predict'.<sup>102</sup> In Finland's view, this is a result of the increasing competition between the great powers and their eroding commitment to the rule-based system as well as of '[...] such contributing factors as the weakening of the agreement-based arms control system, the development and diversification of influencing methods, and the growing importance of the cyber operating environment'.<sup>103</sup> All this takes place within a broader framework of technological developments, particularly in the areas of digitalisation, AI, machine autonomy, sensor technologies and new operational environments, which generate both new demands and new opportunities for Finnish defence capabilities.<sup>104</sup> At the same time, risks, threats and vulnerabilities related to communication networks and critical infrastructure continue to grow.<sup>105</sup>

### 3.2.4 The global role of the EU: More important than ever

One thing that has remained constant during the last two decades has been Finland's strong belief in, and support for, the EU's role as a global actor and security provider. From the very beginning, Finland's EU integration has been partly driven by the idea that membership in the Union increases Finland's security and its influence on international matters, and this view has, if anything, gained additional weight in recent years.<sup>106</sup> As outlined in Finland's 2020 report on foreign and security policy, '[t]he European Union is the key reference framework, channel of influence and security community for Finland's external relations. By enhancing the EU's coherence, external capacity to act, and global leadership, Finland also strengthens its own security.'<sup>107</sup>

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<sup>99</sup> Finnish Government 2016, *Government Report on Finnish Foreign and Security Policy*, p. 11.

<sup>100</sup> Ibid.

<sup>101</sup> Ibid., p. 14.

<sup>102</sup> Finnish Government 2020, *Government Report on Finnish Foreign and Security Policy*, p. 19.

<sup>103</sup> Ibid., p. 19.

<sup>104</sup> Ibid., p. 16.

<sup>105</sup> Ibid., p. 15.

<sup>106</sup> M. Pesu, T. Iso-Markku and J. Jokela, 'Finnish foreign policy during EU membership: Unlocking the EU's security potential', *Finnish Foreign Policy Paper* 6, Helsinki, Finnish Institute of International Affairs, 2020.

<sup>107</sup> Finnish Government 2020, 'Government Report on Finnish Foreign and Security Policy', p. 27.

As far as security is concerned, Finland's focus was initially above all on the stabilising effect of European integration as well as the close interaction and interdependence between the member states, which were thought to strengthen their mutual solidarity, thereby raising the threshold for any political or military pressuring from outside. While this logic remains largely intact – and manifests itself in the Finnish idea of the EU as a 'security community'<sup>108</sup> – the importance of the EU as a foreign, security and defence policy actor has been further underlined by the gradual development of the Common Foreign and Security Policy (CFSP) and the Common Security and Defence Policy (CSDP) over the last decades.

Although Finland has been supportive of the CFSP and the CSDP from the outset, the legacy of its neutrality policy and subsequent non-alignment initially made it hesitant to see the EU's security and defence policy move beyond the sphere of crisis management. However, with the changing international situation, any residual fears of a more extensive and robust EU security and defence policy have disappeared from Finnish discourse and, during the last decade, Finland has developed into one of the most vocal advocates of EU defence.<sup>109</sup> According to the current Finnish government, '[t]he EU must be capable of taking responsibility for the security of its own territory and its neighbouring areas'.<sup>110</sup> In the Finnish view, this does not mean substituting NATO as Europe's primary security provider, but instead supporting and complementing the Alliance in strengthening European security and defence as a whole – and being more capable of acting in the EU's neighbourhood if need be.<sup>111</sup> Finland has also constantly reminded other member states of the existence of the mutual assistance clause (Article 42(7), TEU) and the solidarity clause (Article 222, TFEU).

Despite this strong support for the EU as a foreign, security and defence actor, Finland acknowledges the many obstacles facing the Union, including the deep disagreements between the member states on many international issues, weakening compliance with basic EU values, Brexit, and the challenges to EU unity posed by the great powers.<sup>112</sup> Because of the importance that Finland assigns to EU membership, it has sought to strengthen the EU's internal cohesion in various ways, as this is also seen as being directly related to the Union's external

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<sup>108</sup> M. Pesu, T. Iso-Markku and J. Jokela, 'Towards an EU security community? Public opinion and the EU's role as a security actor', *FIIA Briefing Paper* 226, Helsinki, Finnish Institute of International Affairs, 2019.

<sup>109</sup> T. Iso-Markku and M. Pesu, 'From neutrality to activism: Finland and EU defence', in C. S. Cramer & U. Franke, eds., *Ambiguous alliance: Neutrality, opt-outs, and European defence*, European Council on Foreign Relations, 28 June 2021.

<sup>110</sup> Finnish Government 2020, *Government Report on Finnish Foreign and Security Policy*, p. 27.

<sup>111</sup> U. Franke and T. Varma, 'Independence play: Europe's pursuit of strategic autonomy', *European Council of Foreign Relations*, 18 July 2019, [https://ecfr.eu/special/independence\\_play\\_europes\\_pursuit\\_of\\_strategic\\_autonomy/#analyses-by-country](https://ecfr.eu/special/independence_play_europes_pursuit_of_strategic_autonomy/#analyses-by-country), (accessed on 29 October 2021).

<sup>112</sup> *Ibid.*, pp. 19–20.

credibility. For example, during its 2019 Council presidency, one of Finland's central priorities was to enhance the Union's toolbox for safeguarding the rule of law<sup>113</sup> – a topic that remains high on Finland's EU agenda.

### 3.3 Finland and the strategic autonomy debate

Finland's assessment of the world around it identifies the same challenges that have underpinned discussions on European strategic autonomy at the EU level, including great power competition, weakening commitment to multilateral cooperation and the increasing use of geo-economic instruments and hybrid influencing. Moreover, Finland's strong support for the EU as a global and security actor provides a basis from which the country evaluates the different issues and proposals that the strategic autonomy debate has brought forward. However, a more nuanced overview also reveals some inherent tensions in Finland's views on the different aspects of European strategic autonomy. In the following, we will look more closely at three areas at the centre of the deliberations on strategic autonomy: defence and security, foreign policy, and trade and economics. The last rubric, in particular, is also closely tied to other issues that have emerged more recently in the confines of the strategic autonomy discussion, such as digitalisation, climate protection and human rights.

#### 3.3.1 Defence and security: A more capable EU, but with strong partnerships

The discussion on European strategic autonomy in the defence sphere divides member states due to the persistent differences in strategic cultures across the continent.<sup>114</sup> While more Europe-oriented member states, France in particular, support a vision of strategic autonomy which underlines independent European industrial and operational capabilities, more Atlanticist member states – particularly the Baltic states and Poland – focus primarily or exclusively on strengthening NATO and the transatlantic relationship. Finland's position is located between these poles, as Finland does not see a strong EU defence and a viable transatlantic bond as mutually exclusive goals, instead considering it possible to achieve the best of both worlds.

As a fervent advocate of strengthening the EU's role in security and defence matters, Finland has been highly supportive of the joint defence initiatives that member states have pursued since the Brexit vote and the publication of the 2016 EU Global Strategy. At the same time, Finnish officials stress time and again that the new structures and tools, such as Permanent Structured Cooperation (PESCO) or the European Defence Fund (EDF), need to produce added value. Moreover, they should not undermine Europe's or Finland's existing defence

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<sup>113</sup> See e.g. T. Iso-Markku and J. Jokela, 'Finland's 2019 presidency of the Council of the European Union: European and domestic determinants', *FIIA Briefing Paper* 268, Helsinki, Finnish Institute of International Affairs, 2019.

<sup>114</sup> N. Koenig, 'The EU as an autonomous actor', in N. Helwig, ed., *Strategic autonomy and the transformation of the EU*, Helsinki, Finnish Institute of International Affairs, 2020.

cooperation and industrial ties with non-EU states, such as the US, the UK, and Norway. Instead, the EU initiatives should work in step with the efforts made in other frameworks in order to strengthen European defence as a whole.<sup>115</sup> These frameworks include NATO, the different 'minilateral' defence cooperation formats that have emerged over the last 10–15 years<sup>116</sup> and bilateral defence relationships, as exemplified by Finland's military cooperation with Sweden and the US. All of these frameworks are relevant from the Finnish perspective, which demonstrates Finland's readiness to find flexible solutions to achieve its national defence goals and to contribute to European defence at large.

Overall, Finland's attitude towards the EU's ambition to become a more autonomous defence player is both supportive and pragmatic. A good example of this is the country's involvement in PESCO. While strongly in favour of the establishment of PESCO, Finland has so far joined only five PESCO projects, including on military mobility and unmanned ground vehicles, where it sees an added value in cooperation and a possibility to improve its national defence capabilities. Moreover, Helsinki was clear from the beginning that it does not want PESCO to become an exclusive exercise of EU member states, and sought to resolve the issue of third-party participation during its Council presidency in 2019. From the Finnish point of view the participation of the US, Norway, and Canada in the EU's military mobility project is thus a highly welcome development. Given the fact that PESCO is currently slowed down by member states' lack of commitment, Finnish officials are in favour of measures to better track and enforce PESCO's implementation.<sup>117</sup>

A similar supportive and constructive but discreet approach can be observed towards the EDF.<sup>118</sup> In general, Finland considers that funding defence-related R&D and capability projects from the EU budget is important as it can help in addressing some of the European shortcomings in relation to concrete capabilities and new technologies. However, the Finnish government and defence industry are also wary of any unwanted side-effects. The US remains Finland's most important supplier of military equipment, and close defence-industrial ties also exist with non-EU member state Norway. These existing defence relationships should not be affected. Moreover, the EDF should not distort the functioning of the European defence market: as Finland's own defence industry consists mainly of highly specialised SMEs, Finland wants the EDF to reward innovation and competitiveness. Finland would therefore prefer an EDF that focuses on pioneers

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<sup>115</sup> Libek, E., *The European Union's quest for strategic autonomy: divergence of understandings across member states and its implications for cooperation*, MA Thesis, Tartu, University of Tartu, 2019, p. 49.

<sup>116</sup> These minilateral formats encompass Nordic Defence Cooperation (NORDEF), the UK-led Joint Expeditionary Force (JEF), the French-driven European Intervention Initiative (E2I), and the German-initiated Framework Nations Concept (FNC), all of which Finland is part of.

<sup>117</sup> Interview with an official of the Finnish Ministry of Defence, 8 March 2021.

<sup>118</sup> N. Helwig and T. Iso-Markku, 'National Expectations regarding the European Defence Fund: The Finnish Perspective', *ARES Comment* 52, Armament Industry European Research Group, 2020.

of certain technologies rather than one that builds on flagship projects clustered around Europe's major industry players. These reservations notwithstanding, the Commission's new role in defence is seen as a positive development by Finnish officials, in particular if the DG for defence industry and trade (DEFIS) succeeds in its quest to advance synergies between civilian and military applications of new technologies.<sup>119</sup>

In light of the chaotic withdrawal of the US-led coalition from Afghanistan in August 2021, the EU's capacity to act militarily has been critically discussed in Finland. As Finland prepared to send a national military unit to support the evacuation operation at the Kabul airport, some politicians and commentators asked why the EU was not deploying one of its hitherto unused Battlegroups to Afghanistan.<sup>120</sup> Finland's President Sauli Niinistö, for his part, noted that the EU was almost invisible during the crucial weeks of the withdrawal and expressed his concern about the EU's lack of [military] 'force of its own'.<sup>121</sup> In this context, Finnish policymakers called for the EU to develop its rapid reaction capabilities,<sup>122</sup> but also reaffirmed Finland's general commitment to strengthening the EU's role in the area of security and defence.<sup>123</sup> In October 2021, Finland together with Germany, the Netherlands, Portugal and Slovenia launched an initiative to expand the EU Battlegroups and improve their 'availability, readiness, deployability and competence'.<sup>124</sup> To this end, the five states suggested drawing on Article 44 TEU, which allows the Council to entrust the implementation of a specific task to a group capable and willing member states, as well as taking advantage of the diverse regional defence frameworks.

In addition to its support for more extensive security and defence cooperation under the EU umbrella, Finland is also strongly in favour of a capable NATO, which it considers a stabilising force in the Baltic Sea region and Europe at large. While not a member of any military alliance, Finland is among the closest partners of NATO, participating in the Alliance's Enhanced Opportunities Partnership.

<sup>119</sup> Interview with an official of the Finnish Ministry of Defence, 8 March 2021.

<sup>120</sup> T. Ovaskainen (2021), 'Ihmetyks EU-joukoista nousi eduskunnan Afganistan-keskustelussa – "Herää kysymys, mihin niitä tarvitaan"', *Uusi Suomi*, 20 August 2021, <https://www.uusisuomi.fi/uutiset/ihmetys-eu-joukoista-nousi-eduskunnan-afganistan-keskustelussa-heraa-kysymys-mihin-niita-tarvitaan/d0acf9cc-af83-4dcd-bbfa-c9339ddeac4f>, (accessed 27 October 2021).

<sup>121</sup> S. Niinistö, Speech by President of the Republic of Finland Sauli Niinistö at the Ambassadors' Conference on 24 August 2021, <https://www.presidentti.fi/en/speeches/speech-by-president-of-the-republic-of-finland-sauli-niinisto-at-the-ambassadors-conference-on-24-august-2021/>, (accessed 27 October 2021).

<sup>122</sup> Esa Pulkkinen, EU tarvitsee suurvaltakilpailun aikaan sovitettua taisteluosastot, *Helsingin Sanomat*, 18 September 2021, <https://www.hs.fi/mielipide/art-2000008270964.html>, (accessed 27 October 2021).

<sup>123</sup> Jenni Meronen, 'Presidentti Niinistö Roomassa: EU:n roolin vahvistaminen vaatii myös puolustuksen kehittämistä', *Helsingin Sanomat*, 15 September 2021, <https://www.hs.fi/politiikka/art-2000008267166.html>, (accessed 27 October 2021).

<sup>124</sup> Leah Carter (2021), 'Germany, 4 EU states launch military reaction force initiative – report', *Deutsche Welle*, 21 October 2021, <https://www.dw.com/en/germany-4-eu-states-launch-military-reaction-force-initiative-report/a-59574641>, (accessed 28 October 2021).



However, unlike many NATO members, Finland does not see increased EU activity in the security and defence sphere as undermining NATO in any way. On the contrary, Finnish foreign policy leaders and officials have gone to some lengths to stress that any efforts to strengthen European capabilities, be it within the EU, under the umbrella of NATO or in other frameworks, will eventually benefit all parties. As explained by President Niinistö in a speech in Washington in September 2018, '[t]his is not a zero-sum game. A stronger Europe means a stronger NATO. And a stronger Europe is a more useful partner for the United States.'<sup>125</sup> Tellingly, Finnish defence officials are more at ease using the term 'strategic responsibility', which indicates the determination of Europeans to take more responsibility for their own security and thereby contribute more to transatlantic burden-sharing.<sup>126</sup>

Finland also believes that close cooperation between NATO and the EU is beneficial for both organisations. It sees particular value in deepening cooperation on hybrid and cyber threats, military mobility, and disruptive technologies such as AI.<sup>127</sup> The European Centre of Excellence for Countering Hybrid Threats (Hybrid CoE) in Helsinki is the product of a Finnish initiative and a tangible example of cooperation in new security fields, bringing together 30 states from both sides of the Atlantic and serving as a platform for collaboration between the EU and NATO. The establishment of Hybrid CoE signals Finland's strong interest in developing the EU's and Europe's capacity to counter hybrid threats, which feature high on its national security agenda. At the same time, it has also helped Finland to promote pragmatic cooperation between the EU and NATO and to build a reputation as a 'hybrid-savvy' country.<sup>128</sup>

Overall, in the security and defence realm Finland is in support of European strategic autonomy to the extent to which it allows *for* strengthening European capabilities and the EU's capacity to act. At the same time, Helsinki is more sceptical towards interpretations of strategic autonomy that indicate an independence *from* the US and other non-EU partners, whose commitment to NATO and European defence is seen as vital. To underline this, high-level officials from the Finnish ministry of defence have made an increased effort in recent years to explain and promote EU defence initiatives to counterparts in Washington DC.<sup>129</sup>

<sup>125</sup> S. Niinistö, *A Stronger Europe: Our Common Interest*, A Keynote Address at the Brookings Institution in Washington D.C. on 27 September, 2018, <https://www.presidentti.fi/en/speeches/keynote-address-by-president-of-the-republic-of-finland-sauli-niinisto-at-the-brookings-institution-in-washington-d-c-on-27th-september-2018/>, (accessed 16 July 2021).

<sup>126</sup> Interview with an official of the Ministry for Foreign Affairs of Finland, 15 December 2020; Libek, 'The European Union's quest for strategic autonomy'.

<sup>127</sup> Finnish Government 2020, *Government report on Finnish Foreign and Security Policy*, 28.

<sup>128</sup> Iso-Markku and Pesu, 'From neutrality to activism'.

<sup>129</sup> Interview with an official of the Finnish Ministry of Defence, 8 March 2021; Interview with two officials of the Ministry for Foreign Affairs of Finland, 4 March 2021.



### 3.3.2 Foreign Policy: A more effective EU, but with voice opportunities for all

Discussion on strategic autonomy with regard to foreign policy, EU diplomacy and external action has picked up speed in recent years, as EU leaders have urged the Union to act in a more ‘geopolitical’<sup>130</sup> manner and to ‘learn to speak the language of power’.<sup>131</sup> The proposed measures include institutional tinkering to facilitate decision-making on foreign and security policy matters – for example increased use of qualified majority voting (QMV) on CFSP issues – as well as strategic readjustments that acknowledge the challenging operative environment and ask for a more ‘realist’ approach to global politics. In principle, Finland supports these changes that are (very) slowly making their way into EU foreign policy practices.

Regarding formal institutional changes, Finland is in favour of extending the use of QMV and the principle of constructive abstention in the CFSP. At the same time, Finland emphasises that the member states also need to adhere to the agreed policies.<sup>132</sup> Finland is also open to the idea of using the possibilities of the current CFSP framework in order to implement CFSP decisions in a more flexible – and therefore more efficient – manner. In general, Finland would like the High Representative of the Union for Foreign Affairs and Security Policy (HR/VP) to have a more prominent role in representing the EU in foreign policy matters. At the same time, Helsinki is also supportive of using the national foreign ministers as the HR/VP’s diplomatic envoys on a case-by-case basis.<sup>133</sup> This position derives in large part from the experience of the current foreign minister and former EU special representative to Sudan, Pekka Haavisto. During spring 2021, Haavisto travelled twice to Ethiopia, having been mandated by HR/VP Josep Borrell to visit the country as the EU’s envoy.<sup>134</sup>

While Finland agrees with the need to increase the effectiveness of EU foreign policy, its view of flexible forms of integration in the area of foreign policy – as in EU policy more in general – is rather cautious.<sup>135</sup> As a small member state, Finland considers that the EU’s existing rules and institutions safeguard its influence against the potential dominance of the EU’s big players, and is therefore careful

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<sup>130</sup> S. Blockmans, ‘Why the EU needs a geopolitical Commission’, *CEPS in Brief*, Brussels, Centre for European Policy Studies, 15 September 2020.

<sup>131</sup> Hearing with High Representative/Vice President-designate Josep Borrell, European Parliament, 7 October 2019.

<sup>132</sup> Finnish Government, *Government Report on EU Policy. Strong and united EU – towards a sustainable European Union*, Publications of the Finnish Government 2021:6, 28 January 2021, p. 28.

<sup>133</sup> *Ibid.*, p. 27.

<sup>134</sup> European External Action Service, ‘Ethiopia: Minister for Foreign Affairs Haavisto on a second mission mandated by the EU High Representative Borrell’, 3 April 2021, [https://eeas.europa.eu/topics/fight-against-piracy/96158/ethiopia-minister-foreign-affairs-haavisto-second-mission-mandated-eu-high-representative\\_en](https://eeas.europa.eu/topics/fight-against-piracy/96158/ethiopia-minister-foreign-affairs-haavisto-second-mission-mandated-eu-high-representative_en), (accessed 16 July 2021).

<sup>135</sup> Finnish Government 2021, *Government Report on EU policy*, 39.

not to agree to anything that would upset the EU's existing institutional balance or open up new divides within the Union. While Helsinki realises it will be the biggest member states which will have a crucial role in driving EU foreign policy on many issues, it also sees it as vital that the formal CFSP institutions and actors are always part of the process. As one Finnish diplomat explained, '[f]or Finland it is not important to always be part of the decision, but it is important to keep the EU institutions involved.'<sup>136</sup>

Against this backdrop, the UK's preference for informal cooperation after Brexit – mainly with Germany and France, but on certain issues also with smaller member states – poses a challenge to Finland. Helsinki would welcome a close relationship with the post-Brexit UK on foreign and security policy matters and might potentially support a version of the proposed European Security Council that would be closely linked to the existing CFSP structures. However, informal cooperation among the 'E3', especially if it is without the involvement of the CFSP institutions and actors, would risk putting Finland on the sidelines and is not in its interests.

While Finland has a positive and constructive view of potential institutional reforms in the CFSP area, it does not count on major progress on that front, as several important obstacles remain.<sup>137</sup> From this vantage point, the work currently being done as part of the 'strategic compass' initiative could yield more immediate results. The initial threat analysis drafted by intelligence services is seen as a good basis for starting to align strategic outlooks across member states and increasing the EU's internal cohesion on foreign and security policy matters. Out of the four 'baskets' discussed in the strategic compass, Finland has shown a particular interest in the work on resilience.<sup>138</sup> The discussions on how the EU can better withstand or recover from crises resonates with Finland's traditional comprehensive security perspective, which includes an efficient response to hybrid threats and security-of-supply challenges. The hope is that the strategic exercise on resilience can bring something new to the table in the EU context. One of Finland's focal points is the practical implementation of the mutual assistance clause 42(7) TEU, which has been part of the resilience discussion.<sup>139</sup>

In general, the Finnish support for European strategic autonomy is at its strongest in the foreign, security and defence policy spheres. The economy-of-scale effects of more credible EU foreign, security and defence policies are just too significant to be dismissed by a small state like Finland. At the same time, Helsinki feels that it has something to contribute to certain aspects of the EU's foreign, security and defence policies, including when it comes to regional

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<sup>136</sup> Interview with two officials of the Ministry for Foreign Affairs of Finland, 4 March 2021.

<sup>137</sup> Ibid.

<sup>138</sup> Interview with an official of the Finnish Ministry of Defence, 8 March 2021.

<sup>139</sup> C. Moelling and T. Schuetz, 'The EU's Strategic Compass and Its Four Baskets', *DGAP Report*, 13/2020, Berlin, German Council on Foreign Relations (DGAP), November 2020.

issues in relation to Russia and the Arctic, hybrid threats, or the role of new technologies in global politics. To efficiently bring this expertise to bear, Finland greatly values the voice opportunities that the EU's institutional structures offer and would warmly welcome the development of the EU into a more influential global actor.

### 3.3.3 Trade and economics: A more resolute EU, but with a strong commitment to open markets

With economic rivalry between the US and China worsening, coercive economic measures on the rise and global trade governance by the WTO at an impasse, European strategic autonomy is increasingly debated in the economic sphere as well.<sup>140</sup> Here the concept relates to a number of EU initiatives first to better defend the Union and its member states from unfair or coercive trade practices, and second to reform the multilateral system and to promote the EU's interests and values – including climate protection, data privacy and human rights – through its trade and investment instruments. While Finland supports the idea of an EU that is able and willing to promote its values and interests globally, the country tends to be more critical of the idea of strategic autonomy in the economic sphere than in foreign, security and defence matters. Its market-liberal orientation shines through in the latest government report on EU policy, which emphasises that strategic autonomy 'must not be a euphemism for protectionism'.<sup>141</sup>

Finland is not oblivious to the trade and industry challenges stemming from increasing economic and technological rivalry between the US and China. It is closely connected to the Chinese market (where it has about 400 companies operating) and enjoys close trade relations with the US, so that a decoupling of the two economic powers would greatly hurt Finnish interests.<sup>142</sup> At the same time, the position of many Finnish companies within global value and production chains makes its economy sensitive to trade barriers.

In general, the result is a rather critical position on many of the measures discussed under the heading of 'Open Strategic Autonomy'. For instance, while Finland – with its traditional emphasis on security of supply – recognises the security implications of being too dependent on international supply chains, officials voice concerns that a reshoring or diversification of certain production might lead to a protectionist spiral.<sup>143</sup> In order for such measures to be pushed through, the EU would need to resort to subsidies or trade barriers, which could provoke other countries into protecting their markets in response.

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<sup>140</sup> N. Tocci, *European Strategic Autonomy: What It Is, Why We Need It, How to Achieve It*, Rome, Istituto Affari Internazionali, 2021.

<sup>141</sup> Finnish Government 2021, *Government Report on EU Policy*, 19.

<sup>142</sup> Interview with an official of the Ministry of Foreign Affairs of Finland, 4 March 2021.

<sup>143</sup> Ibid.

The debate about the EU's economic autonomy also concerns the EU's internal market rules. Here, Finland eyes plans to overhaul competition and industrial policies in favour of 'European champions' with suspicion. From the Finnish perspective, the EU's economic strength should not be built on state intervention or the weakening of anti-trust measures. Instead, it should derive from a highly integrated, functioning and competitive single market that also gives smaller innovators, such as Finnish businesses, a fair shot at European and international success.<sup>144</sup> In this vein, Finland is strongly in favour of completing the digital single market, as was underlined in a joint letter from the prime ministers from Finland, Estonia, Denmark and Germany.<sup>145</sup>

Finland agrees that trade defence instruments are important for tackling unfair trade practices of third states when common rules cannot be agreed on.<sup>146</sup> However, the country is more sceptical of using these instruments to push the EU's values. While Finland is a strong proponent of the green transformation, business lobbies and economic experts have sounded the alarm about the harmful effects that the introduction of a Carbon Border Adjustment Mechanism (CBAM) to prevent carbon leakage could have on global trade.<sup>147</sup> The broad application of such a mechanism could hurt Finnish businesses that rely on intermediate goods for their production.<sup>148</sup> It might also provoke the main exporter of such products, China, to answer with its own trade barriers. On the other hand, Finland would warmly embrace an EU trade policy that pays more attention to the export opportunities of European companies with green and digital know-how by improving their market access and promoting relevant standards.<sup>149</sup>

Due to increasing concerns about third states such as China purchasing strategically important technology and assets, the EU introduced a regulation on the screening of foreign investments in March 2019. Finland, which has received some notable Chinese investments since 2016, was initially highly critical of the idea, with Finland's then minister for trade warning in January

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<sup>144</sup> Finnish Government 2021, *Government report on EU policy*, 17–19.

<sup>145</sup> Finnish Government, 'Finland, Germany, Denmark and Estonia call on EU to accelerate digital transformation', *Press Release*, 2021/128, 2 March 2021.

<sup>146</sup> Finnish Government 2021, *Government report on EU policy*, 20.

<sup>147</sup> See i.e. Confederation of Finnish Industries, 'Investment-friendly legislation needed in order to reach EU's 2030', 24 June 2021, <https://ek.fi/en/current/bulletins/finnish-industries-investment-friendly-legislation-needed-in-order-to-reach-eus-2030-climate-goal/>, (accessed 16 July 2021).

<sup>148</sup> T. Kuusi et al., 'Carbon Border Adjustment Mechanisms and Their Economic Impact on Finland and the EU', *Publications of the Government's analysis, assessment and research activities*, 2020/48, Helsinki, Prime Minister's Office, 2020.

<sup>149</sup> O.-P. Salmimies, 'Avoin strateginen autonomia: EU:n uuden kauppaja- ja investointipolitiikan monitulkintainen perusta', *FIIA Working Paper 123*, Helsinki, Finnish Institute of International Affairs, 2021, p. 11.

2017 that the EU would risk provoking a trade war.<sup>150</sup> However, since then, attitudes towards Chinese foreign investment have become much more critical in Finland, reflecting developments in other Nordic states.<sup>151</sup> In 2020, Finland amended its national legislation concerning foreign corporate acquisitions to bring it in line with the EU regulation. The pertinent legislative act allows for restricting the transfer of corporate influence to foreign individuals or entities if vital national interests are at play. Companies subject to screening are defence enterprises, companies providing products or services needed by the Finnish security authorities, and organisations or businesses that are critical in securing vital functions of society.<sup>152</sup>

Human rights protection is another question that appears frequently in the discussion on the EU's trade relations. Lately, the Comprehensive Investment Agreement with China (CAI) has been criticised, *inter alia* by members of the European Parliament, for not paying enough attention to the labour conditions in China.<sup>153</sup> Although Finland's current government advocates a stronger focus on human rights issues in Finnish foreign policy, the suitability of trade tools to address human and labour rights issues remains a matter of debate. Finnish businesses would benefit from CAI, as it preserves the progress achieved in the market liberalisation process in China in recent years and increases certainty in the operating environment for EU companies trading in China.<sup>154</sup> However, instead of the focus on bilateral agreements and trade barriers, Finland would ideally like to see a return to the multilateral trade agenda under the WTO. Hence, it is a strong advocate of WTO reform to defend fair and open trade.<sup>155</sup> A reform of the dispute settlement mechanisms would be needed to enforce progress in trade liberalisation. However, whether the new US administration can create the needed positive momentum for WTO reform remains to be seen.

<sup>150</sup> J. Brunsten, 'EU plan to curb Chinese takeovers risks "trade war"', *Financial Times*, 17 September 2017, <https://www.ft.com/content/c0b3bdf0-9b94-11e7-9a86-4d5a475ba4c5>, (accessed 28 October 2021).

<sup>151</sup> M. Mattlin, 'Kanariefågeln som tystnade. Finlands *gestalt shift* om kinesiska investeringar', *Internasjonal Politikk*, Vol. 78. No. 1, 2020, <https://tidsskriftet-ip.no/index.php/intpol/article/view/1797/4007>, (accessed 28 October 2021); M. Andersen, H. Hiim and U. Sverdrup, 'The Nordic Shift: China's uphill battle for public approval in Northern Europe', *ECFR Commentary*, 18 March 2020, [https://ecfr.eu/article/commentary\\_the\\_nordic\\_shift\\_chinas\\_uphill\\_battle\\_for\\_public\\_approval\\_in\\_nor/](https://ecfr.eu/article/commentary_the_nordic_shift_chinas_uphill_battle_for_public_approval_in_nor/), (accessed 28 October 2021).

<sup>152</sup> Act on the Screening of Foreign Corporate Acquisitions (English translation), 172/2012; amendments up to 682/2020 included, [https://www.finlex.fi/fi/laki/kaannokset/1992/en19921612\\_20120172.pdf](https://www.finlex.fi/fi/laki/kaannokset/1992/en19921612_20120172.pdf), (accessed 28 October 2021).

<sup>153</sup> S. Lau, 'MEPs scrap over how hard to push China on Uighur labor', *Politico Europe*, 18 February 2021, <https://www.politico.eu/article/meps-scrap-over-how-hard-to-push-china-on-uighur-labor/>, (accessed on 16 July).

<sup>154</sup> Interview with an official of the Ministry of Foreign Affairs of Finland, 4 March 2021.

<sup>155</sup> Finnish Government (2021), *Government Report on EU Policy*, p. 19.

A potentially important tool in the EU's quest for strategic autonomy is the status of the Euro as a global currency. Finland recognises this potential and is generally in favour of the Commission's plans to foster the international role of the Euro.<sup>156</sup> In line with its economic policy traditions, Finland emphasises that the international role of the Euro must be based on an economically strong and competitive single market as well as a healthy private sector. The deepening of the banking union and the capital markets union is also seen as relevant in this regard.<sup>157</sup>

A newer instrument in the EU's economic toolbox is NextGenerationEU (NGEU), the €800 billion stimulus package to support the recovery of European economies from the COVID-19 crisis and usher them to a green and digital future. The central element of the NGEU is the Recovery and Resilience Facility with a total size of €723.8 billion, which are to be distributed to the member states in the form of loans and grants. In Finland, which is a net contributor to the Recovery and Resilience Facility, the recovery fund has been the subject of heated political debate.<sup>158</sup> Opposition parties, in particular, have voiced fears that the introduction of the Facility weakens member states' responsibility for their own finances, undermines the EU's own treaties and pushes the Union towards (fiscal) federalism. At the same time, Finland's governing parties, labour market organisations<sup>159</sup> and central business leaders<sup>160</sup> have defended the recovery plan, arguing that Finland, as a small export-oriented economy, can only recover from the crisis together with other member states – and emphasising how important a united EU is in terms of Finnish security. At the European Council meeting in July 2020 which negotiated the details of the NGEU Finland belonged to the most critical member states, acting alongside the 'Frugal Four' (Austria, Denmark, the Netherlands and Sweden). However, in the end, more than the required two-thirds of the Finnish MPs voted in favour of the package in a parliamentary vote in May 2021. Nevertheless, the Finnish government emphasises that the NGEU

<sup>156</sup> European Commission, 'The European economic and financial system: fostering openness, strength and resilience', COM(2021) 32 final, 19 January 2021, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52021DC0032&qid=1611728656387>, (accessed 16 July 2021).

<sup>157</sup> Ministry of Finance of Finland, *Perusmuistio VM2021-00136*, 9 March 2021, <https://www.eduskunta.fi/FI/vaski/Liiteasiakirja/Documents/EDK-2021-AK-358586.pdf>, (accessed 16 August 2021).

<sup>158</sup> T. Iso-Markku, 'Recovering from the recovery fund: How Finland can reboot its EU policy', *ECFR Commentary*, European Council on Foreign Relations, 6 January 2021, <https://ecfr.eu/article/recovering-from-the-recovery-fund-how-finland-can-reboot-its-eu-policy/>, (accessed 16 August 2021).

<sup>159</sup> Finnish Confederation of Professionals (STTK), 'EU funding that supports investment and employment is in Finland's interests', 2 June 2020, <https://www.sttk.fi/2020/06/02/eu-funding-that-supports-investment-and-employment-is-in-finlands-interest/?#>, (accessed 16 August 2021).

<sup>160</sup> Confederation of Finnish Industries, '20 yritysjohtajan viesti Suomen päättäjille: Suomen etu on tukea EU:n elvytyspakettia', 5 May 2021, <https://ek.fi/ajankohtaista/tiedotteet/viestimme-paattajille-suomen-etu-on-tukea-eun-elvytyspakettia/>, (accessed 16 August 2021).

‘is a one-off exceptional crisis measure whose duration and purpose of use are clearly defined’ and whose legal basis is only valid insofar as it is a response ‘to an exceptional crisis situation’.<sup>161</sup>

Although Finland has not been among the EU’s most dogmatic liberalists,<sup>162</sup> in the debate on ‘Open Strategic Autonomy’ its emphasis is very clearly on *open* rather than on *autonomy*. At the same time, Finnish officials realise that the EU’s political tide is moving into the opposite direction. This is due to both changes in international politics (the intensifying economic and technological rivalry between the great powers and, above all, the US and China) and the changing dynamics within the EU (the departure of the market-liberal UK and the closer alignment between France and Germany).<sup>163</sup> Finland is thus struggling to align its market-liberal outlook with the shifting landscape of global trade and the increasingly state-interventionist political balance in Europe.

### 3.4 Conclusions: Finland’s contribution to the European debate

So far, Finland has been rather cautious in the European debate on strategic autonomy and is still in the process of defining its position on some of the central issues that have emerged from this debate. As this analysis has shown, thus far Finland’s approach to strategic autonomy has built on somewhat differing considerations, reflexes, and objectives. On the one hand, Finland largely recognises the same economic and security policy challenges that have underpinned the discussions on strategic autonomy at the EU level, including intensifying great power competition, weakening commitment to multilateral cooperation and the increasing use of geo-economic instruments and hybrid influencing. Moreover, Finland has long been a staunch supporter of the EU as a global actor and security provider – a position that has only been reinforced by recent developments in the EU’s neighbourhood and in international politics. All this predisposes Finland to the idea of European strategic autonomy.

On the other hand, when it comes to the more concrete proposals on how to advance towards this goal, Finland has some important reservations. With an export-oriented economy and a liberal outlook, Finland is suspicious of proposals that could challenge the functioning of free markets within or outside the EU. And as a small member state, it is careful not to upset the existing institutional balance within the EU or create new divides between member states. Finally, while Finland does not see a more capable and credible EU as undermining the transatlantic relationship or the Union’s other central partnerships, Helsinki will be watchful that any new EU measures are implemented and communicated in a way that does not cause friction with Washington – a role Finland has

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<sup>161</sup> Finnish Government 2021, *Government Report on EU Policy*, 25.

<sup>162</sup> Salmimies 2021, ‘Avoin strateginen autonomia’, 10.

<sup>163</sup> Salmimies 2021, ‘Avoin strateginen autonomia’, 12.

already tried to play with regard to the EU's recent defence initiatives. Currently, Finland's response the strategic autonomy debate is thus something akin to a 'yes, but...'.<sup>164</sup>

Finland's overall vision of strategic autonomy – to the extent to which such vision currently exists – entails an EU that is more capable of dealing with the diverse regional and global challenges facing it without being more insulated from the rest of the world.<sup>164</sup> To realise this vision, Finland's focus is likely to be on solutions that provide immediate added value without requiring an overhaul of existing institutional arrangements or policies. In the areas of foreign, security and defence policy, this would mean bolstering the Union's – and Europe's – capacity to act by implementing and perhaps further developing the initiatives that are already on the table, including PESCO, the EDF, and the strategic compass, as well as on better coordinating EU action with the efforts made in NATO and other security and defence frameworks. In response to the economic and technological aspects of strategic autonomy, Finland is likely to focus on deepening and extending the internal market and making sure it builds on clear and strong rules. Moreover, Finland will seek to improve the EU's own competitiveness in terms of the green and digital economy, making full use of the opportunities provided by the recovery fund, the single market as well as the EU's industrial and trade policies. Finland will also continue to highlight and promote rule-based governance inside and outside the EU. In all these areas, Finland will seek close cooperation with partners within and beyond the EU.

Finally, Finland's EU policy, including on questions of strategic autonomy, could also reflect the advancing Nordic cooperation in many policy areas, the promotion of which is one of the government's stated aims.<sup>165</sup> On the one hand, this means that Finland is more likely to support policies that do not cause an impediment to its close relations with non-member states Norway and Iceland. On the other, Helsinki might join the other Nordics or a broader group of Northern European member states in promoting a Northern vision of strategic autonomy.

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<sup>164</sup> Finnish Government 2021, *Government Report on EU Policy*, 8.

<sup>165</sup> *Ibid.*, 9.



# 4 European Strategic Autonomy – Engaged, Drawing Red Lines. A View from Stockholm

*Calle Håkansson*

## 4.1 Introduction

‘Strategic autonomy’ is the foremost buzzword to have come out of Brussels in recent years. The meaning of the concept and the underlying ambitions are however deeply contested in the Union, and there is consequently no common understanding of the term.<sup>166</sup> With the COVID-19 pandemic hitting Europe the discussion on strategic autonomy has steadily expanded and the concept was even described as ‘the aim of our generation’ by the European Council president Charles Michel,<sup>167</sup> which caused a backlash from some member states.<sup>168</sup> However, during the past few months we have perhaps begun to see a change in the discourse,<sup>169</sup> including that from Sweden. This chapter aims to explore the developing Swedish approach towards the concept of EU strategic autonomy, and to outline how Sweden sees the development of different policy fields at the EU level.

The analysis in this paper draws on interviews with politicians and senior officials in the Swedish Prime Minister’s office and the Swedish Ministry of Foreign Affairs, with Members of the Swedish parliament as well as official documents, media reporting and secondary literature. The paper explores the Swedish position and the Swedish perception of the concept of EU strategic autonomy and goes on to discuss potential future developments. It is structured as follows: the first section accounts for the political debate in Sweden with an emphasis on how the concept has been discussed in the past, but also the (partial) turn we are beginning to witness from the Swedish side. I then present and analyse recent policy development and initiatives to outline how Sweden is trying to engage

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<sup>166</sup> Although the 2016 implementation plan on security and defence defined it as: ‘strategic autonomy entails the ability to act and cooperate with international and regional partners wherever possible, while being able to operate autonomously when and where necessary’. See: Council of the European Union (2016). Implementation Plan on Security and Defence.

<sup>167</sup> Michel, C. (2020). Strategic autonomy for Europe – the aim of our generation’ – speech by President Charles Michel to the Bruegel think tank.

<sup>168</sup> Interview, Swedish Prime Minister’s office, January 2021.

<sup>169</sup> See for instance this new Dutch-Spanish non-paper on Strategic autonomy: The Kingdom of the Netherlands (2021). Non-paper on strategic autonomy while preserving an open economy.

more proactively with the concept. The third and final section then poses some questions on what lies ahead for the debate in Sweden and in Europe.

## 4.2 The Swedish political debate on EU strategic autonomy

The levels of suspicion and hesitancy towards the concept of EU strategic autonomy have been high in the Swedish political system. However, there is still a rather limited understanding and limited political discussion in the Swedish parliament on the topic.<sup>170</sup>

Early discussions on the concept at EU level mainly concerned security and defence policy.<sup>171</sup> Recent initiatives within this field, such as Permanent structured cooperation (PESCO) and the European Defence Fund (EDF), were developed under the leitmotif of EU strategic autonomy. However, the ambition to strive towards autonomy and limited access for non-EU partners in these new initiatives posed a risk to the Swedish defence industry as the Swedish defence-industrial base is fully privatized and to a large extent owned by foreign (non-EU) entities.<sup>172</sup> The Swedish Minister of Defence Peter Hultqvist consequently underlined that Sweden ‘opposes European Strategic Autonomy in industrial terms’ and his opposition was echoed by members of the Swedish parliament.<sup>173</sup> Sweden has thus, in negotiations on the participation of third party and third party owned entities within the framework of PESCO and the EDF strongly pushed for liberal rules and high levels of access for third parties.<sup>174</sup> Moreover, its history of neutrality and military non-alignment was a factor in making Sweden somewhat hesitant towards new EU defence initiatives and Sweden has strongly underlined the intergovernmental characteristics of the policy field.<sup>175</sup> It is important to note how these discussions within the security and defence policy field drove early Swedish hesitancy towards the concept of EU strategic autonomy. Sweden also actively sought to nuance the ways in which ‘strategic autonomy’ was being used in EU Council conclusions.<sup>176</sup>

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<sup>170</sup> Interviews, Members of the Swedish Parliament, January 2021.

<sup>171</sup> For a good overview of the new EU security and defence initiatives since the EUGS, see; Engberg, K. (2021). A European Defence Union by 2025? Work in progress. SIEPS.

<sup>172</sup> For a discussion see; Lundborg Regér, A. & Håkansson, C. (2021). Sweden, the European Defence Fund and Permanent Structured Cooperation; challenges ahead for third party participation. The Swedish Institute of International Affairs.

<sup>173</sup> Riksdagen (2019a). EU-nämndens uppteckningar 2018/19:38 [Committee on EU Affairs 2018/19:38].

<sup>174</sup> See Brudzińska, K., Zaborowski, M., and Kudzko, A. (2020). Third Country Participation in EU Defence Integration Initiatives. Globsec; Lundborg Regnér, A & Håkansson, C. (2021).

<sup>175</sup> See e.g., Håkansson, C. (2021a). Finding its way in EU security and defence cooperation: A view from Sweden. *European View*; Håkansson, C. (2021b). The European Commission's new role in EU Security and Defence Cooperation: the case of the European Defence Fund. *European Security*, 30:4, 589–608, p.602.

<sup>176</sup> Interviews, Members of the Swedish Parliament, January 2021; the Swedish Prime minister's office, January 2021; Swedish MFA, May 2019.

But with the US looking to deepen its involvement in the South China Sea and the Pacific to the detriment of their Eurasian presence, Swedish adherence to common European defence appears to have intensified. In September 2021 Swedish Minister of Defence Peter Hultqvist and his French counterpart Florence Parly announced, in a joint op-ed, their intention to increase defence cooperation between Sweden and France. They also stated that ‘the security of Europe is first and foremost the responsibility of Europeans themselves. Europe’s security should strengthen European strategic autonomy in a way that directly benefits transatlantic and global security’.<sup>177</sup>

Since 2016 the concept of strategic autonomy has expanded to other policy areas and today it also includes trade and economic policy, industrial policy, health issues, climate, and digitalisation.<sup>178</sup> This expansion was strongly enhanced by the COVID-19 pandemic and the resulting economic and societal crises. The discussions on the 2021–2027 Multiannual Financial Framework (MFF), and later on the Next Generation EU package were deeply connected to the consequences of the pandemic and included reference to strategic autonomy. In response to this the Swedish government said the following:

When it comes to strategic autonomy, there is reason to be vigilant about how the discussion develops. There are reasons to strengthen the EU’s common capacity in various areas, but this does not change the Government’s basic view of the importance of free world trade and global value chains (...) The EU must be a strong voice for multilateralism and free trade globally, without protectionism (...).<sup>179</sup>

Sweden, traditionally a very close ally to the (liberal, free-trading and budget restrictive) United Kingdom within the EU, was forced to find a new grouping in these negotiations which took place after the UK’s exit from the Union. As Swedish Minister for Trade and Nordic Affairs Anna Hallberg put it: ‘for Sweden, as a country which always wants to promote free trade, it is very important for us now, when we have lost one of our closest allies, to shape new groups’.<sup>180</sup> The so-called ‘Frugal 4’ group of Austria, Denmark, Netherlands and Sweden (sometimes also including Finland), focused its efforts on reducing the overall EU budget and were against the issuing of common EU debt. In the end, however, Sweden accepted the issuance of EU debt (the balance of loans to

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<sup>177</sup> Dagens Nyheter (2021a). Frankrike och Sverige ska utöka försvarssamarbetet.

<sup>178</sup> For a good overview see: Helwig, N. (2020). EU strategic autonomy: A reality check for Europe’s global agenda. Finnish Institute of International Affairs; Anghel, S et al. (2020). On the path to ‘strategic autonomy’: The EU in an evolving geopolitical environment. European Parliamentary Research Service; The introduction chapter by Lewander, J. (2021) in this publication.

<sup>179</sup> The Swedish Government (2020a). Faktapromemoria 2019/20: FPM46 Meddelande från kommissionen: EU vid ett vägskäl – bygga upp och bygga nytt för nästa generation. [Fact memorandum 2019/20: FPM46 Communication from the Commission: The EU at a crossroads – build up and build new for the next generation].

<sup>180</sup> Politico (2020a). Europe’s last free-traders plan their counterattack.

grants in the package was somewhat changed), while Sweden retained its rebates on its financial contribution to the EU (something that was important in the internal political debate in Sweden). This acceptance should also be understood in the context of the 'loss' of the UK, as this created a whole new political context and situation within the EU.<sup>181</sup> Moreover, Sweden clearly argues that the Next Generation EU package should be viewed as a one-off mechanism to handle the economic crisis caused by the pandemic and not as a blueprint for the future development of the Union.

However, the pandemic also pushed forward the discussion on strategic autonomy in regard to both the EU's trade policy and the workings of the EU's internal market.<sup>182</sup> Sweden, together with a few other member states, took a clear position in defence of an open and rule-based trade policy as well as arguing for the strengthening of the WTO. Furthermore, instead of moving towards reshoring and self-sufficiency and/or self-production, Sweden argued for investment in diversifying supply chains and argued that this is something that is best handled by the companies themselves.<sup>183</sup> Sweden's Minister for Trade and Nordic Affairs argued that:

The EU's role as a defender of multilateral cooperation and free rule-based trade is crucial in these times of protectionist tendencies. The Government believes that the EU's openness is the key to EU competitiveness. It is important that the discussion on Europe's strategic autonomy does not lead to protectionism. Instead, we see that strategic resilience is a better concept. It is better to talk about this and then invest in strengthening and diversifying the supply chains. That process should be run by the companies themselves, who know what the needs are and where any vulnerabilities are.<sup>184</sup>

Sweden put together a group of six likeminded, liberal countries – Sweden, Finland, Denmark, Germany, the Netherlands and the Czech Republic – and which consequently grew with Ireland and Estonia to the so-called 'Stockholm 8' grouping to fight protectionist tendencies in the EU's trade policy and to push for 'open, free and fair trade'.<sup>185</sup>

The Confederation of Swedish Enterprise has also strongly pushed back against the European Commission's proposal on pursuing 'open strategic autonomy' as a

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<sup>181</sup> Interviews, the Swedish Prime minister's office, January 2021.

<sup>182</sup> Dagens Nyheter (2021b). Pandemin blir slagträ när EU ser över handelspolitiken.

<sup>183</sup> Riksdagen (2020a). EU-nämndens uppteckningar 2019/20:56 [Committee on EU Affairs 2019/20:56].

<sup>184</sup> Riksdagen (2020b). EU-nämndens uppteckningar 2019/20:57 [Committee on EU Affairs 2019/20:57].

<sup>185</sup> Politico (2020b). Free-trading Stockholm six counter French protectionism; Bloomberg (2021). EU's Free Trade Champions Challenge 'Protectionist Forces'.

goal in the new Trade Policy Review.<sup>186</sup> In its response the confederation said that they ‘are not comfortable with the word “autonomy”, as it hints at the idea of being closed off from the world economy.’ They argued that ‘free and open trade are fundamental elements in building the EU’s competitiveness and thus also its resilience’ and that ‘[t]he EU should continue to lead against protectionism’.<sup>187</sup> The Swedish National Board of Trade also raised concerns that the ambition of open strategic autonomy could be seen as confusing and contradictory.<sup>188</sup>

The pandemic has also intensified the discussions on strategic autonomy regarding the EU’s internal market. There have been ideas within the European Union to change EU competition rules to allow for the development of ‘European champions’ able to compete against non-European companies. However, the Swedish Minister for Business, Industry and Innovation Ibrahim Baylan underlined that were that to happen ‘the problem is that small, open and export-dependent economies such as Sweden are at risk of becoming losers.’<sup>189</sup> In response to proposed changes to competition rules Sweden has formed a ‘Friends of the Single Market’ grouping with 18 other EU member states.<sup>190</sup> Part of this grouping has underlined that:

A fair, open and competitive home market needs to remain a starting point for promoting the level playing field globally as well as within the EU. This goes hand in hand with maintaining a strict and independent competition policy fit for the digital and climate transitions.<sup>191</sup>

Minister Baylan moreover argued, in a joint letter from the governments of Sweden, Czech Republic, Estonia, Finland, Ireland, Latvia, Lithuania and the Netherlands to the Commissioner for Competition Margarethe Vestager on the topic of the European Commission’s new industrial strategy, that:

Any moves to soften and politicize EU competition rules would be detrimental for the whole European Union. (...) At the same time, we agree that the EU must not

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<sup>186</sup> On the trade policy review see: European Commission (2021). Trade Policy Review – An Open, Sustainable and Assertive Trade Policy; EEAS (2020). EU Open Strategic Autonomy and the Transatlantic Trade Relationship; European Parliament Research Service (2020). EU trade policy review.

<sup>187</sup> Svenskt Näringsliv (2020). Contribution to the consultation for a renewed trade policy.

<sup>188</sup> Kommerskollegium (2020). Response to the Commission’s Consultation Note on the Review of EU Trade Policy; See also Financial Times (2021). Sweden flies the flag for the free-trade cause in the EU.

<sup>189</sup> Riksdagen (2020c). Upppteckningar vid EU-nämndens sammanträden 2020/21:14 [Committee on EU Affairs 2020/21:14].

<sup>190</sup> The other members are Austria, Belgium, Croatia, Czech Republic, Denmark, Estonia, Finland, Ireland, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Slovakia, Slovenia and Spain. Conway, A (2021). Strategic Autonomy: A spectrum of Choices for the EU and Ireland. IIEA; Politico (2020c) Europe wants ‘strategic autonomy’ – it just has to decide what that means.

<sup>191</sup> Permanent representation of Finland to the EU (2020). Strengthening the economic base of the EU.

be naïve when facing a rapidly changing global landscape, where unfair foreign subsidies or state control of firms have a detrimental effect on the functioning of the internal market. To avoid market distortions, operators from third countries must compete under similar conditions as their European counterparts.<sup>192</sup>

Sweden's and Finland's EU Ministers have also in a joint statement emphasized that a well-functioning internal market is crucial for the EU's economic recovery after the pandemic and underlined the importance of a fair, open and competitive internal market with a strict and independent competition policy. They moreover acknowledge the importance of the temporary system of government subsidies during the crisis but also expressed that after the pandemic it is crucial that competition and State aid rules remain strict and effective.<sup>193</sup> In the Swedish parliament there has also been concerns about the ideas of strategic autonomy connected to the discussions on the EU's competition policy and the workings of the internal market.<sup>194</sup>

In October 2020 the European Council held a thematic debate on the concept of strategic autonomy. In the absence of Swedish Prime Minister Stefan Löfven (due to personal reasons) Finnish Prime Minister Sanna Marin defended the Swedish position and argued for a more open definition of the concept.<sup>195</sup> The Nordic, Dutch, and some central and eastern EU member states thus sought to push back against protectionist tendencies and argued that the ambition of strategic autonomy should not undermine NATO.<sup>196</sup> The October European Council conclusions in the end underlined that 'achieving strategic autonomy while preserving an open economy is a key objective of the Union'.<sup>197</sup> In the discussions on strategic autonomy the Finnish Prime Minister Sanna Marin had thus strongly defended the objective of preserving an open economy.<sup>198</sup> The European Council was also expected to discuss the concept of strategic autonomy and industrial and internal market policy during the spring of 2021. These discussions have been somewhat delayed by the focus on COVID-19 vaccination policy. However, the EU Foreign Affairs Council did discuss the concept of strategic autonomy in December 2020. The Swedish Government then stated that:

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<sup>192</sup> The Swedish Government (2020b). Letter to Executive Vice President Margrethe Vestager.

<sup>193</sup> The Swedish Government (2020c). *Gemensamt uttalande av Sveriges och Finlands EU-ministrar: En välfungerande inre marknad är avgörande för EU:s ekonomiska återhämtning.* [Joint statement by Sweden's and Finland's EU ministers: A well-functioning internal market is crucial for the EU's economic recovery].

<sup>194</sup> See for instance: Riksdagen (2020d). *EU-nämndens uppteckningar 2020/21:7* [Committee on EU Affairs 2020/21:7]; Riksdagen (2020e). *EU-nämndens uppteckningar 2020/21:5* [Committee on EU Affairs 2020/21:5].

<sup>195</sup> Interview, the Swedish Prime Minister's office, January 2021.

<sup>196</sup> Financial Times (2020). *EU's free traders push back against strategic autonomy mantra*; Politico (2020c).

<sup>197</sup> European Council (2020). *Special meeting of the European Council (1 and 2 October 2020) – Conclusions.*

<sup>198</sup> Interview, the Swedish Prime Minister's office, January 2021.

the discussion on strategic autonomy must not mean that the EU closes itself against the outside world or reduces cooperation with partner countries. An active and open trade policy, a well-functioning internal market and an industrial policy that contributes to the green and digital transition strengthens the EU. The transatlantic relationship should be safeguarded.<sup>199</sup>

Swedish government, legislators and industry thus showed consistent opposition to what they perceived as the anti-competitive and protectionist nature of strategic autonomy. However, at the beginning of 2021 the political debate in Sweden started to change. In the 2021 Statement on the government's EU policy, Minister for EU Affairs Hans Dahlgren argued that 'in some areas, strategic autonomy must be protected without the EU turning inwards'.<sup>200</sup> Minister Dahlgren expanded on this new stance in an op-ed in which he stated that the 'Swedish Government will be proactive and constructive in the discussions of strategic autonomy that lie ahead'.<sup>201</sup> As a senior official in the Prime Minister's office also put it: 'the best way for us to have influence and steer the direction of the EU is to enter into the discussion on [strategic autonomy] and try to turn it into what we want it to be about (...) This means that we are being perceived as more pragmatic in these discussions'.<sup>202</sup> The next section will consequently outline some policy fields where Sweden's new approach is visible.

### 4.3 A Swedish world view and the new political development

We have seen that Sweden is traditionally skeptical of the concept of strategic autonomy – often viewing it as protectionism in disguise – although it shares a similar diagnosis of the situation facing the EU and its member states. However, it is still sceptical towards some of the policy initiatives discussed at the EU level. As one senior official in the Prime Minister's office put it: 'we share the same diagnosis of some of the problems and challenges we face but not always the solutions'. The official went on to give an example: 'we cannot face the challenges from [...] China by turning into China'.<sup>203</sup> Sweden thus strongly argues that the EU should not abandon its strengths of promoting free trade and supporting multilateralism, something that has benefitted the EU so well in the past.<sup>204</sup>

Nonetheless, the global situation concerning the state of the multilateral system, the increasing great power competition and the COVID-19 pandemic have all affected the Swedish political discussions. This section will consequently address

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<sup>199</sup> The Swedish Government (2020d). Utrikesministrarnas möte den 7 december 2020. [Annotated agenda, foreign ministers' meeting on 7 December 2020].

<sup>200</sup> The Swedish Government (2021a). Statement of government EU policy 2021. Statement made by Minister for EU Affairs Hans Dahlgren at the Riksdag on 20 January 2021.

<sup>201</sup> Dagens Nyheter (2021c). 'We are determined about safeguarding the EU's openness to the rest of the world'. Op-ed by the Swedish Minister for EU Affairs Hans Dahlgren.

<sup>202</sup> Interview, the Swedish Prime Minister's office, February 2021.

<sup>203</sup> Interview, the Swedish Prime Minister's office, January 2021.

<sup>204</sup> Interview, the Swedish MFA, January 2021.

the Swedish political position in regard to the EU's economical dimensions (including trade, industrial, digital and taxation policy as well as to the discussions on deepening of the Eurozone), the global role of the EU (including the security and defence policy dimensions) and the state of the multilateral system.

Sweden has, as outlined, taken a clear and strong position in promoting free trade and an open European economy throughout its work in the Stockholm 8 group, the Friends of the Single Market grouping, as well as working together with like-minded countries (often the Nordics, Baltics and the Dutch). Nevertheless, while arguing for an open economy and trade policy, Sweden acknowledges the new political context and has, for instance, taken steps to implement tightened oversight of Foreign Direct Investment (FDI). In March 2019 the EU established a new regulation and framework for the examination of Foreign Direct Investment in the Union. While this Regulation does not require member states to adopt new national screening processes, the Swedish Government nevertheless launched an inquiry with a view to establishing a new national screening process. The Government argues that Foreign Direct Investment can critically affect Sweden's security and thus needs to be addressed, with the caveat that the Swedish economy is also dependent on these investments and that a balance between openness and addressing critical vulnerabilities needs to be found.<sup>205</sup> The Swedish Defence Research Agency (FOI) has moreover recently mapped FDI investments in Sweden and outlined sectors and industries where foreign direct investment can have negative consequences for Swedish security.<sup>206</sup> All of this is arguably a sign of a new policy direction from the Swedish side.<sup>207</sup> Nevertheless, the challenges going forward will be to implement a new system of FDI screening while also being open to important investments from abroad.

Sweden's EU Minister has also, as noted above, expressed a more positive stance in discussions on EU strategic autonomy and in the development of the concept. Sweden will hence in these discussions focus on the EU's green transition; creating a more complete digital single market; enhanced crisis preparedness (through expanding the EU's joint storages of important resources such as PPE and medicines as well as expanding and broadening supply chains); ensuring the functioning of the internal market with fair competition and level playing field, as well as strengthening the EU's voice in the world. However, the government also clearly expresses that it 'will also remain adamant that the EU's openness to the rest of the world must be safeguarded. This will give the EU every prospect of remaining a strong and positive power for the entire world in the future as well'.<sup>208</sup>

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<sup>205</sup> The Swedish Government (2019a). Kommittédirektiv- Ett system för granskning av utländska direktinvesteringar inom skyddsvärda områden.

<sup>206</sup> Pettersson, M. *et al.* (2020). Utländska direktinvesteringar i skyddsvärda branscher: En studie av risker, branscher och investerare. The Swedish Defence Research Agency (FOI).

<sup>207</sup> Interview, the Swedish Prime Minister's Office, January 2021.

<sup>208</sup> Dagens Nyheter (2021c).



One interviewee outlined the partial change from Sweden with regard to so-called Important Projects of Common European Interest (IPCEI). Thus, while Sweden is restrictive and traditionally hesitant of State aid towards sectors and industries, it acknowledges the need to support important projects for the future.<sup>209</sup> However, with the caveat that this support needs to be assessed on a case-by-case basis and should not be seen as general rule or acceptance of State aid.<sup>210</sup> In his op-ed EU Minister Hans Dalhgren for instance emphasized that:

Through good framework conditions and selective support to sectors where the market cannot invest on its own, we can create the conditions for the next stage of green technology development. Battery manufacturer Northvolt's establishment in Skellefteå and Västerås is a good example of this. The same goes for Hybrit, the Luleå-based carbon-free steel production project. Northvolt and Hybrit are prime examples of how State aid can be used in a smart and effective way to realise the green transition.<sup>211</sup>

Swedish government has argued that IPCEIs could strengthen Swedish industry and contribute to reduced climate impact through technology development, innovation and export of Swedish sustainable innovations.<sup>212</sup> Sweden will also seek to contribute to other IPCEI projects, for instance hydrogen.<sup>213</sup> Fair competition and a level playing field is another important aspect for the Swedish government. Thus, the government recently argued that:

We cannot allow companies from countries such as China to undercut Swedish and European jobs through hazardous working conditions and wage dumping. One effective way to counteract this is joint EU initiatives for knowledge, transition and increased competitiveness.<sup>214</sup>

#### 4.3.1 Industrial policy

In another op-ed Dahlgren and the Minister for Business, Industry and Innovation Ibrahim Baylan argued that the impact of the pandemic showed that the EU requires a new industrial strategy. They outlined the Swedish support of work towards a this, but underlined that Sweden wanted to see continued strong competition policy and openness to the rest of the world. They argued that 'the cornerstones of the EU single market must be safeguarded. Competition, innovation and openness to the rest of the world – not introversion and new trade barriers – are what makes the EU's enterprises strong'. Nevertheless, the new policy should foremost address the challenges the EU is facing, such as

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<sup>209</sup> Interview, the Swedish Prime Minister's office, January 2021.

<sup>210</sup> Interviews, the Swedish Prime Minister's office, January and February 2021.

<sup>211</sup> Dagens Nyheter (2021c).

<sup>212</sup> The Swedish Government (2020e). Sverige deltar i industriella samarbetsprojekt för att möta globala utmaningar. [Sweden participates in industrial cooperation projects to meet global challenges].

<sup>213</sup> Energimyndigheten (2021). IPCEI Vätgas.

<sup>214</sup> Dagens Nyheter (2021c).

climate change, the digital transformation as well as the enhanced and increased competition from non-EU actors. The EU should be able to respond to future crises better by diversifying value chains both in the EU and globally, but also by increasing stockpiles of for instance medical supplies. The importance of free-trade agreements, a well-functioning single market and as well as supporting research and innovation within strategic important technological and digital areas should be prioritised. Moreover, they outline that IPCEI is one among several tools the EU should use to strengthen the European industry, while emphasizing that ‘support from the public sector must be used restrictively. We must therefore ensure that collaborative projects at EU level are not overused at the risk of harming competition’.<sup>215</sup>

#### 4.3.2 Digital Union

The Digital field is thus a strong focus from the Swedish side and is something that is clearly outlined in the two recent opinion pieces. The Swedish Government has also argued that the EU needs to invest in digital infrastructure such as broadband expansion and connected systems, and to ensure that digital technology is widely adopted by both large and small enterprises. Investment in AI technology and strengthening international data flows is another strong focus from the Swedish side.<sup>216</sup> Moreover, the government has outlined that digital platforms need to take a larger responsibility and have supported the European Commission’s plans to regulate the responsibility of platform companies to combat illegal content.<sup>217</sup>

#### 4.3.3 Deepening of the Eurozone

In the long term the discussions on ‘strategic autonomy’ could also spillover to the debate on the deepening of the Eurozone. In the view of Swedish officials Brexit has hence created a new political situation.<sup>218</sup> With the UK out of the picture, the debate on the deepening of the Euro and discussions on for instance Eurozone budget and the international role of the Euro is expected to increase. This is clearly something that Sweden will need to come to terms with and address.<sup>219</sup> Sweden is currently considering whether to join the EU banking union. As the 2019 inquiry on Swedish participation in the banking union noted, ‘there is a risk of marginalisation for Member States that are outside currency co-operation (...). Against that background, Sweden’s possibilities of influencing the direction of economic policy in the EU should be given weight when the advantages and

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<sup>215</sup> Dagens Industri (2021). Pandemin kräver en ny industristrategi. [The pandemic requires a new industrial strategy]. Op-ed by Minister for EU Affairs Hans Dahlgren and Ibrahim Baylan, Minister for Business, Industry and Innovation.

<sup>216</sup> Dagens Nyheter (2021c); Dagens Industri (2021).

<sup>217</sup> The Swedish Government (2020f). EU kraftsamlar för en digital tidsålder. [The EU is gathering strength for a digital age].

<sup>218</sup> Interview, The Swedish Prime Minister’s Office, February 2021.

<sup>219</sup> Interviews, The Swedish Prime Minister’s Office, January and February 2021.

disadvantages are to be balanced'.<sup>220</sup> However, there is still a political debate in Sweden if it should join the EU's banking union or not.<sup>221</sup>

#### 4.3.4 EU in the world – Security and Defence

When it comes to the global role of the EU, including the security and defence policy dimensions, Sweden argues that the EU's foreign and security policy should and must be strengthened.<sup>222</sup> The EU is consequently described as Sweden's most important foreign and security policy arena.<sup>223</sup> The Swedish government thus has an ambition to belong to the 'core group' of member states within the EU's Common Foreign and Security Policy making.<sup>224</sup> Foreign Minister Ann Linde has recently commented:

in the light of the current world situation, Europe needs to take greater responsibility for its own security in a way that strengthens both the EU and its Member States, while promoting cooperation with strategic partners (...) Strengthening the EU's capacity as a security policy actor and thus the Union's ability to take responsibility for its own security and the security of its neighbourhood is crucial.<sup>225</sup>

One idea from the Swedish Governments to strengthen the EU's voice in world affairs is to use qualified majority voting in certain foreign policy areas instead of today's requiring unanimity.<sup>226</sup> Moreover, the Government earlier argued that 'EU security and defence cooperation shall contribute to the Union being able to carry out the full range of civilian and military crisis management operations, including the most demanding (...) with our partners whenever possible, and on its own if necessary'.<sup>227</sup> This clearly echoes the definition of the 2016 implementation plan on security and defence. Nevertheless, while supporting a stronger role for the EU within the field of foreign and security policy, Sweden emphasizes that the EU's security and defence cooperation should be complementary and mutually reinforcing with the work of NATO, transatlantic cooperation and Sweden's other regional, bilateral and multilateral defence formats.<sup>228</sup>

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<sup>220</sup> The Swedish Government (2019b). Sverige och bankunionen – English summary of SOU 2019:52. P. 30.

<sup>221</sup> See for instance: Sveriges Radio (2020). Riksdagsmajoritet säger nej till EU:s bankunion.

<sup>222</sup> Dagens Nyheter (2021c).

<sup>223</sup> The Swedish Government (2021b). Statement of Government Policy in the Parliamentary Debate on Foreign Affairs. Wednesday 24 February 2021.

<sup>224</sup> Håkansson, C (2021a).

<sup>225</sup> Riksdagen (2021a). Svar på interpellation 2020/21:555 om en europeisk strategisk autonomi [Response to Interpellation 2020/21: 555 on European strategic autonomy].

<sup>226</sup> The Swedish Government (2019c). Statement of government EU policy. Statement made by Prime Minister Stefan Löfven at the Riksdag on 13 November 2019; Dagens Nyheter (2021c).

<sup>227</sup> Svenska Dagbladet (2019). 'Viktigast för Sveriges säkerhet att EU stärks'. ['Most important for Sweden's security is that the EU is strengthened']. Op-ed by [former] Minister for Foreign Affairs Margot Wallström and Defence Minister Peter Hultqvist.

<sup>228</sup> Riksdagen (2019b). EU-nämndens uppteckningar 2019/20:12. [Committee on EU Affairs 2019/20:12]; Riksdagen (2021a).

The new conditions for third party participation in PESCO projects were extremely important for Sweden and signals that the EU is open towards important partners, such as the US, UK, Norway and Canada.<sup>229</sup> Especially as new initiatives such as PESCO have been developed under the leitmotif of EU Strategic autonomy.<sup>230</sup> Within the security and defence policy field there have also been discussions on establishing a European Security Council to connect the UK to EU foreign and security policy after Brexit.<sup>231</sup> However, the Swedish side sees this as a risk, as it could have the consequence of marginalizing smaller and middle-size member states such as Sweden. Nevertheless, Sweden will seek to connect the UK as closely as possible to the EU while also seeking to strengthen its bilateral security and defence policy relations with the United Kingdom.<sup>232</sup>

Another idea outlined by the former European Commission President Jean-Claude Juncker and later on echoed by the current President Ursula von der Leyen is the establishment of a fully-fledged European Defence Union by 2025.<sup>233</sup> Sweden has argued against this in the Council of the European Union.<sup>234</sup> As outlined, Sweden sees it as important that the European Union strengthen its capacity as a security policy actor, however, this should be complementary and not duplicate the work of NATO.<sup>235</sup>

In 2021–2022 the EU will also develop the new so-called ‘strategic compass’ in security and defence. The compass will address four key ‘baskets’ – crisis management, resilience, capability development and partnership – to outline and ‘strengthen a common European security and defence culture and help define the right objectives and concrete goals for our policies’.<sup>236</sup> Sweden will seek to take an active role in this process and argues for achieving a balance between strengthening the military and civilian sides of the EU’s Common Security and Defence Policy (CSDP).<sup>237</sup> It will thus seek to continue to develop the EU’s

<sup>229</sup> Interview, Swedish MFA, January 2021.

<sup>230</sup> For a discussion on the northern view on Strategic Autonomy and EU security and defence policy development see also: Nissen, C & Larsen, J (2021). Strategic autonomy: From misconceived to useful concept. Danish Institute for International Studies.

<sup>231</sup> For a discussion on this see e.g., Nováky, N. (2019). EU it yourself: A blueprint for a European security council. Wilfried Martens Centre for European Studies; Scazzieri, L. (2019). Towards A European Security Council? Center for European Reform.

<sup>232</sup> Interview, Swedish MFA, January 2021; Interview, Member of the Swedish Parliament, January 2021; Håkansson, C. (2021a).

<sup>233</sup> Juncker, J-C. (2017). State of the Union Address 2017; von der Leyen, U. (2019). A Union that strives for more: My agenda for Europe; See also Engberg, K. (2021) for a good overview on this development.

<sup>234</sup> Interview, Member of the Swedish Parliament, January 2021.

<sup>235</sup> Riksdagen (2021a); Interview, Member of the Swedish Parliament, January 2021; Interview, Swedish MFA, January 2021.

<sup>236</sup> EEAS (2020). Towards a Strategic Compass; Mölling, C., and Schütz, T (2020). The EU’s Strategic Compass and Its Four Baskets. German Council on Foreign Relations.

<sup>237</sup> These ambitions were once again echoed by Prime Minister Stefan Löfven before the discussions on Europe role in the world at the informal European Council Summit 5–6 October 2021. See: Riksdagen (2021b). Öppet sammanträde i EU-nämnden.

civilian crisis management capabilities, through the work of the so-called Civilian CSDP Compact, which is intended to be fully implemented during the Swedish EU Presidency 2023. Sweden will also seek an active position in working on the nexus between internal and external security. An active role in the strategic compass process is also arguably connected to Sweden's ambition to belong to the core of the EU's Common Foreign and Security Policy making.<sup>238</sup>

The first draft of the strategic compass was presented by EU HR/VP Josep Borrell in November 2021 and later on discussed by the European Council with the ambition by the member states to politically agree to the compass by March 2022.<sup>239</sup> After the experience of the Afghanistan debacle ideas of developing a common EU 'first entry force' of around 5,000 troops were floated.<sup>240</sup> The Swedish Government have nevertheless taken a sceptical outlook towards the proposal.<sup>241</sup> Another idea that has been discussed within the compass process is to make use of flexible arrangements and 'coalition of willing' groupings to undertake military missions for the whole EU by the usage of article 44 TEU.<sup>242</sup> In his joint op-ed with his French counterpart the Swedish Defence Minister Peter Hultqvist expressed that 'we are prepared to consider how regional groups of Member States could assume regional responsibility and act on behalf of the EU in a more flexible and reactive manner, building on the model of the Takuba Task Force'.<sup>243</sup> This could possibly hint towards a new approach from the Swedish side on the usage of article 44 TEU.

Likewise, within the compass process the EU's mutual assistance clause (Article 42.7 TEU) and solidarity clause (Article 222 TFEU) have also been discussed.<sup>244</sup> While Sweden has developed its unilateral declaration of solidarity (covering the EU states and the Nordic states as Norway and Iceland are not members of the Union) from of the EU it has been rather reluctant or even sceptical to discuss the operationalisation or to define article 42.7 TEU thus far.<sup>245</sup> Nevertheless, as the articles will be further discussed in the compass process as well as through exercises in the EU's Political and Security Committee, Sweden could thus need to further engage in the discussions on the meaning of the article.

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<sup>238</sup> Håkansson, C (2021a); Interview, Swedish MFA, January 2021.

<sup>239</sup> European Council (2021). Oral conclusions drawn by President Charles Michel following the informal meeting of the members of the European Council in Brdo pri Kranju, Slovenia.

<sup>240</sup> Reuters (2021a). Analysis: Afghanistan pullout spurs EU to revive rapid reaction force.

<sup>241</sup> Euroactive (2021). Non NATO-member Sweden rejects EU rapid reaction force.

<sup>242</sup> EUISS (2021a). Marching to where? The operational dimension of the EU Strategic Compass; Reuters (2021b). EU should enable military coalitions to tackle crises, Germany says.

<sup>243</sup> Dagens Nyheter (2021a).

<sup>244</sup> EUISS (2021b). Strategic Culture: an elusive but necessary foundation for EU security and defence?.

<sup>245</sup> For a longer discussion on this see: Håkansson, C (2021c). From neutrality to solidarity: Sweden and EU security and defence cooperation. In Franke, U. & Cramer, C. (eds.) (2021). *The Defensive Union and Special Status Countries – Opt-out or on the way out*. European Council on Foreign Relations.

Moreover, the European Commission President Ursula von der Leyen has also outlined that a special EU Summit on defence, co-hosted with President Macron during the French EU Council presidency, will be held during the spring of 2022 with the ambition to give an impetus to the new EU security and defence agenda.<sup>246</sup> Likewise, the European Council President Charles Michel has outlined that 2022 will be the 'year of European defence'.<sup>247</sup> Hence we can expect an EU agenda heavily focused on defence issues the coming time, which consequently could spill over to the Swedish 2023 EU Presidency.

#### 4.3.5 Multilateral system

Finally, the state of the multilateral system and global affairs has arguably affected the Swedish thinking. While Sweden sees a more contested world – with increased great power competition and geo-economical rivalry – it nevertheless argues that the EU's ambition to strengthen its resilience and geopolitical strength should not lead to the Union abandoning its main strengths in promoting free trade, advocating for human rights, openness to the world and support for the multilateral system.<sup>248</sup>

However, China's increased assertiveness and Russia's continued aggression is influencing the direction of Swedish politics. For instance, the Swedish authorities decided to preclude Chinese industries in Sweden's expansion and roll out of the 5G network. The head of the Swedish Security Service said:

China is one of the biggest threats to Sweden. The Chinese state is conducting cyber espionage to promote its own economic development and develop its military capabilities. This is done through extensive intelligence gathering and theft of technology, research and development. This is what we need to consider when building the 5G network of the future. We cannot compromise on Sweden's security.<sup>249</sup>

The Swedish debate on China has also become increasingly harsh and public opinion in Sweden is increasingly negative towards the country.<sup>250</sup> The Swedish Government in 2019 also published a new 'Government communication'<sup>251</sup> on China outlining a rather critical stance on China in regard to for instance its human rights abuses, its authoritarianism and lack of transparency.<sup>252</sup> To

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<sup>246</sup> European Commission (2021). 2021 State of the Union Address by President von der Leyen.

<sup>247</sup> Politico (2021). Charles Michel declares 2022 'year of European defence'.

<sup>248</sup> Interview, Swedish MFA, January 2021.

<sup>249</sup> Säkerhetspolisen (2020). Säkert 5G viktigt för Sverige. [Safe 5G is important for Sweden].

<sup>250</sup> See e.g., Rühlig, T. *et al.* (2020). What Do Swedes Think About China? Insights from an Extensive Survey of Swedish Public Opinion of China. The Swedish Institute of International Affairs.

<sup>251</sup> The Swedish Government (2019d). Government Communication 2019/20:18 Approach to matters relating to China.

<sup>252</sup> See also Rühlig, T. & Shoa, O. (2021). China's dwindling soft power in Sweden. In: Dams, T. *et al.* (2021). China's Soft Power in Europe: Falling on Hard Times. European Think-tank Network on China (ETNC).

moreover improve research and knowledge about both China and Russia in Sweden, the Government has also recently established a Swedish National China Centre and the Stockholm Centre for Eastern European Studies.<sup>253</sup> And Sweden has also increased its defence spending due to the deteriorating security situation in northern Europe; the new 2021–2025 Swedish defence bill represents the largest increase in defence spending in 70 years.<sup>254</sup>

Finally, Sweden lies firmly in the transatlantic group of EU member states and will continue to seek to strengthen the EU-US relations under the new Biden administration. However, while Sweden strongly supports a close transatlantic relationship it acknowledges that the EU sometimes will disagree with the US. Nevertheless, the new US administration represents an opportunity to work on strengthening multilateral fora, on strengthening world trade through the reform of WTO as well as on multilateral solutions to mitigate climate change.<sup>255</sup> In relation to the discussions on strategic autonomy and the transatlantic relationship Sweden has strongly argued that this relationship should be strengthened and underlined that ‘strategic autonomy must not develop into something that stands in opposition to a deep and close transatlantic relationship or good cooperation with other partners’.<sup>256</sup>

#### **4.4 Future policy development and concluding remarks**

As outlined in above sections Sweden has started to change its approach towards the concept of strategic autonomy and the policies covered by that concept. Nevertheless, there are still some remaining questions that need to be addressed regarding Swedish thinking and action in this field.

The Swedish government has outlined a clear ambition of belonging to the core of the European Union. As the 2019 EU policy declaration declared ‘Sweden’s point of departure must be that we participate fully in EU cooperation and are active in shaping all of its parts in a way that protects Swedish interests’.<sup>257</sup> And the 2021 version further emphasized the importance of Sweden as an active member state that ‘wants to be fully engaged in the core of the EU’ and thus can have influence that exceeds its size.<sup>258</sup> The shift described here – becoming more publicly and positively engaged in the debate on strategic autonomy could arguably also be seen in light of this ambition of becoming a more influential

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<sup>253</sup> The Swedish Government (2020g). Regeringen inrättar nationellt kunskapscentrum om Kina. [The government establishes a national knowledge center on China]; The Swedish Government (2020h). Regeringen inrättar ett kunskapscentrum om Ryssland och Östeuropa. [The government establishes a knowledge center on Russia and Eastern Europe].

<sup>254</sup> The Swedish Government (2021c). Minister Hultqvist explained the roadmap toward the future Swedish defence at press briefing.

<sup>255</sup> Interviews, the Swedish Prime Minister’s Office, February 2021; Swedish MFA, January 2021.

<sup>256</sup> Riksdagen (2020f). EU-nämndens uppteckningar 2020/21:18. [Committee on EU Affairs 2020/21:18].

<sup>257</sup> The Swedish Government (2019c).

<sup>258</sup> The Swedish Government (2021a).

EU member state. This ambition sits alongside geopolitical events such as the US's withdrawal from Afghanistan, which prompted the Minister of Defence to announce that strategic autonomy should be deepened.

The 2019 Statement also underlined that Sweden sought to influence the future policies of the EU and stated that joining the European Public Prosecutor's Office (the EPPO), engaging in the EU's enhanced defence cooperation as well as considering membership of the banking union all form part of this development.<sup>259</sup> Nevertheless, Sweden's non-participation in the Euro cooperation is something Sweden needs to address and discuss if it wishes to be at the core of EU policymaking, especially if the policy discussions on further integrating and deepening Eurozone cooperation continue. However, today both political and public discussion of joining the Euro are non-existent in Sweden. Moreover, while Sweden traditionally has been somewhat sceptical towards a more 'multi-speed Europe' (i.e. further differentiated integration)<sup>260</sup> these discussions will be unavoidable if Eurozone cooperation is deepened going forward.

Nonetheless and to conclude, this policy paper argues that it is welcomed and necessary that Sweden now more actively and publicly engage in the debate on EU strategic autonomy. This concept is expected to continue to steer the policy direction of the EU for a long time, and it is very welcomed that Sweden actively tries to engage with it, and thus steer the overall policy discussions of the EU.

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<sup>259</sup> The Swedish Government (2019c).

<sup>260</sup> On this see e.g., Gänzle, S., B. Leruth and J. Trondal (eds.) (2019). *Differentiated Integration and Disintegration in a Post-Brexit Era*. London: Routledge; Leruth, B., Gänzle, S., and Trondal, J. (2019). Exploring differentiated integration in a Post-Brexit European Union. *Journal of Common Market Studies* 57(5): 1013-1030.; Schmidt, V. (2020) Theorizing institutional change and governance in European responses to the Covid-19 pandemic. *Journal of European Integration*, 42:8, 1177-1193.; Leuffen, D., Rittberger, B., and Schimmelfennig, F. (2013). *Differentiated Integration: Explaining Variation in the European Union*. Palgrave.



# 5 Postscript

*Jakob Lewander*

This collection of essays has given an account of a wide variety of policy proposals and political directions that aim to increase the EU's capacity to efficiently pursue its interests and strengthen its position in the global arena. Central features of concern for the Nordic countries are trade, the internal market, and an assurance that the EU remains open to the world and third-party partnerships. The centre of gravity falls differently in each chapter, since each country – however similar their European outlook may seem – has slightly different understandings of what EU membership entails for their country and their interests. For example, instability in Europe's neighbourhood appears more often in one contribution, trade and industrial policies are more prevalent in another, and the issue of the European Defence Fund is a higher priority in the third.

This postscript will firstly describe the specific rationale of EU membership of the three countries, how that relates to various steps in European integration and in particular to security and defence integration. Secondly, it describes and accounts for the central elements of convergence between the three countries regarding the topics that have been discussed in this volume. Thirdly, it reflects on how these central elements of convergence compare to other notions of strategic autonomy found among other country groupings in the EU.

## 5.1 The virtues of membership – Nordics in the EU

Denmark became an EU member in 1973 along with the UK. Sweden and Finland joined with Austria in 1995. Out of the three, Denmark is clearly – and formally – an outlier in the group due to its opt-outs in various policy fields. These exempt Denmark from participation in military aspects of CSDP. Denmark, a NATO member, strongly highlights NATO's presence in Europe's defence arrangements. Still, Denmark remains an engaged participant in issues of civil security but has sidelined itself from forging the future of EU defence. Neither Sweden or Finland are NATO members but have deep military cooperation between each other and with NATO. Consequently, they have no interest in EU structures duplicating NATO in their geographical neighbourhood.

When assessing the responses from the Nordics during the euro crisis in the SIEPS publication *Same, same but different – The Nordic EU members during the crisis* (2015), Juha Jokela described Finland's understanding of EU membership as follows:

The Finnish EU strategy and policy has aimed to secure and increase Finland's influence in the EU by positioning the country firmly in the core projects of

European integration. In doing so, it has aimed to accumulate political capital through active and constructive engagement.<sup>261</sup>

EU membership and integration was always an amplifier of Finnish potential and political outreach – not an intrusion on national sovereignty. And EU membership had a clear attachment of national security. Finland's reputation as a constructive and forward-looking member took a toll during the euro crisis when the Finnish economy was strongly hit. The country resorted to obstructionism and openly criticizing other eurozone members as EU affairs became more salient in national politics. Finland became a tougher negotiator in the management of the euro crisis, but moderation became more prevalent as recession and crisis politics receded.<sup>262</sup>

Denmark and Sweden share characteristics that distinguish them from the Finnish case. From the start, EU membership was based on access to the single market – a springboard for economic growth. The EU is seen as essentially an intergovernmental arena for co-operation between nation-states. Further EU integration should be considered in policy-areas with true cross-border implications and have a clear added-value. Prime examples are the single market and climate policy.<sup>263</sup>

This hesitancy towards impinging on national sovereignty was in the Danish case made statutory in negotiations on the Maastricht Treaty. Denmark secured opt-outs from EMU, military aspects of CSDP, Justice and Home affairs, and Citizenship of the European Union. Sweden's reluctant stance vis-à-vis EMU and the subsequent negative response to EMU membership in the 2003 referendum has not been challenged by the EU, despite Sweden not having any formal opt-out.

So historically, the Nordic countries have differed to a certain extent in how they understand the EU, European integration and their place in the Union. The question remains whether this still applies to the EU of today and the debate on strategic autonomy. To put it more bluntly, is there still bearing in Jokela's 2015 description of the EU perception of Nordics as 'opt-out obsessed Danes, self-sufficient Swedes and easy-going Finns'?

The following section deals with the overlaps and the minor differences between the three countries. This will help us better understand the shared Nordic understanding of strategic autonomy, and simultaneously better grasp how they converge on fundamental policy issues.

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<sup>261</sup> Same, same but different – The Nordic EU members during the crisis, 2015. Pg. 26. [https://www.sieps.se/publikationer/2015/same-same-but-different-the-nordic-eu-members-during-the-crisis-20151op/Sieps\\_2015\\_1op?](https://www.sieps.se/publikationer/2015/same-same-but-different-the-nordic-eu-members-during-the-crisis-20151op/Sieps_2015_1op?)

<sup>262</sup> Ibid. Pg. 27.

<sup>263</sup> Ibid. Pg 54.

## 5.2 Nordics on the same page – A more capable EU in the world, but sticking to the fundamentals

The common ground is evident; the EU needs to be a stronger actor in the world to safeguard what they consider to be the Union's fundamental interests and purpose: a competitive, innovative, and rule-based single market with an increased ability to ensure peace and stability in Europe's neighbourhood. Any steps taken on the security and defence field must be coordinated with allies to avoid disturbing or duplicating existing arrangements with NATO or relationships with regional and bilateral partners. All countries have defended the inclusion of third parties to take part in common defence structures and industry. This partly explains the much advocated 'openness' of strategic autonomy.

On a general level, the Nordics have all shown reluctance and hesitancy towards the very concept of autonomy itself. The Danish example tells us that although there is a lot of positivity towards the content of strategic autonomy, the high-flying rhetoric is a cause for concern. The same can be said for Sweden which has quite recently taken on a more supportive tone in this debate, moving from outright rejection of strategic autonomy to calling for more European responsibility and increased strategic autonomy on regional security issues. Finland's position, however, is described as a middle stance between French impatient eagerness and traditional Nordic reluctance. Hence, Finland tends to emphasize the possibilities of initiatives and devotes energy at maximizing these outcomes. Coming back to the question posed earlier – are the Nordics stuck with their early understandings of EU membership and integrations? – one can make the argument that the Nordics have parted with their initial suspicion towards the strategic autonomy debate. The term 'open strategic autonomy' is now commonly used in Commission papers<sup>264</sup> and throughout the Union a large number of countries stand behind the integrity of open markets and against the use of industrial policy to foment flagship projects.

### 5.2.1 Protection of open markets

For the Nordics to remain constructively engaged in these matters, the openness of strategic autonomy must be safeguarded. This openness is foremost related to issues concerning trade, the single market, EDF, and **industrial policy**. The Nordics will strongly oppose protectionist measures or state-aid that hampers single market competition policy. Sweden has however outlined a caveat on sectors of 'important projects of the future where the market cannot invest on its own' such as important green technologies. This relates to Swedish battery factories and carbon-free steel production which has benefited from EU aid.

**EDF** is another good example: All three countries favour industrial policy that promotes innovation, new technologies, and competition as opposed to European

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<sup>264</sup> Making Europe's businesses future-ready: A new Industrial Strategy for a globally competitive, green and digital Europe, European Commission. 10 March 2021. [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_20\\_416](https://ec.europa.eu/commission/presscorner/detail/en/ip_20_416)

flagship ‘champions’, thereby allowing third party access to EDF projects. Not participating in EU defence policy, Denmark is resistant to the idea of the EDF as a stepping-stone for an EU defence union. Instead, Denmark sees the EDF as a means of fostering competition and economies of scale. Finland, however, sees no necessary danger in expanding EU defence cooperation such as EDF and PESCO. The Finnish priority is instead to ensure effective division of labour between NATO endeavours, international defence frameworks and deepened EU initiatives. Hence, Finland doesn’t see NATO and EU defence as mutually exclusive. In this regard, Finland considers itself in between the Baltics and the continental view on strategic autonomy. Sweden takes a similar position. While taking a clear stand against a defence union, Sweden still highlights the need for increased EU security capabilities. This must be complementary to NATO and other regional security and defence frameworks – and must be kept intergovernmental. These differences on the EDF as starting point for a deeper defence union are still minor considering that Denmark is exempt from military defence policies. The three countries however agree on the industrial-political framing of the fund.

### 5.3 A stronger Europe – for the benefit of whom?

The Nordics, then, share a mindset which holds that strategic autonomy must be open and not give in to protectionist measures; that industrial policy must promote innovation in green transition and new technologies, and that defence initiatives should complement other frameworks and not duplicate NATO. They also share doubts about the creation of a **European Security Council** (ESC). Although eager to connect the UK to EU defence cooperation, they see the ESC without connection to the CFSP institutional structures as creating the risk the small and middle-sized member states will be sidelined by the big and powerful member states.

The objective of the EU **strategic compass** is to define common interests and foster a European strategic culture. The Nordics perceive of this forum as an opportunity to forge the EU’s security policy, particularly on resilience and hybrid threats. These issues are shared priorities for all three countries. This is a particular concern for Denmark which considers the EU a highly suitable actor in this field due to its wide array of foreign policy instruments. Finland also sees the strategic compass as an opportunity to increase EU capabilities on resilience and hybrid threats. In this context, Sweden actively looks to the civilian aspects of CFSP as a way to assert its position in the core of EU foreign policy. The issue of the mutual assistance clause (Article 42.7 TEU) remains sensitive and divisive as part of the strategic compass. Finland favors a clarification of the practical implications of 42.7, thereby using it as a legal bridge to its bilateral military cooperation with Sweden. Sweden is however lukewarm to the idea of developing 42.7 further, because of its military non-alignment and its US partnership.<sup>265</sup>

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<sup>265</sup> A European Defence Union by 2025? Work in progress. 2020 (Engberg, Katarina, SIEPS).

## 5.4 Institutional arrangements

The Nordics accept and embrace flexibility in foreign and security policy. On this account, the three countries part from different premises. Denmark's opt-out position makes matters relatively clear, while Finland looks for flexible opportunities to bring added-value to the Union's foreign, security and defence. Unlike Sweden and Finland, Denmark opposes the use of qualified majority (QMV) voting in matters of Common Foreign and Security Policy (CFSP). This corresponds to the Danish belief that member states should have the exclusive right to determine the EU's future. Finland favours the use of constructive abstention and flexibility in carrying out CFSP policies but remains cautiously aware of the risk of dominance by the bigger member states. Sweden also recognizes this risk, and while it sees the benefits of a bigger role for the HR/VP, Sweden still defends the intergovernmental side of defence policies.

## 5.5 China and multilateralism

China's omnipresence in global trade has changed the world. Its rise to the status of an economic and foreign policy giant lies at the very essence of the discussion of European strategic autonomy. China's geopolitical and geo-economic expansion has moved the centre of economic and commercial gravity further east and thereby also the focus of the USA. This has had a strong impact on the European discussion on strategic autonomy, and consequently also on the interests of the Nordic countries. Firstly, the US foreign policy 'pivot to Asia' has contributed to the EU searching for ways to shoulder greater responsibility in its neighbourhood. Secondly, in the ever-intensifying Sino-American superpower competition China is considered a disruptive force to the rule-based multilateral system and institutions.

On a political level, relations with China among the Nordics differ in intensity. Denmark stands firmly behind the Comprehensive Agreement on Investment between the EU and China, and supports a common, assertive EU approach to relations with China. Denmark however sees no immediate hurry in this enterprise. Finland, too, is aligned with the Commission's assessment of China as a partner, competitor, and a rival. Having strong trade relations with both China and the USA, Finland is not interested in an escalation of tensions between the two powers that could possibly lead to trade disruptions. Sweden has been a more vocal opponent of Chinese diplomatic and geo-economic methods. Huawei was excluded from participation in Swedish 5G network, and the government has criticized Chinese human rights abuses in strong terms. China was also named by the Swedish Security Service as one of the biggest threats to Swedish security. On a diplomatic level there have been altercations between China and Sweden on the subject of human rights. However, these differences in intensity do not translate into major different policy differences between the Nordics when talking about concerted EU responses to the geo-economic challenges relating to China. All three countries have passed – or are on the verge of passing – laws implementing the screening of Foreign Direct Investment

based on national security assessments. And when it comes to market distortions caused by Chinese state-aid, the Nordics all stand firmly in their defence of EU competition policy, rule-based multilateralism, and open markets.

## 5.6 Multilateralism under pressure – what route for the EU?

The Nordic understanding of the consequences of Chinese politico-economic development, and how the EU should respond to that challenge is linked to the issue of multilateralism. The Nordics all defend a rule-based multilateral order that protects open markets and promotes peace, such as the WTO, UN and IMF. They also agree that the EU should be assertive in its defence of these institutions and rules. This rule-based international order is seen as a fundamental factor the EU and the Nordic countries' prosperity during the 20<sup>th</sup> century. Nevertheless, that order is threatened by great power competition, US withdrawal from the international scene, and a general undermining of multilateral institutions. Hence why, when it comes to strategic autonomy, the Nordics fear that isolationism and protectionism might spread to the EU's trade, industrial, and defence policies. The fundamental question for the Nordics in this debate is how to remain an open market-economy and promote a rule-based multilateralism if others do not come to the table. This predicament becomes even more pressing if the poor relations between China and the USA leads to parallel systems of rules and trade relations that circumvent multilateral fora.

## 5.7 Taking the Nordic view to Europe

So far, the Nordics' outlook on strategic autonomy is far from fully aligned.<sup>266</sup> On security and defence matters, Sweden is more hesitant to embrace EU initiatives and a geopolitical role for the EU than Finland, whereas Denmark is still at the margins of the pertinent debates due to its opt-out from the defence-related aspects of CFSP. At the same time, all three cooperate very closely with the US, both bilaterally and under the umbrella of NATO, although neither Finland nor Sweden are members of the Alliance. Moreover, Finland and Sweden have recently enhanced their defence cooperation with non-EU member Norway<sup>267</sup> – and all three, together with Denmark, are part of NORDEFECO. All this means that they can find common ground when it comes to ensuring that the EU's security and defence efforts remain open to non-EU partners and are developed in full compatibility with steps taken in NATO as well as in smaller defence frameworks.

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<sup>266</sup> N. Helwig et al., 'A Northern Agenda for an Open and Secure Europe: Nordic-Baltic Perspectives on European Sovereignty and Strategic Autonomy', *EFPI Policy Paper*, Tallinn, Estonian Foreign Policy Institute/International Centre for Defence and Security, May 2021.

<sup>267</sup> Statement of Intent on Enhanced Operational Cooperation among the Ministry of Defence of the Republic of Finland and the Ministry of Defence of the Kingdom of Norway and the Ministry of Defence of the Kingdom of Sweden, 23 September 2020, <https://www.regeringen.se/4a7675/globalassets/regeringen/dokument/forsvarsdepartementet/soi/trilateral-statement-of-intent-on-enhanced-operational-cooperation-200923.pdf> (accessed on 29 October 2021).

On economy and trade, some differences between the Nordics surface now and again. For example, Denmark was among the initiators of a tighter vaccine export control, which Finland was critical of.<sup>268</sup> However, regarding the basic principles, Finland is on the same page as its Nordic EU neighbours. All agree that the EU policies which support Europe's strategic autonomy should not distort the functioning of free markets inside or outside the EU. Here the Nordics' point of view stands in strong contrast to the French-led agenda on strategic autonomy. Furthermore, these concerns and interests among the Nordics are shared with many other EU member states such as the Friends of the Single Market and the Stockholm Six.<sup>269</sup> In March 2021, likewise, Spain and the Netherlands released a non-paper on strategic autonomy<sup>270</sup> which also stresses the importance of the cohesion, integrity and openness of the single market and the need for the EU to be more geopolitically engaged, while also highlighting the transatlantic angle of European security. This non-paper – for what it's worth – also mentions the need for more hands-on support of critical sectors and identifying strategic dependencies with the aim to diversify production and supply chains. The strengthening of the euro in global markets is also seen as an integral piece in building strategic autonomy. The integrity of the single market aside, the Nordics have a much less hands-on approach when it comes to industrial policy. The Netherlands have played a fundamental part of the Frugal 4 during the MFF and NGEU negotiations but are seemingly taking a more continental stance on issues pertaining to the strategic autonomy debate, and in particular to industrial policy.

The concerns of the Visegrad countries (V4) evolve around strategic autonomy as a Trojan horse of deeper EU integration, which in their view would primarily benefit France and Germany. From this it follows that the V4 advocate geographical balance in the configuration of defence industry projects and a special security consideration to the EU's Eastern borders. The issue of NATO decoupling in exchange for a weaker EU protection is naturally of utmost concern among the V4. For this group of countries, strategic autonomy must be capability-driven in order to serve NATO purposes. Among the V4, NATO is central to defence planning and coordination and deeply embedded in the V4 security framework.

These different approaches are informative of the divergences that exist around the Union on precisely those issues that this paper has highlighted as strong Nordic preferences, in particular the level of detailed governance in the field of EU's industrial policy. Nordic interests are that industrial policy should be

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<sup>268</sup> Interview with an official of the Ministry of Foreign Affairs of Finland, 4 March 2021.

<sup>269</sup> Strategic Autonomy: A Spectrum of Choices for the EU and Ireland, IIEA, 2021. <https://www.iiea.com/publications/strategic-autonomy-a-spectrum-of-choices-for-the-eu-and-ireland>

<sup>270</sup> Spain-Netherlands Non-Paper on Strategic Autonomy while preserving an Open Economy. <https://www.permanentrepresentations.nl/documents/publications/2021/03/24/non-paper-on-strategic-autonomy>

fomenting conditions for innovation and refrain from pin-pointing sectors, actively diversifying supply chains, and boosting European flagship ‘champions’. These differences should also be understood through the lens of Nordic defence industry, which is privately run, with strong links to the UK and the USA.

To conclude, strategic autonomy should not be understood as an end game, but rather a process of dealing with contradictions. One example is the matter of strengthening internal ties between EU countries without harming or breaking already weakened bonds, such as the transatlantic link. Also, it is about strengthening certain capabilities of the Union (e.g. defence, the euro, digital union and industrial transition) while at the same time not harming the fundamentals (the functioning of the single market, competition policy). The conversation about European strategic autonomy would not have happened the way it has without the impulse of President Macron, and since the Sorbonne Speech it has spawned a mix of suspicion, praise, proposals, and rejections. However, the discussion is no longer solely dominated by France and Germany; other member states are joining the conversation to shape its content and frames. Going back to the initial question; are the Nordics still comprised of ‘opt-out obsessed Danes, self-sufficient Swedes and easy-going Finns’? The answer seems to be that there has been a degree of Finlandization on this account, as suggested in these chapters: Denmark is looking to boost their practical space of action; Sweden has come to engage more proactively in these policies, and Finland still highlights its constructive bridge-building capacity between Nordic-Baltic positions and the continental more far-reaching ambitions. As this paper has shown, several policy fields are of critical concern for the Nordics, and the coming years will be a test of their willingness and ability to forge alliances, to compromise, and thereby exert their influence on shaping the future of the EU and its role in the world.



# Sammanfattningar på Svenska

## **Europeisk strategisk autonomi sett från Danmark: I huvudsak omtvistat**

Av Christine Nissen

Från dansk synvinkel är strategisk autonomi ett mycket omtvistat begrepp. På grund av Danmarks speciella status inom EU:s säkerhet och försvar och att landet valt att avstå från försvarssamarbetet har Danmarks respons på att EU skaffar sig kapacitet att agera autonomt inledningsvis präglats av "motstånd". Den huvudsakliga oron är att en stärkt europeisk strategisk autonomi kan tolkas som ett alternativ till NATO och den transatlantiska länken. Danmark ser i själva verket inget trovärdigt alternativ till den amerikanska kollektiva försvarsgarantin. Med det sagt inser danska beslutsfattare alltmer värdet av en kollektiv – och oberoende – förmåga att ta ansvar för Europas egen säkerhet. Ett sådant företag måste emellertid ske i samklang med att den transatlantiska länken garanteras, och ökad strategisk autonomi bör syfta till att stärka globala partnerskap. I en sådan tolkning av begreppet ser danska beslutsfattare att ökad autonomi också blir ett sätt att axla ett större ansvar i säkerhetssamarbetet med USA.

## **Finland och europeisk strategisk autonomi: "Ja, men..."**

Av Tuomas Iso-Markku & Niklas Helwig

Idén om europeisk strategisk autonomi och EU:s roll i att främja den har med ökad kraft tagit sig in i den finska politiska debatten. Finlands syn på strategisk autonomi är dock ganska tvetydig. Å ena sidan är Helsingfors en ivrig påskyndare av EU som en global aktör med kapacitet att bidra till säkerhet, och man erkänner unionens behov att justera sin politik för att kunna hävda sig i en alltmer konkurrensutsatt internationell miljö. Å andra sidan är Finland skeptiskt till förslag som utmanar de öppna marknadernas funktionssätt inom eller utanför EU, rubbar EU:s institutionella balans, eller underminerar unionens interna sammanhållning. Dessutom insisterar Finland på att initiativen på området strategisk autonomi också bör stärka EU:s globala partnerskap, framför allt den transatlantiska länken. Särskilt på området säkerhet och försvar bör icke-EU-stater involveras, t.ex. Norge och Storbritannien.

## **Europeisk strategisk autonomi: engagerat, men med röda linjer. Perspektiv från Stockholm**

Av Calle Håkansson

Sveriges hållning i idédiskussionerna om europeisk strategisk autonomi kan ofta ses som vag och negativ. Begreppet har vanligtvis bemötts med skepsis och misstänksamhet i det svenska politiska samtalet, och oro har även uttryckts om riskerna med att försvaga den transatlantiska länken inom försvars- och säkerhetspolitiken. I takt med att begreppet har utvidgats till andra politikområden – i synnerhet på grund av Covid-19-pandemin och den globala utvecklingen – och dess allt tydligare förankring i EU:s generella politiska retorik har Sverige emellertid intagit en mer proaktiv hållning i diskussionerna. Sverige ser följaktligen värdet i att stärka både EU:s resiliens och EU:s roll i världen. Sverige är emellertid orubbligt i sitt försvar av globala frihandelsregler, internationella marknadens funktionssätt och den transatlantiska länken inom säkerhet och försvar. Därmed har Sverige nu offentligt börjat engagera sig i diskussionerna om europeisk strategisk autonomi för att söka styra politikinriktningen.

‘... what unites these three countries in the discussion on strategic autonomy is a strong insistence that the EU should remain an open market economy with low tolerance for protectionist measures. This reveals the underlying logic of EU membership for these export-driven economies concerned to protect and fund their welfare models.’



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