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#### NOTE

From:	Presidency
To:	Permanent Representatives Committee/Council
Subject:	Cohesion Policy and European strategic autonomy = Exchange of views

At the meeting of the General Affairs Council dedicated to Cohesion Policy of next 30 November, on the basis of the Presidency paper set out in annex to this note, Ministers in charge of Cohesion Policy are invited to discuss how Cohesion Policy can contribute to fostering the sovereignty and strategic autonomy of the European Union.

**Background paper**  
**for the General Affairs Council dedicated to Cohesion Policy**

**“Cohesion Policy and European strategic autonomy”**

The international openness of the last seven decades has been very beneficial for the EU and has enabled it to achieve economic growth and social welfare levels, which, since protectionism, or with a Union with fewer Member States, would have been impossible.

However, international openness has also facilitated **relocation processes** that have led us to lose market share in strategic sectors and has led us to become **over-dependent on third countries** in areas such as energy, health supplies, digital technologies or food.

At the same time, the European Union’s competition policy and the search for solidarity and equal opportunities in the allocation of public aid and resources has led to situations where **large companies in the EU have not been able to compete, on equal terms, with large international giants**, who tend to receive aid from the states in which they are located.

Today, the geopolitical, technological and environmental changes we are going through are highlighting the need for us to act against this trend. At the same time, these changes offer the opportunity to invest, attracting new businesses and jobs to Europe, generating wealth and reducing our external vulnerabilities. This has been highlighted in the face of the energy, raw material supply and inflationary crisis resulting from Russia’s invasion of Ukraine, in the face of the danger of an oil crisis arising from the ongoing Israeli-Palestinian conflict, but also with other previous supply crises that have led to a break in international value chains.

It is therefore increasingly important for the **European Union to be able to develop a strong, resilient and forward-looking industrial fabric**, enabling it to **protect its sovereignty and increase its autonomy** in situations where international instability moves to markets. To this end, the Union must ensure that large companies in strategic sectors remain on European soil so that they are able to deliver goods and services that are essential for the future and create strategic, quality and high added value jobs.

Certainly, **industrial development has often served as an instrument for territorial and regional development, which is the ultimate objective of Cohesion Policy**, as set out in Article 174 TFEU. Indeed, industry, as a generator of economic activity and employment, is able to reverse delocalising trends, both between regions within the Union and beyond. Moreover, large companies have the greatest capacity to create jobs, invest in R&D&I, compete internationally and generate a driving effect for development in the regions where they are established and in others around them by demanding intermediate goods and services. Thus, industrial development in large companies in strategic sectors, supported by the Cohesion Policy Funds, would result in a **better quality of life for citizens, with higher rates of job creation and greater sovereignty of the Union, creating also a knock-on effect on all the European Union's activities**. It also contributes to enhance the resilience of regional economies, by building future proof industrial production capacity and value chains

In this regard, **Cohesion Policy plays a key role, as it can contribute to the strategic autonomy and protection of the Union's sovereignty through its funds**. Hence, the development of these strategic sectors, co-financed by the ERDF, the ESF +, the Cohesion Fund or the Just Transition Fund, would in turn contribute to the development of each EU region and the EU as a whole.

In this context, **Cohesion Policy could finance business in a competitive industry that is able to act in large international markets**.

It is not only a question of developing a European industry, but of doing so that it is **able to compete with international giants in countries such as the United States or China**. To this end, we need to be able to use Cohesion Policy so that large companies in strategic sectors stay on European soil thus contributing also to reducing regional disparities.

This would allow the European Union **to reduce its external dependence on** technologies that can replace raw materials or sectors where the Union does not have a competitive advantage. This could be the example of polluting energy sources. It could also help **reduce the risks arising from a possible breakdown of international value chains** in the face of conflict or international tension. Similarly, it could help to **combat the risks arising from climate change** by strengthening an industry focused on clean and lower greenhouse gas emitting sectors. Finally, it would certainly help **generate high-skilled jobs and high marginal productivity and wages**, which would ultimately lead to an improvement in citizens' quality of life.

In view of the above, we would like to take the opportunity to reflect on the following question at this General Cohesion Affairs Council:

*How can Cohesion Policy contribute to fostering the sovereignty and strategic autonomy of the European Union, at a time when it is more than ever necessary to boost the international competitiveness of large companies in strategic sectors, as drivers of job and wealth creation in all regions of the European Union?*

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