



The Spanish Business Sector's Path to European Strategic Autonomy

Presentation of the EY Insights Report



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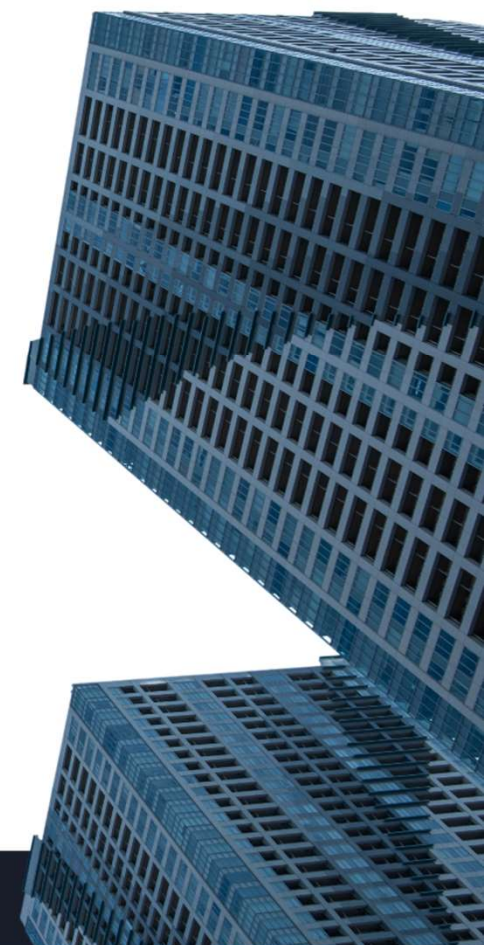


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An unprecedented qualitative report

- Meeting point for policymakers, companies, and academia.
- Prepared by **consulting 25 of the largest Spanish companies** and sector-specific associations in semi-structured interviews conducted anonymously
- A national initiative, comprised of more than 30 professionals from academia, representatives of the public sector, companies, independent experts, and EY partners.
- Published **at a time of great significance**: the new Parliament and European Commission, Draghi Report, start of negotiations for the Multiannual Financial Framework 2028-2034, the establishment of a Productivity Council, and the processing of the Industry and Strategic Autonomy Bill.



A different context

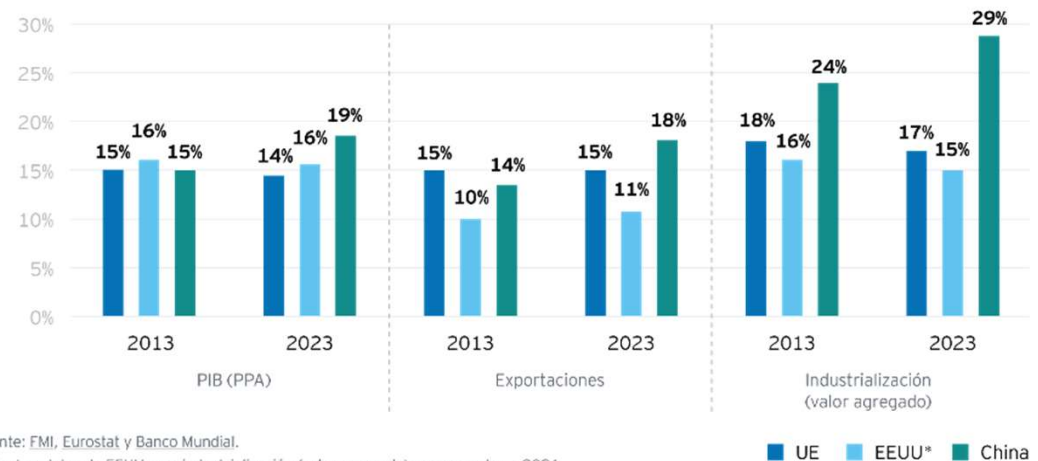
in the face of the new international reality, the EU has been trailing behind other major powers.



A new international reality

- An increasingly turbulent international context, marked by rivalry between major powers and economic fragmentation.
- The EU has fallen behind other major powers such as the US and China, losing a portion of its economic influence.

Figura 5 Cuotas globales de PIB (PPA), exportaciones de bienes y servicios, e industrialización (valor agregado) de la UE, EEUU y China (2013 vs. 2023)



Fuente: FMI, Eurostat y Banco Mundial.

Nota: Los datos de EEUU para industrialización (valor agregado) corresponden a 2021.

China has increased its economic weight relative to the EU over the last 10 years by 5 points in terms of GDP, by 4 points in export share, and by 6 points in the level of industrialization

A different context

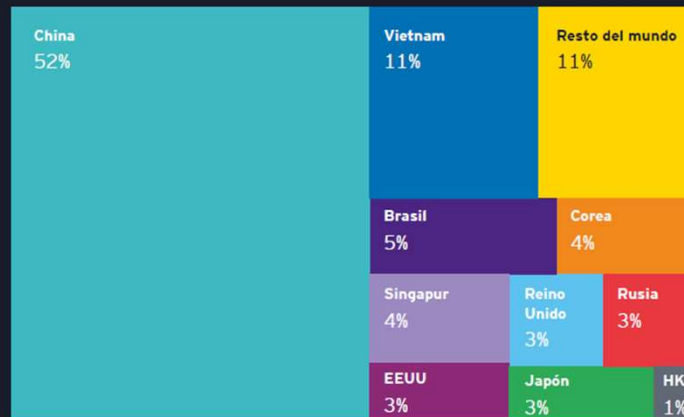
The EU exhibits strategic vulnerabilities in critical economic sectors.

The EU's dependencies and vulnerabilities in critical products and inputs have been brought to light:

China accounts for 52% of the total value of the EU's external imports and is among the top 3 exporting countries

The EU's strategic dependencies across all products:

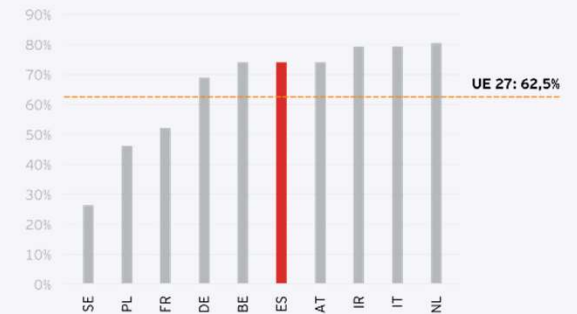
Figura 12 Análisis de las dependencias estratégicas de la UE



Fuente: (Comisión Europea 2021).

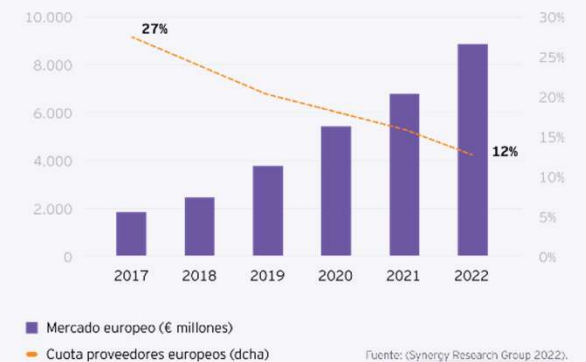
By sector: energy and digital technology

Figura 2 Dependencia energética externa de las 10 principales economías de la UE (2023)



Fuente: (Eurostat 2024).

Figura 4 Mercado de la nube europeo y cuota de proveedores locales (2017-22)



Fuente: (Synergy Research Group 2022).

A different context

The major global players have adopted protective economic strategies.

Not exhaustive

	 US	 CHINA	 JAPAN	 EU
Objective	Global leadership	Regime security	Open and rules-based global economy	Open and rules-based global economy
Promotion	<ul style="list-style-type: none"> ▶ Chips and Science Act ▶ Inflation Reduction 	<ul style="list-style-type: none"> ▶ Made in China 2025 ▶ Consolidation of the rare earth refining sector 	<ul style="list-style-type: none"> ▶ Development of critical technologies ▶ "Strategic indispensability" 	<ul style="list-style-type: none"> ▶ Chips Act ▶ Critical Raw Materials Act ▶ Industrial Strategy
Protection	<ul style="list-style-type: none"> ▶ Control of inbound and outbound investments ▶ Control of exports of dual-use goods and critical technologies 	<ul style="list-style-type: none"> ▶ Control of inbound and outbound investments ▶ Control of exports of dual-use goods and critical technologies 	<ul style="list-style-type: none"> ▶ Control of inbound investments ▶ Controls on the export of dual-use goods 	<ul style="list-style-type: none"> ▶ Control of inbound investments ▶ Controls on the export of dual-use goods
Partnership	<ul style="list-style-type: none"> ▶ Trade agreement with Japan ▶ "Blue Dot" Network ▶ Partnership for global infrastructure investment 	<ul style="list-style-type: none"> ▶ BRI ▶ New Development Bank ▶ Regional Comprehensive Economic Partnership 	<ul style="list-style-type: none"> ▶ Trade agreements (US and EU) ▶ G7 Platform for economic coercion 	<ul style="list-style-type: none"> ▶ Trade agreements (Japan, NZ, Chile, Mercosur...) ▶ TTC ▶ Global Gateway

European Strategic Autonomy

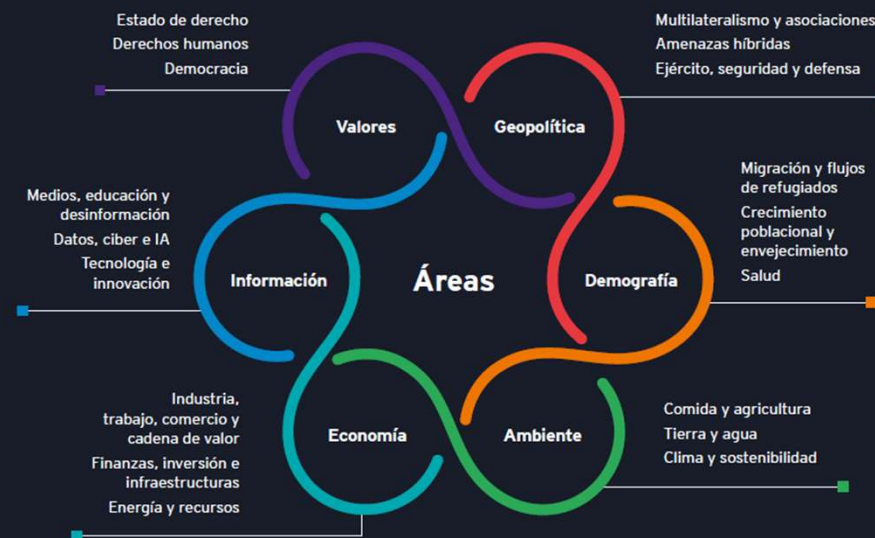
is the EU's response to an increasingly challenging environment

European Strategic Autonomy (ESA) is the EU's response: it is a multidimensional strategy that encompasses the broader concept of Open Strategic Autonomy and its practical implementation within the European Economic Security Strategy.

While the EU has taken measures under the framework of ESA, further progress is needed in European integration within strategic sectors such as telecommunications, energy, defense, and capital markets.

Spain, holding a significant position in this debate, has important tasks ahead to develop a national project that defines its priorities and national interests.

Figura 8 Áreas temáticas de la Autonomía Estratégica Abierta



Fuente: (Damen 2022).

The EU has implemented ESA through **several measures**



Not exhaustive

		INITIATIVE	DEVELOPMENT
Promotion		Net Zero Industry Act	Objectives to increase renewable energy production, improve energy efficiency, and reduce dependence on fossil fuels.
		Critical Raw Materials Act	Promotes extraction, processing, and recycling within Europe, reduces dependence on imports, and promotes environmental and social sustainability in the supply chain.
		Chips Act	Ensure technological competitiveness and sovereignty, increase production to 20% of the global market by 2030, promote innovation, and reduce dependence on external suppliers.
		European Defense Industrial Strategy	Strengthen the industrial and technological defense base in the EU through cooperation between Member States, improving global competitiveness, and promoting innovation in technologies.
Protection		Regulation on Foreign Subsidies	Ensure fair competition in the Single Market by controlling subsidies granted by third countries, avoiding market distortions, and protecting the European economy from unfair practices.
		5G Toolbox	Guidelines and measures for the secure and resilient deployment of 5G networks.
		Anti-Coercion Instrument	Protection against economic coercion from third countries, with measures to deter and counter coercive practices, ensuring the autonomy of trade policy and defending European interests.
Partnership		Trade Agreements (concluded and pending)	Reduction of tariffs, elimination of trade barriers, promotion of sustainable trade standards and practices.
		Global Gateway	Economic and trade connections with the rest of the world, through infrastructure improvement, promotion of sustainable standards, and facilitation of trade agreements.

The Spanish business sector faces both **challenges and opportunities** in light of the ESA.



Risks and challenges

- ▶ Possible disruptions in supply chains.
- ▶ Restrictive regulatory framework, with ambitious goals that do not consider the capacities to achieve them, leading to greater regulatory burdens.
- ▶ Fragmentation of the Single Market.
- ▶ Lack of skills and capabilities, with obstacles to training and retaining talent.

Strenghts and opportunities

- ▶ Promotion of more resilient supply chains (incentives to bring production back to Europe, diversification and nearshoring of suppliers, etc.).
- ▶ Introduction of new mechanisms to protect and deepen the Single Market.
- ▶ Leveraging the energy transition.
- ▶ Deepening understanding with countries that share concerns and interests

The Spanish business sector **specific demands** for the Public Administration



Despite having introduced measures to adapt their strategies and business models to new challenges and opportunities, companies are demanding greater support from the public sector through:

- **Consolidation of greater strategic awareness** in the public sector at all levels of government and administration, in constant dialogue with the private sector.
- **Recovery of political consensus** leading to state agreements to plan and achieve medium- and long-term objectives: reindustrialization, servitization, innovation, education, and modernization of public administrations.
- **Administrative simplification**, through greater participation of Spanish companies in consultation processes, and reduction and harmonization of the European, national, regional, and local regulatory burden.
- **Increase and improvement of the effectiveness of public-private collaboration** in key sectors for the dual green and digital transition, such as clean energy and critical infrastructure, water resources, and the Digital Single Market.

Our recommendations are structured around **four key areas** of action.

1

Preparation

...to operate in the new geopolitical environment, developing capabilities to identify risks and opportunities, and to ensure an effective response.

2

Promotion

...of our domestic capabilities, pursuing our 'strategic indispensability' to deepen existing competitive advantages and develop new advantages in cutting-edge sectors.

3

Protection

...of European and national economic and security interests with new proportional and adequate defensive mechanisms, applied uniformly in the Single Market, and in an effective and efficient manner.

4

Partnership

...with like-minded countries, maintaining the open spirit of the EU, and with Spain as the European 'spearhead' in the Plural South

The recommendations of the four pillars are detailed at the public, private, and sector-specific levels

1

Preparation

2

Promotion

3

Protection

4

Partnership

Public Sector	<ul style="list-style-type: none"> ▶ Economic Security and Strategic Autonomy Council ▶ Strengthen preparedness capacities in ministries and autonomous regions 	<ul style="list-style-type: none"> ▶ Develop an integrated industrial, energy, training, and innovation policy ▶ Streamline the regulatory framework to reduce regulatory burden 	<ul style="list-style-type: none"> ▶ Include qualitative criteria in public tenders ▶ Greater coordination among Member States in trade defense mechanisms 	<ul style="list-style-type: none"> ▶ Modernize and expand traditional trade agreements to include cooperation in R&D, Economic Security, and public-private collaboration
Private Sector	<ul style="list-style-type: none"> ▶ Increase risk analysis and forecasting capabilities ▶ Play a more active role in the design of European policies 	<ul style="list-style-type: none"> ▶ Collaborate with other companies and countries to develop more integrated, resilient, and diversified value chains 	<ul style="list-style-type: none"> ▶ Identify and protect against risks in value chains, competitiveness, cybersecurity 	<ul style="list-style-type: none"> ▶ Focus on countries that could open doors to other markets (nearshoring) ▶ Better understand the Southern Plural region and identify opportunities
Sector - specific Level	<ul style="list-style-type: none"> ▶ Leverage sector-specific associations and observatories (existing and new) to pool efforts 	<ul style="list-style-type: none"> ▶ Promote alliances for cutting-edge projects, leveraging Spain's infrastructure, talent, and innovation 	<ul style="list-style-type: none"> ▶ Sector-specific education on emerging risks, and promotion of exchange forums on best practices 	<ul style="list-style-type: none"> ▶ Promote strategic alliances with countries that can offer competitive advantages and enable economic production with less risk

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