

An EU era of heightened security: What role for the future Cohesion Policy?

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List of abbreviations

9CR	Ninth Report on Economic, Social and Territorial Cohesion
CP	Cohesion Policy
CAP	Common Agricultural Policy
DG COMP	European Commission Directorate-General for Competition Policy
DG REGIO	European Commission Directorate-General for Regional and Urban Policy
DG R&I	European Commission Directorate-General for Research and Innovation
DG GROW	European Commission Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs
DIH	Digital Innovation Hub
EDIP	European Defence Investment Programme
EDIS	European defence industrial strategy
EPG	European Public Goods
ES	Economic Security
ETC	European Territorial Cooperation
EU	European Union
FAST	Fund to Accelerate Defence Supply Chain Transformation
HLG	High-Level Group
IPCEI	Important Project of Common European Interest
JTF	Just Transition Fund
MFF	Multiannual Financial Framework
OP	Operational Programme
PA	Partnership Agreement
RRF	Recovery and Resilience Facility
S3	Smart Specialisation Strategy
STEP	Strategic Technologies for Europe Platform
TIA	Territorial Impact Assessment

Executive summary

This Discussion Paper offers an update from the 2023 EPC paper¹, making a further contribution to the debate about the future of EU Cohesion Policy (CP), and connecting it to the EU's evolving security direction. It proposes that:

► **EUrope's wider 'security' interests (going beyond defence considerations) should become a dominant feature of the EU's future policy architecture.**

A policy shift from a narrow 'Economic Security' focus to a 'Security and Resilience' direction, is needed, bringing challenges and opportunities for the EU's very different territories, according to their characteristics and capacities. This radical policy shift will require hard choices and significant trade-offs.

► **The entire post-2027 MFF should be positioned at the service of the EU permacrisis.** A new security direction must be combined with the EU's competitiveness agenda. For this, a security-driven industrial strategy is needed: harnessing capacity across the EU; mastering EUrope's role at the forefront of critical technologies; and ensuring security of supply and industrial readiness to deepen EU value chains across strategic sectors.

► **Cohesion Policy must undergo significant reform to adapt to the needs of a changing world and the EU's role within it.** Cohesion must be better connected with the EU's security interests. This change is needed not as a defence of the Policy, but as a defence of EUrope as we continue to navigate extremely challenging conditions in a much-changed global context. A new EU Security / Cohesion relationship should be positioned as a core element of the EU's crisis planning architecture, facilitating a much-needed shift away from a reactive, crisis response stance.

Delivering the reforms outlined above will be extremely difficult. Political appetite across the EU27, to act decisively and to do so together, responding to multiple security challenges is far from unanimous. There are significant weaknesses in the EU's governance structures and in the EU27's collective will and capacity to design and deliver the policy and investment framework that is needed to underpin such a transformation. The following 'core conditions' will be essential:

a) Urgent attention to re-cast EU security as a pervasive policy priority - political acknowledgement is needed (at EU and national level) that the EU's security agenda is about more than defence and military capacity and extends to critical areas such as energy security, food system security and skills security. A pervasive approach to security should become a strategic EU priority, supported by a multi-level, 'policy cohesion' effort to generate the scale and directionality needed across the Union's key policies and investments.

b) The Commission should design a new Security / Cohesion policy agenda that will address the EU's security, resilience, and protection concerns, through targeted and place-based responses at the regional level. This should:

- Acknowledge that tough compromises will be needed to re-set Cohesion's future role, focusing on social, economic, and territorial security.
- Redesign the Policy by connecting the EU's security and resilience-related challenges and opportunities to EU regions, responding to their highly differentiated capacity and development needs (e.g. related to food security, energy security, climate security and cybersecurity).
- Upgrade Cohesion's instruments (especially European Territorial Cooperation programmes and Smart Specialisation Strategies) to maximise EU security and resilience cooperation, and to incentivise scaling capacity for optimised industrial-readiness and improved competitiveness.

c) The Cohesion Policy 'community' should re-position the post-2027 Cohesion debate to advocate for policy reform that will instrumentalise and add value to the EU's Security agenda. Cohesion's economic, social, and territorial pillars must be championed in supporting the EU to navigate a crisis era.

Decisive EU action is needed that will require difficult choices, and the EU27 acting together to confront the many risks it faces. The EU's new political cycle, commencing in the second half of 2024, provides the framework to prepare the ground for the post-2027 financing period. Setting out the policy and investment architecture to drive a more pervasive EU Security direction through a reformed CP should be at the heart of this effort.

Decisive EU action is needed that will require difficult choices, and the EU27 acting together to confront the many risks it faces.

1. Introduction - EU Security and Cohesion: Their combined value for the EU's future direction

KEY MESSAGES:

- The EU's 'security' interests (going beyond defence considerations) should become a pervasive feature of the EU's post-2027 policy architecture, requiring a shift from a narrow 'Economic Security' focus to one that targets action in areas that include: climate; cyber; agriculture and food systems; and energy.
- Cohesion Policy needs to reform radically to remain fit for purpose in a changing EU.
- Mutual reinforcement between an evolving EU Security agenda and a reformed Cohesion Policy should become a key pillar to navigate Europe's future.
- A post-2027 Security / Cohesion policy response would address the EU's security, resilience, and protection concerns through targeted and place-based responses at the regional level.
- Planning for this shift requires urgent policy attention, including at Council level and as part of the future Cohesion Policy debate.

The Paper offers an update from a 2023 EPC paper,² further contributing to the debate about the future of EU Cohesion Policy (CP). The prevailing context of significant global upheaval and the pressure this places on the EU and its member states provide an important backdrop. It includes: generating the capacity and will to reorient the EU's strategic direction; continued management of a permacrisis³ context; investing in multiple transitions; responding to the ongoing impacts of geopolitical fragmentation; and planning for the future accession of candidate countries.

Cohesion Policy must undergo significant reform to adapt to the needs of a changing world and the EU's role within it.

The publication of the Ninth report on economic, social, and territorial cohesion⁴ (9CR) emphasised the continued need for Cohesion Policy in supporting the EU's vulnerable territories, to address their long-term economic stagnation and exposure to climate change.

The report states that **Cohesion Policy must undergo significant reform to adapt to the needs of a changing world and the EU's role within it.**

At the same time, Economic Security⁵ (ES) is gaining significant traction as a critical and overarching objective for the Union's future. This paper argues that Europe's wider 'security' interests (going beyond defence considerations) should become a pervasive feature of the Union's future policy architecture, with relevance across many EU and national policy domains. The Paper advocates that the **EU adopt a security / cohesion response to the crisis era it is currently navigating.** This implies a significant shift in how these policies are defined, designed, and delivered. Security's relevance to the EU includes a strong resilience and protection dimension that is highly relevant across a number of policy domains including agriculture and food systems; climate; healthcare; cyber; and energy. This approach complements the purpose and power of Cohesion Policy in supporting territories to target and invest in their territorially specific challenges and opportunities.

Without security and protection (from external forces), there can be no EU development.

Associated ideas and illustrations in this Paper are not intended to position the EU's evolving security agenda as the only or the most important influence in considering the post-2027 Cohesion Policy reform. However, the expansive nature of EU Security has very strong relevance to regional economic, social, and territorial cohesion. Indeed, **without security and protection (from external forces), there can be no EU development.** The Union's Security agenda will bring challenges and opportunities for different places, according to their characteristics and capacities. It is therefore critical that the associated policy and investment architecture is designed to avoid and respond to negative impacts, while maximising opportunities and benefits.

Also highlighted is the enormous scope to connect the EU's Security interests with the future Cohesion Policy. Achieving this requires a deeper exploration of the rather fluid, current parameters that underpin EU Security, translating their relevance for the post-2027 multi-annual financial framework (MFF). It sheds light on this through the lens of Cohesion Policy, offering proposals to better connect Cohesion with Security, for mutual benefits and

EU added value. This implies hard choices and proactive trade-offs: **Cohesion Policy needs to shift its focus to a security and resilience orientation, not as a defence of the Policy, but as a defence of EUrope** as we continue to navigate extremely challenging conditions in a much-changed global context.

Responding to the permacrisis⁶ context, many EU instruments (including Cohesion) are already mobilised, albeit reactively, addressing new challenges and the continued fallout of existing shocks. However, this is far from sufficient to deal with the challenges ahead. Improved EU planning preparation and investment for crises is needed and should put the entire post-2027 MFF at the service of the EU permacrisis, aiming to build better resilience for the longer-term. **The EU's financing architecture was not designed to navigate the permacrisis that the EU is currently navigating.** A new direction is needed that is likely to require joint borrowing to service current and future debt commitments. A recent EU conference on the post-2027 budget offered an important milestone in calling for new financing instruments – such as Eurobonds – to respond to the many challenges we face.

The EU needs to urgently design a 'crisis-preparation' direction for the post-2027 MFF.

Similarly, the EU's ES agenda needs to rapidly evolve to a broader security direction that harnesses the capacity of all territories to contribute to a radically different investment direction – one that prioritises security, resilience, and protection. **The EU needs to urgently design a 'crisis-preparation' direction for the post-2027 MFF.** This will require ruthless decision-making to prioritise planning and preparation for security-driven investment tools. The current, short-term approach to crisis management will have to be overcome if the EU is to shift from firefighting to decisive action in securing the EU's future.

TOWARDS THE EU'S SECURITY TRANSITION?

The EU is evolving towards a new Security-driven era. Navigating this pathway will be complex, bumpy, and unpredictable. Currently labelled as 'Economic' Security, efforts to date have adopted a rather confined policy perspective, focusing, first and foremost, on Strategic Autonomy and de-risking with respect to critical technologies and security of supply, for value chains related to strategic sectors (e.g. semi-conductors and

clean tech). With the EU's future competitiveness at stake, new collaboration and investment models are needed and must be balanced with de-risking and dependency considerations. The April EU Council placed significant focus on creating an EU capital markets union⁷, echoing a key recommendation of the recent Letta Report⁸ on the Single Market.

These ambitions signal an epoch-making change in direction that cannot be delivered in isolation. **The EU's evolving Security agenda will require significant traction across many policy priorities and investments** – at EU and national levels. Joining the dots between EU Security and this wider policy framework will be essential, though far from straightforward.

The EU's evolving Security agenda will require significant traction across many policy priorities and investments.

EU Cohesion Policy plays a long-established and very broad role in connecting regional economic development priorities to EU objectives. It does this under the Policy's three pillars of economic, social, and territorial Cohesion. The Policy aims to connect EU citizens to the EU project and currently commands approximately one-third (EUR 392 billion) of the 2021-2027 MFF. Its importance to the future security of the EU has, however, yet to feature in the on-going debate about the post-2027 CP.

There is a significant opportunity to explore this Security / Cohesion relationship, setting out the benefits of doing so: for the EU project in navigating a new global direction; and for the Union's territories and people, requiring a revitalised rationale and new means to connect to the EU in an era shaped by increasing security concerns.

The paper adopts a deep dive into the relationship between Security and Cohesion, with the aim of injecting this direction into the debate about the EU's future and the specific role of CP in facilitating this. It draws attention to the importance of CP in supporting the EU's post-2027 MFF where EU Security is likely to become an even more dominant feature. The paper advocates broadening the relevance of security across the EU's wider interests through a more pervasive security and resilience focus. This has particular resonance for CP reinforcing its investment orientation and long-term structural value. However, this shift will not be achieved by simply adding security to CP's existing package of objectives. **Cohesion Policy needs to undergo significant reform, positioning EU security, protection and resilience as**

its key goals for the post-2027 period, and orienting the Policy's economic, social and territorial Cohesion objectives towards the Union's goals.

There are several things the Paper does not seek to do:

- ▶ It does not position the EU's Security agenda as the best (or, indeed, the only) EU response needed to confront the geopolitical challenges we face.
- ▶ It also does not review other EU policy domains and instruments (current and future) for their security relevance in the post-2027 MFF debate (although this is very much needed).
- ▶ Nor does it offer a comprehensive update on the current status of the future CP debate beyond the security dimension. Rather, it focuses on the (currently overlooked) relevance of CP to the EU's Security agenda.

2. Context: EU Security and Cohesion at a time of change

KEY MESSAGES:

- The EU's global profile is weakened by its current inability to set out an ambitious Security direction, with an associated policy and investment architecture.
- A lack of shared political vision regarding the EU's Security direction is creating ambiguity about the Union's long-term purpose beyond an economic dimension.
- Cohesion Policy's future hangs in the balance due to its continued distance to addressing internal divergence and growing political discontent concerning its value.
- Cohesion's future reform should be driven by a reorientation to champion EU territorial, social and economic Security.

The EU is entering a new phase. The global backdrop is one of great tension and uncertainty, characterised by: multiple transitions (including climate; tech; industrial); global conflict; and tense international relations, with the unravelling of international trading norms. Closer to home, June 2024 will bring elections across the EU-27 for a new European Parliament, followed by a new European Commission. Europe's future is also being widely debated in the context of the post-2027 MFF and the strategic priorities it will deliver. The European Council⁹ has recently concluded that the EU's defence investment needs cannot wait for the post-2027 MFF, signalling the urgency of an integrated policy and investment effort (at EU and national levels) to overhaul the current piecemeal approach to EU Security.

This rhetoric is, however, far removed from reality, where efforts towards joint financing and intra-EU defence cooperation are, so far, limited.

THE EU'S SECURITY ERA?

The Commission's recent proposal 'package'¹⁰ on Economic Security (ES) contains five initiatives, including: a new FDI screening regulation; three White Papers related to outbound investment, export controls and dual-use technologies; as well as a Council Recommendation on Research Security. This package follows a Joint Communication¹¹ from June 2023 on a European Economic Security Strategy. Together, these could signal the early foundations of a new EU security 'gameplan' with implied actions and investments, setting a very new course for the EU's future.

The EU's emerging security direction presents a positive departure from its strategic policy vacuum of a year ago.

The EU's emerging security direction presents a positive departure from its strategic policy vacuum of a year ago¹², where responses to multi-dimensional, external challenges were in rather short supply. However, the vacuum has not been replaced by a comprehensive, Security-driven, EU framework to guide this new direction, setting out governance requirements and aligning with wider EU (and EU27) policies and specific objectives. The context for the current impasse is described below:

Whither EU Security?

1. The EU27 has no settled view on how the Union's Economic Security (ES) role will evolve. The recent package of new ES measures proposed by the Commission has received mixed responses across member states.¹³ The prevailing default position of Security as a national competence makes it difficult to breathe new life into this debate. Furthermore, confronting the EU's forced shift from a peacetime to a war-ready project is difficult to stomach – at political, policy and national levels. The EU27's domestic defence and security efforts are insufficient to deliver on existing commitments, including ammunition support to Ukraine. Despite facing a future where the need for strengthened EU security and defence is almost inevitable (i.e. the trajectory of existing wars and conflict; the chances of new global conflicts; the role of NATO amid uncertainty about a second Trump administration in the US), there has yet to be a clear 'wake-up call', preparing the ground accordingly at the highest EU level.

2. There is no clarity on the level of importance to be afforded to ES in the context of a raft of competing policy priorities. The EU's crisis era is far from over. The scarring and differentiated effects from the health pandemic are still raw, preventing a smooth and even recovery across the EU. Places with pre-existing challenges and characterised by low levels of resilience and economic stagnation are at risk of falling further behind. Digital, climate, tech, and social transitions demand new policy responses and unparalleled investments that are not readily available. The dilemma of managing competing priorities – all with long-term and uncertain trajectories – is preventing a strategic EU response, either for improved alignment of policy efforts at the national / EU level or across member states.

3. The EU has yet to confront the issue that the 'economic' angle to EU security is far from sufficient to generate the policy impetus and directionality that is needed. Under current conditions, it is not wholly surprising that the EU's new security vision and ambition is emerging on an incremental basis, juggling the management of tensions across competing national camps that either perceive it as too bold or too timid. These positions are summarised below:

- a. **'Too bold'**: the pressures we face are still unfolding and there is no clear perspective or comprehensive analysis of the long-term risks, challenges, and opportunities the EU faces that could generate truly evidence-based policy responses. Indeed, the unfolding ES proposals from the Commission are already bold and far-reaching, making their translation into a multi-level governance and policy reality highly complex. Only a few years ago, the EU27 took the unprecedented step of generating an investment package, with combined financing for the current MFF and the RRF of approximately EUR 2 trillion (in current prices). It is therefore difficult to make the case for a new EU investment drive, with Security taking centre stage.
- b. **'Too timid'**: the current ES agenda and narrative lack a long-term, strategic orientation that is needed for a more pervasive EU 'Security' direction. Correspondingly, there is no clarity concerning how related EU (and national) policies, measures and investment could be harnessed to this direction. The idea of issuing EU bonds¹⁴ to finance weapons production has – so far – received too little traction and is seen as contentious by many EU capitals.¹⁵ The current, political stalemate and constrained appetite to shift the EU27 debate beyond the defence focus of security signals a weak global position.

The hard truth is that – despite the lack of appetite and questionable capacity across the EU27 to rise to the challenge – a new EU Security direction is urgently needed, setting out policy redesign parameters for strategic alignment across many domains (at EU and domestic levels), and going well beyond defence considerations. The EU's Economic Security agenda needs to broaden its appeal and find greater traction both across EU political and policy-making communities. In short, **a more pervasive approach to EU Security must 'find its place' in the EU project, and it must do so with urgency.**

A more pervasive approach to EU Security must 'find its place' in the EU project.

COHESION POLICY AT A CROSSROADS: DOUBLE-DOWN OR REINVENT?

EU strategic policies (including the Common Agricultural Policy, the Framework Programme and Cohesion) bear the battle scars from previous hard-fought arguments for their place and associated finances in the EU's MFF. This creates disincentives to change course in considering a renewed policy narrative for fear this might be perceived as weakness in the policy rationale, thereby undermining justification for continuation.

Cohesion Policy is a case in point. Its supporters fear that continuous change to its objectives and chasing new EU priorities serve to undermine its purpose in targeting support towards its core purpose – to support the EU's most disadvantaged and vulnerable territories. However, CP has been characterised by a rather lacklustre profile in the wider debate about the future of Europe. This has been influenced by three main factors.

Firstly, the Policy continues to be judged on its convergence performance despite systemic limitations to deliver this objective.

- ▶ For the EU's most economically-challenged regions – whose features include weak national/regional governance, poor administrative capacity, outdated economic structures, and limited investment competence – the conditions to create convergence have yet to materialise and are only marginally influenced by CP.
- ▶ These territories are often negatively affected by a lack of place-based sensitivity to policy and investment decisions – themselves often complicated by regional/national governance systems and complex power relations. This can further perpetuate their 'left behind' status.
- ▶ Judging CP's effectiveness based on achieving convergence in the EU's less advantaged places remains unrealistic given that their core conditions are weak and that CP - alone - cannot create them.
- ▶ There remains an unwillingness to acknowledge this 'inconvenient truth' at high-level policy and political levels in the EU institutions and across many national capitals. Indeed, CP has become a scapegoat for the poor performance of the Union's disadvantaged regions.
- ▶ Criticisms aimed at CP conveniently distract from determining the root causes of poor regional performance and from assigning 'ownership' and responsibility for delivering convergence.
- ▶ In today's context, it could be argued that achieving EU convergence is no longer a first-level EU priority, as the European project seeks to re-orient its purpose and priorities in navigating a new and complex global context.

Secondly, CP is under considerable pressure to 'prove its value' when (unfairly) compared to the RRF, for several reasons:

- ▶ There is growing tension among EU leaders concerning the future role for CP, in a pressurised financial context of changing EU priorities. The 'frugal'¹⁶ member states continue to question the impact of CP, while the Cohesion countries are economically dependent on the transfers the Policy generates.
- ▶ Related to the above, joint member states' appetite for sustaining CP's role and financial envelope is mixed and – in some cases – waning, with divides across the frugal and Cohesion countries.

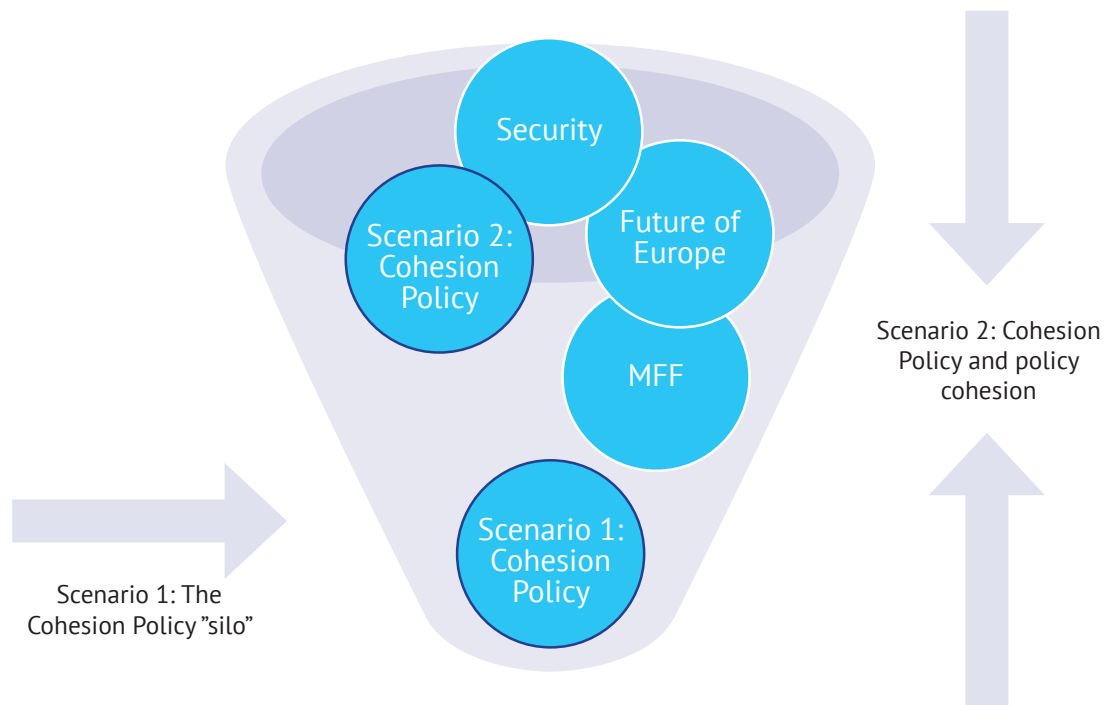
- ▶ Despite no clear evidence of the RRF's impact (it is too soon after the implementation of national plans), and some concerns¹⁷ expressed about its delivery model, the RRF's centralised decision-making structures are imminently more attractive to some national governments than the efforts and bureaucracy to target investments that are demanded by CP's management system. In short, the RRF is a lot less hassle for the national level to justify and deliver than the (necessarily) more bureaucratic, shared management model of CP. Consequently, the 'frugal' contingency of EU member states is seeking a continuation of the RRF management approach, as a replacement to, or downgrading of CP.
- ▶ The debate about the future CP has been recently captured by the notion of a stronger performance-based funding orientation, following in the footsteps of the RRF. This begs questions about incentives for such a model and whether convenience and centralisation considerations should be prioritised over risks associated with an absence of place-based investment targeting to address specific regional/local challenges.

Thirdly, the post-2027 debate about the future CP has so far failed to strongly position the Policy's role in a context of very significant change. In more concrete terms:

- ▶ The future of Europe will be determined by a very different set of priorities compared to before. However, critical topics like enlargement, security and defence have played a marginal role to date in the debate about the future of CP. Enlargement considerations feature only three times in the extensive 9CR and were barely noted in the recent Future of Cohesion Policy High Level Group (HLG) report.¹⁸ Likewise, security considerations are not a very strong feature in either document.
- ▶ The weak positioning of new EU challenges in the CP debate risks that the policy's rationale is insufficiently connected to the EU's future context. In turn, this could dislocate CP from the EU's responses to the challenges it faces. The Commission's recent Communication¹⁹ about enlargement refers to the "...inevitable need for a modernised, simpler and more flexible EU budget" and the "...need for a comprehensive reflection on the future of Cohesion Policy in the EU". **By overlooking the Union's existential challenges, the debate about the future CP is losing traction in promoting the Policy as an investment instrument to help navigate the EU's future.**

EU Cohesion Policy: Seeking new relevance or guided by and anchored to its past?

The diagram below illustrates the gap between the current trajectory of the future CP debate and the opportunity to reposition it:



Source: Alison Hunter.

- **Scenario 1** on the left side reflects the current reality of a somewhat isolated Cohesion debate, largely confined to the Cohesion community,²⁰ and with insufficient traction from many EU leaders who are grappling with a raft of challenges (from enlargement, to the investment gap for climate action, to security). This scenario therefore carries an associated risk that the future Policy is perceived as a lesser priority that should be downgraded and assigned a much reduced and marginalised role.

- **Scenario 2** on the right side, depicts a re-orientation of the CP debate that is currently absent. It positions the Policy as a powerful instrument in the EU's toolkit to help define, design, and deliver on the regional importance of EU strategic objectives.

A shift from scenario 1 to 2 is essential and implies:

- 1) An acknowledgement that the current direction of the debate risks being insufficiently compelling to merit a continued role for CP as the EU's main long-term, investment-driven policy for structural reforms and growth; and
- 2) A re-orienting of CP's narrative and design as an enabler in pursuing and targeting the delivery of the EU's security-related priorities.

In reality, this is not about 're-inventing' CP but upgrading its purpose towards overarching EU Security concerns that are set to become a dominant feature in the EU's new direction. This implies reforming the role of CP – not in enabling EU 'cohesion' as an end in itself, but in activating the power of CP to underpin EU territorial, social and Economic Security.

The above context has brought the current CP debate to something of an impasse. The inertia must be overcome. **Revitalising CP's purpose is urgent if it is to survive the post-2027 MFF debate, with its value intact.**

The 'voices' of the critics and supporters have been amplified, yet a compelling rationale to position CP as an essential part of the EU's future is currently missing.

'Doubling down' on the historical rhetoric about the Policy's value does not appear to be generating the traction and support needed to be assured of a core position for CP in the post-2027 MFF.

3. EU Security: From a supply-driven to demand-led approach

KEY MESSAGES:

- The EU's improved competitiveness cannot be generated in a context of precarious protection, resilience, and security.
- The huge gulf between the EU's ES direction and what EU citizens know about it creates risks for its traction and long-term support.
- The EU's Security agenda needs to shift beyond an economic dimension to improve traction and understanding across all EU territories.
- A stronger EU Security agenda comes with significant trade-offs relating to the relative priority and investment afforded to other policy objectives.

The Commission's recent Economic Security proposals are an important milestone in setting out the challenges it faces in a contested and often hostile global environment. They signal a new and more interventionist EU policy response to a changing global context, characterised by geopolitical fragmentation, regulatory heterogeneity, increased uncertainty, and the weaponising of trade in strategic areas (e.g. critical technologies and raw/rare materials). This new international context carries economic risks that need careful management and long-term, co-ordinated solutions – both within the EU27 but also with trusted international partners. This is necessary to position the EU as a secure place in a world of uncertainty but also to upgrade the conditions that will improve the Union's competitiveness. Indeed, **improved competitiveness cannot be generated in a context of precarious security, protection, and resilience.**

Improved competitiveness cannot be generated in a context of precarious security, protection, and resilience.

Despite the apparent urgency of action, considerable uncertainty remains regarding how the EU's security agenda can be effectively mobilised across the EU27. Indeed, some voices have raised concerns²¹ about the EU's direction, citing the risk of perpetuating global fragmentation 'lock-in', rather than addressing it. Certainly, a 'tit-for-tat' international response to

subsidies makes it difficult to dial back or even dial down distortionary measures in the global trading environment. In tandem, a 'new normal' is settling in for international industrial actors, characterised by uncertainty amid strained geopolitical relations.²² Security – alongside Strategic Autonomy considerations – is becoming a key influence in a new international trading context.

It has also been argued that "security inflation"²³ can distort notions of the role of public policy, while affecting democratic engagement with the policy process. Nonetheless, **growing momentum lies behind the EU's direction of travel towards pursuing stronger security and autonomy, to support the navigation of a very challenging era of geopolitics.**

At the same time, a much broader agenda²⁴ is emerging that confirms the EU's "war economy"²⁵ orientation. Examples include the recent announcement of the European Investment Bank (EIB), concerning a new defence funding direction and NATO's DIANA²⁶ initiative, related to disruptive technologies. In addition, European Parliament members have recently confirmed their support²⁷ for the establishment of a €100 billion defence fund.

NO CERTAIN POLICY PATHWAY FOR EU SECURITY

EU security should (and is highly likely to) feature increasingly in the future of Europe debate and the design of the post-2027 MFF. Certainly, its emergence should not be perceived as a 'flavour of the month' or 'flash in the pan' policy item. Instead, the **EU's Security direction signals a conceptual and multi-faceted paradigm shift²⁸ with a long-term trajectory.**

How the EU's institutions and member states navigate the new Security agenda will matter for years to come in influencing the Union's positioning within a new global context. Indeed, the manifestos of many of the political groups in the European Parliament are littered with references to 'security', not only from a defence perspective but also related to food, social policies, cyber, and climate. While currently lacking a concerted EU policy commitment to align these measures, **a strong case is building for a more comprehensive Security framework to underpin the EU's future direction.**

EU leaders and policymakers are grappling with its complexity and seeking out acceptable parameters for its role, including whether and how to design and finance associated policy and investment responses – many of these structural in nature. It is this complex agenda that is emerging on the EU27's political and policy landscape, even while the pathway is far from clear. Recent history

has shown that a tense external environment can rapidly spiral into shocks and crises that require responses on multiple fronts. As recently quoted by Commission President, von der Leyen: "...work on the future European Security architecture [is needed] in all its dimensions."²⁹

...AND MISSING TRACTION WITH EU CITIZENS

For EU citizens, far removed from the Brussels' policy machinery, the EU's Security agenda must surely be perceived as complex, conceptual, and somewhat ambiguous. This is partially due to its relative infancy, and the current 'top-down' nature of its narrative and actions, rather distanced from the day-to-day reality that many EU citizens face. Continuing this pathway brings risks related to how the EU's security agenda is understood 'on the ground', where EU citizens' awareness, engagement and buy-in will be critical if security measures and their related investments are to receive sustained traction.

This is not to suggest that security and protection are not important matters to EU citizens. On the contrary, responses to an attitudinal survey of Nordic populations³⁰ revealed that security issues were of significantly greater concern in 2021 compared to 2017. A recent Eurobarometer survey³¹ showed that almost a third of respondents were concerned about EU defence and security. Survey results³² in September 2023 on international partnerships identified peace and security as the most pressing challenge, while a flash survey³³ noted that 85% of surveyed EU citizens 'totally agree' or 'tend to agree' that Russia's invasion of Ukraine shows the EU needs to ensure its energy and economic security. Financial insecurity was recently analysed by the OECD³⁴ which found that – across its member countries – more than one in six people in working-age households have no/weak financial 'cushions' to manage highly unstable incomes.

The concept of societal insecurity has been recently associated with the uncertain outcomes of large-scale and long-term transitions.

The concept of societal insecurity has been recently associated with the uncertain outcomes of large-scale and long-term transitions (e.g. related to the shift towards green energy and the increasing dominance of technology in daily life). Multi-faceted dimensions to security are therefore highly relevant and important to EU citizens. In an increasingly uncertain world, citizens also need assurances of social protections that cover a spectrum of security needs ranging from health and medical care system security to work and pensions security. Indeed, recent and important strides in the

set-up of the Critical Medicines Alliance³⁵ are related to security concerns. The term – security – therefore has increasing and wide-ranging resonance for EU citizens in a crisis-prone era.

The stark evidence presented in the 9CR and the report of the HLG on the Future of CP noted that the scarring effects of the health pandemic and pre-existing disparities are placing significant pressure on socially and economically excluded groups. These EU citizens are often living in places with weak administrative and investment capacity to create or deliver the solutions needed. More people and places across the EU are becoming characterised by more vulnerability and less resilience to manage daily life in a context of transitions and crises, with prospects for future shocks. **Protection, security, and resilience are therefore critical concerns for EU citizens, especially the least advantaged.**

Protection, security, and resilience are therefore critical concerns for EU citizens, especially the least advantaged.

The EU's current security narrative – with its economic focus – appears rather removed from the wider spectrum of citizens' security interests. At a time of significant change, and with upcoming European elections, there is a need for the EU to make bigger strides in demonstrating awareness of and commitment to citizens' security-related concerns.

WHAT IS THE PRICE TAG OF EU SECURITY AND WHAT ARE THE TRADE-OFFS?

For the EU's security agenda to become more visible, credible, and impactful the investment drive underpinning it will need to be of a different magnitude than is currently the case.³⁶ This implies difficult trade-offs in a context of tighter EU financial resources serving a wide raft of priorities (such as accelerating the green transition, enlargement, defence, and improved competitiveness through large-scale tech investment).

Examples of related, domestic tensions regarding policy choices are already present. In February, Belgian Prime Minister Alexander De Croo defended the government's "logical"³⁷ decision to prioritise NATO spending over social security investments. These tensions might be better managed if national and EU leaders were to present a more holistic overview of domestic and EU security concerns – and how these converge across (for example) energy, skills, food systems, cyber, and technologies. However, **there is no current 'big picture' perspective of Security policy and investment, either at the national or EU level.**

Compared to citizens' existing knowledge of public financing for areas such as health, social care, education and support to industry, **the EU's security agenda is not yet sufficiently grounded in the 'psyche' of the Union's citizens.** It is therefore difficult for politicians to justify large-scale, security-related investments, when competing with citizens' demands for core public services.

As we have seen recently, with growing pockets of discontent associated with the 'green backlash', the delivery of EU Security-focused goals could be fraught with challenges. If the rationale and associated costs remain highly centralised and poorly communicated, it is difficult to see how citizen support can be garnered. This contrasts with citizens' approval of the RRF funding package, where the need to invest in pandemic recovery was much more visible and tangible than the whole spectrum of security-related challenges.

Brutal political honesty is needed regarding the associated trade-offs of accelerating a Security direction in a context of finite resources and competing policy investment priorities. Citizen engagement with a new EU direction towards strengthened Security must be prioritised. Without their understanding and consent, sustained support will be difficult to cultivate.

The recent HLG report on the Future of CP coined the term "We're all in this together". It is a concept that matters enormously for the future of the EU project. In a context of large-scale change and upheaval, difficult compromises are needed. Actions and investments will be contested due to uncertain and – most likely – uneven impacts.

EU leaders and policymakers need to consider this context as forethought rather than after-thought in the building of a new EU policy architecture to navigate an uncertain geopolitical era for the EU project, that requires a strong Security agenda.

4. EU Cohesion Policy: Enabling a shift in the EU's Security agenda from the margins to the centre

KEY MESSAGES:

- CP must reclaim its solidarity and fairness ethos which cannot risk becoming a secondary goal in how the EU navigates a complex world.
- The post-2027 MFF should translate EU priorities into systemic, crisis-preparation instruments, shifting from a reactive to a proactive stance in dealing with crises.
- EU Council commitment is needed to drive a strategic security-oriented direction.
- A post-2027 EU policy priority should be to connect EU Security and Cohesion Policy, better confronting EU crises and the multi-faceted security 'realities' to which EU citizens, communities and regions are exposed.

There is a need to overcome the limitations and 'taboos' of the EU's current approach to Security. Its status will remain marginal and contested, unless it receives greater EU27 political traction concerning the need for a more strategic direction. The current 'sovereignty impasse' - with the EU27 seemingly unwilling to look beyond the national competence sphere - relates to the current nature of this debate, focused on Economic Security and defence matters. While of great importance,

this under-acknowledges the more pervasive nature of security and its relevance to EU citizens, communities, and businesses, across many EU and national policy domains (e.g. energy security, cybersecurity, climate security and skills security). Connecting EU security to the Union's new political agenda and to the post-2027 MFF requires a more tangible effort, at the highest political levels. This also entails boosting the relevance of EU Security and extending its value beyond current 'economic' parameters.

In the absence of making hard choices about competing investment priorities, a default, reactive stance to EU Security is likely to prevail. In turn, this could weaken the EU's place in the world, further limiting the EU27's collective capacity and appetite to respond to the many external threats we face.

Promoting EU solidarity and fairness – critical drivers of CP – cannot risk becoming a secondary goal at a time when the EU is seeking new responses to how it navigates a complex and uncertain world.

At the same time, the trajectory of the future Cohesion Policy debate has been under-whelming, further emphasising its “identify crisis”.³⁸ This makes the policy very vulnerable to marginalisation in the post-2027 MFF and could significantly undermine its value in helping the EU to navigate an uncertain future. The recent Commission Communication³⁹ accompanying the publication of the 9CR provides a pointed reminder of CP’s cushioning effect in supporting EU regions, not least in a context of shocks and crises. However, in ‘less favoured’ places market forces, alone, cannot provide the foundations for recovery. The report makes a case for CP being needed now more than ever. Indeed, **promoting EU solidarity and fairness – critical drivers of CP – cannot risk becoming a secondary goal at a time when the EU is seeking new responses to how it navigates a complex and uncertain world.**

There is substantial scope to connect the future CP to the delivery of a wider EU Security agenda. Security and Cohesion not only share the same language and narrative (e.g. resilience, solidarity and protection), their alignment is compatible with confronting the external challenges and multi-faceted security ‘realities’ that EU citizens, communities and regions are exposed to.

The alignment of EU Security and Cohesion could support the delivery of a more pervasive Security policy response across the Union.

The alignment of EU Security and Cohesion could support the delivery of a more pervasive Security policy response across the Union, allowing for a place-based approach to protection and resilience and better connecting EU citizens to actions and investments that pursue both Cohesion and Security goals.

THE EU’S NEW POLITICAL CYCLE: TOWARDS SYSTEMIC CRISIS INVESTMENT PLANNING

Overall, there has been a limited structural response from the EU27 to navigate Europe’s permacrisis. In 2021, getting the RRF ‘over the line’ was a considerable feat for the EU but is far from a panacea to address all ills (e.g. the long-term financing needed for Green Deal objectives; dealing with the EU’s decline in international competitiveness; guaranteeing the Union’s renewable energy security). A new level of EU27 political commitment is needed to generate radically reformed EU policy and investment responses. **Shifting the Union from a reactive to a proactive stance in preparing for and dealing with crises is imperative.**

Applying existing EU policy instruments to respond to crises has had, at best, a temporary effect. **The EU’s new political cycle**, commencing in the second half of 2024, **should prepare the ground for the post-2027 MFF, translating EU priorities into systemic, crisis-preparation instruments.** This direction should be at the core of the post-2027 MFF – the outline of which needs to be prepared by summer 2025.

THE POST-2027 MFF: THE EU’S RESPONSE TO CRISIS MANAGEMENT?

While there is growing demand for the EU to adopt a more strategic response to dealing with crises,⁴⁰ traction at EU Council level⁴¹ remains uncertain. Indeed, the results of the mid-term review of the EU budget did not indicate readiness in the Council to generate the financial response needed to address the severity of the challenge. In the absence of concerted action, the default response is to ‘dip into’ the finances of existing EU instruments, designed for different goals. If the EU’s post-2027 response to crises defaults to substituted financing from core EU instruments, this will demonstrate that we have learned very little from the recent history of dealing with crises. Indeed, continuing on this path would signal a structural weakness in the EU’s capacity to navigate a complex, crisis era, undermining its credibility and capacity as a strong geo-political actor.

Security is the common, prevailing factor across all EU crises, from climate change to the ongoing effort of rebuilding post-pandemic resilience, to generating new capacity to deal with geopolitical threats. Systemic responses are needed in: preparing for new threats and shocks (including the current reality and future threats of war and conflict); responding to existing challenges (like climate change impacts); and continuing to invest in addressing the fallout from previous crises (such as the health pandemic).

The EU’s post-2027 financial response to the crises we face does not seem to be within touching distance – either in how the EU27 is currently framing the purpose or scope of post-2027 financing and policy instruments. The Council’s level of vision and ambition for future financing will determine if the EU is ‘up to the job’ of addressing the crisis era. A clear direction for all EU instruments is needed, to build and scale security and resilience capacity.

RE-IMAGINING EU SECURITY AND COHESION: ADDRESSING COLLECTIVE AND NATIONAL INTERESTS

A 2023 EPC paper⁴² recommended that the future CP should seek to “defend its pillars” (of social, economic, and territorial cohesion) by upgrading these to reflect the growing importance of security across the EU’s policies and investments. Since then, the Union’s Economic Security agenda has emerged and the future CP debate

Why a strong Cohesion Policy, for all places, matters for the EU's long-term security

EU member states are divided on the value that CP offers. The 'frugal' member states are broadly in favour of a radical overhaul and relegation of the policy in terms of purpose, beneficiaries, and associated financing.

The member states from the East and from the South tend to be strong defenders of Cohesion Policy. To date, these countries have benefited the most, in monetary terms, from the Policy's financing envelope.

In a permacrisis context, with strained finances and new, investment-heavy priorities, there is a clear 'stand-off' between those member states who perceive a continued role (and retained investment package) for CP as unfeasible and those who fear the demise of the EU project without CP-oriented financial support, especially for places that are ill-equipped to manage the crises era.

There is a general tendency for EU regions to support the continuation of CP. The regions from the richer member states are inclined to defend the Policy by promoting its value in leveraging investments for the twin transitions, innovation, and competitiveness at regional and interregional levels. The so-called 'Cohesion countries' and regions have steeper hills to climb, given levels of development, and are more dependent on Cohesion financing to support local investments.

In reality, the above context needs a new direction and narrative that is less about competing priorities and more driven by managing different dimensions of the same 'big picture', through EU Cohesion/Security coordination. **CP can offer a channel to support the implementation of EU Security 'on the ground', thereby**

responding to the different and collective security-related needs of the EU27. The following elements show how the Security / Cohesion relationship can be better positioned as a crisis planning instrument (as opposed to crisis response), directing resources towards different Security and Cohesion-related concerns and priorities, across the EU:

- **The 'Security Union'** – delivering territorial cohesion and solidarity for security-oriented protection is a first-level priority for the EU's member states on the Eastern border.
- **Resilience and reforms** – places in the South of the EU, together with remote, peripheral and outermost territories, are seeking assurances of security (e.g. for health pandemic recovery and navigating complex transitions) that can only be generated through a place-based approach to delivering reforms
- **The industrial defence of Europe** – the EU's regional innovation ecosystems – supported through CP – and especially from the most innovative countries and territories, are well-placed to respond to a security-driven industrial strategy that covers a security and resilience spectrum, from hard security/defence to cybersecurity and energy security
- **Security and enlargement** – preparing the frameworks for accession of new candidate countries is already taking shape. Their incremental access to the Single Market and the delivery of reforms can be significantly boosted by channelling support through a new EU Cohesion/Security nexus.

has emphasised the need for improved alignment and synergies across EU (and national) policy priorities. Together, these offer an opportunity to further explore how an EU Security/Cohesion dynamic can be realised.

The distance to cover, however, is vast. Until now, there is no obvious traction across the CP community to grasp the opportunity to connect EU Cohesion and Security. Indeed, the term 'security' was mentioned only twice in the recent HLG report and only in the context of wider defence considerations. In the 9CR, security is mentioned more frequently but its specific relationship with CP was largely unexplored. On the other hand, CP's resilience narrative was strongly promoted in both reports, as a necessary condition for convergence, especially for vulnerable and less advantaged EU regions. This offers foundations for the CP community to build a persuasive argument for the policy to be more

strongly positioned as a driver of the EU's resilience agenda, anchoring it to regional action. CP's place-based orientation makes this more compelling since **building recovery from shocks and crises and resilience (to withstand future ones) needs a highly differentiated effort across the EU's heterogeneous territories.**

Building recovery from shocks and crises and resilience (to withstand future ones) needs a highly differentiated effort across the EU's heterogeneous territories.

5. The future Cohesion Policy: A place-based response to EU security and resilience

KEY MESSAGES:

- Without a future CP ‘spotlight’ to identify and navigate security-driven opportunities and challenges, there are strong risks of widening the chasm of EU disparities.
- A future, EU, security-driven industrial strategy will be better navigated with a Cohesion-oriented ‘compass’.
- Failure to design a future Security / Cohesion policy and planning architecture will result in permanently retrofitting the EU’s security direction into Cohesion financing.
- A strong EU Security / Cohesion policy partnership could help to unlock the challenge of mobilising decisive scale and directionality in delivering on the EU’s strategic security objectives.

This chapter sets out the role of CP in guarding against unintended outcomes that can arise in the context of a more centralised, ‘top-down’ approach to EU security and resilience. A security-oriented EU industrial strategy is one such example. Following in the steps of previous EU industrial policy iterations, policy design, that is insufficiently territorially sensitive, can generate very uneven impacts across different places. Applying a Cohesion-oriented ‘compass’ through territorial impact assessments (TIAs) can help to identify these risks, thereby better supporting less advantaged regions to navigate related challenges and opportunities.

CP’S SURVEILLANCE FUNCTION IN UNDERSTANDING TERRITORIAL IMPACTS AND SPILLOVERS OF SECURITY-RELATED INVESTMENTS

The regional level is the most appropriate setting to harness EU security. It is where: innovation ecosystems are based to foster resilient value chains; action for climate security can be coordinated; and where the skills and expertise to guarantee the EU’s long-term and renewable energy security will be invested and upgraded. Regional opportunities are, of course, far from equally dispersed and depend on local conditions. However, **without an EU CP ‘spotlight’ to navigate and identify Security-driven opportunities and challenges, there are strong risks of widening the chasm of EU disparities.**

For example, the EU’s semi-conductor industry (a critical element of strategic domains identified as part of EU Strategic Autonomy ambitions) is already largely located in places with strong innovation and investment

capacity,⁴⁵ thereby consolidating the incumbents’ chances of further benefiting from future financial support (at national and EU levels). These impacts automatically follow from the EU’s agglomeration growth model, favouring those regions with pre-existing innovation capacity and investment attractiveness. Indeed, the EU’s innovation divide is a manifestation of its growth model.

Complex trades-offs are at play. The EU needs to improve its competitiveness. However, if decisions taken – often from ‘the centre’ at EU and national levels, and far removed from the places negatively affected – promote efficiency over equity, the EU’s innovation and economic divides will be widened.

There is a strong likelihood that an EU industrial strategy with a strong Security dimension will best serve the interests of the richest and most innovative EU regions, thus further disadvantaging the EU’s poorest geographies.

Accountability for, and responses to, these consequences need to be better managed than has been the case to date. **There is a strong likelihood that an EU industrial strategy with a strong Security dimension will best serve the interests of the richest and most innovative EU regions, thus further disadvantaging the EU’s poorest geographies.** CP champions the systemic application of tools and policies that can identify the differentiated impacts of interventions. There is an increasing need to improve and diffuse these tools across the EU, including territorial impact assessments (TIAs), with the aim of understanding *ex-ante* if and how uneven policy impacts might unfold. In turn, this can help to improve policy design and/or provide support to those places that risk being badly affected or where benefits fail to accrue.

The current ‘top-down’ approach to EU industrial policy is an example of how uneven policy impacts evolve. In a new EU Security-driven era, greater sensitivity to the territorial impacts of interventions will be critical. The role of CP’s TIA tools should be strongly promoted across the EU to manage the outcomes of related trade-offs.

However, it is not inevitable that today’s strong and innovative EU regions are destined to remain so in the

future. More innovative regions can become exposed to the risks of path-dependencies if value chains become less stable (e.g. due to new technology developments and geopolitical tensions). CP's place-based focus can act as a powerful, strategic surveillance mechanism to identify and reduce the threats of 'lock-in'. Skills security must play a significant role, with improved tools to better monitor and prepare for future skills needs (e.g. related to replacement demand and – increasingly – to plan for the whole value chain of skills linked to critical technologies).

CP TEMPERING THE IMPACTS OF A TOP-DOWN, SECURITY-DRIVEN INDUSTRIAL STRATEGY

The post-2027 CP should play a strong role in the design and implementation of a Security-driven industrial strategy. This must avoid a default, singular focus on the most competitive regions, whose innovation ecosystems are well-placed to reap related benefits. CP needs to prioritise support for the least advantaged EU territories, helping them to build resilience in dealing with related impacts and to generate capacity to improve the design and implementation of their regional economic development priorities. This could help these challenged places to better identify niche or diversified opportunities, across the security spectrum (e.g. in climate security and cybersecurity), so maximising their chances of sharing in the benefits of coordinated action.

This will not happen automatically given the constraints in these places (characterised by: weak assets; limited innovation capacity; and multiple infrastructural weaknesses). CP's regional innovation focus – through Smart Specialisation – has tended to overlook the challenges that less advantaged regions face. It will therefore be critical to provide highly targeted support to ensure they are not left further behind in a new era of EU security and resilience.

An interesting case in point is the somewhat under-acknowledged opportunity that exists for poorer, rural territories with respect to locational advantages for renewables infrastructure. New evidence⁴⁴ has shown that these places can potentially lead the EU's efforts towards climate security, through the green transition. Indeed, at least part of the solution to the EU's climate security challenge might be located in places other than the traditional 'investment magnet' territories. There is a need for more granular evidence of EU energy security and resilience opportunities in places that are not the 'usual suspects', including rural territories.

The EU's geography of opportunity related to security and resilience is currently a largely unexplored topic. CP investments to support strategic scanning and improved data analysis could open new doors for less advantaged regions to take a stronger lead in (for example) the EU's energy transition efforts. Indeed, other security domains (such as cyber, agri-food systems and defence capacity) could undergo stronger territorial analysis to identify less obvious geographies to optimise engagement (including interregional) in the EU's security and transition efforts. However, wholesale efforts will be

needed to transform their trajectories, including long-term investments in skills, infrastructure and supply chain connectivity. Furthermore, these places are often characterised by weak investment conditions.

Transitions – also related to EU security and resilience – unquestionably entail a high degree of uncertainty. Spillover effects are invariably difficult to anticipate. The post-2027 CP should support investment in this type of analysis by shedding new light on both opportunities and challenges. **CP's territorial surveillance role should be reinforced with respect to tracking uneven outcomes related to EU security and resilience investment decisions.** This would help to reinforce collective responsibility (at EU, national and regional levels) for the unintended impacts of 'top-down', space-blind policymaking, since this does not start or stop in negatively affected territories.

COHESION AND SECURITY: BEYOND THE RHETORIC

Shifting from the idea of connecting EU Cohesion Policy and the Union's security direction towards credible action will require more than simply littering the narrative of each with 'protection' or 'resilience' language. **With 2.5 years still to go until the next cycle, it is critical to plan now for CP's future security and resilience role.** This includes designing the considerable CP planning and assessment architecture, including the policy framework for the EU27's Partnership Agreements.⁴⁵ The European Commission should lead this effort, signalling a strong commitment to the future role of CP.

Failure to define the future EU Cohesion/Security policy and planning architecture could result in permanently retrofitting the Union's Security direction into Cohesion financing. Funds – originally planned for specific Cohesion investments – could be diverted to EU Security-related measures and ambitions, with no obvious connection to Cohesion goals. Such a reactive approach would simply follow the current trajectory of 'top-down' searching for Security-related EU financing. **Without dedicated financing, the Union's unfolding Security ambitions will be at the continued whim of pre-existing financial envelopes.**

Indeed, this is precisely what has happened with the financing of the new EU Strategic Technologies for Europe Platform (STEP).⁴⁶ Limited EU27 appetite to position this instrument as anything more than marginal led to an overall budget reduction compared to original Commission ambitions, with partial financing being drawn from CP. 'Taking' from EU funding pots originally assigned for other purposes will rarely be perceived positively.⁴⁷ By association, this risks poor sub-national commitment to the Union's new security-related priorities.

A strong and dedicated post-2027 financial pillar for EU security is needed, with systemic foundations. This is far from straightforward in the context of very tight national finances and an emerging fiscal gap when RRF financing runs out after 2026. All EU funding sources

and priorities will be ‘on the table’ in the context of the next MFF, with no pre-determined guarantees of funding ‘protection’ for existing instruments.

Policies will be required to service new EU priorities. By designing a security and resilience focus in the future CP’s ethos, domestic priorities can be planned and targeted according to local needs, and aligned to stronger, EU and national security investments. This would help to ensure that the future CP is designed in a way that does not compromise its long-term investment orientation and targeted focus.

The ‘do no harm to Cohesion’ principle – introduced in the 2022 8th Cohesion Report – has been strongly defended by the EU’s Cohesion community. It serves as a general principle to avoid policy or investment decisions that lack territorial sensitivity. The practice of diverting CP financing towards the delivery of other (unplanned) interventions risks this kind of ‘harm’. This is precisely why the future CP must have a strong security and resilience dimension designed into the policy’s architecture. A clear framework is needed, to plan for and target related finances, connecting EU and national security and resilience-driven policies, thereby

Confronting the EU’s ‘policy cohesion’ deficit: security and resilience governance under the spotlight

The EU’s governance structures have been widely criticised for their inability to maximise policy and investment alignment – both at EU and EU/national levels.⁴⁸ In the context of a new EU security direction this presents risks and opportunity costs, including limited scaling potential, policy and investment fragmentation, duplication of efforts, as well as poor internal and external credibility concerning the EU’s capacity to harness security-related directionality. Addressing this problem requires structural reform and cultural change at EU and domestic institutional levels. **CP can and should play a role in supporting the EU to improve policy cohesion, particularly in bolstering an evolving security agenda.**

The EU’s structural limitations in strengthening EU security governance: weak strategic policy coordination capacity and political appetite

The EU’s ability to harness a connected security policy and investment effort is significantly hampered by three key issues: (1) systemic coordination failures across the EU’s multi-level governance framework; (2) strong incentives at the EU27 national level to centralise policy and investment decision making; and (3) political tensions within the EU27:

- **The lack of connection between EU policy goals and related efforts at national and local levels** – fragmented governance, poor coordination and weak capacity prevent a clear line-of-sight across EU, national and regional efforts, and across thematic policy fields. Poor connectivity occurs by accident and design and is a deep-rooted problem that prevents optimised added value (e.g. policy directionality, investment scale and leverage). Both EU ‘top-down’ and ‘bottom-up’ dynamics frequently lose traction, as do more horizontal efforts to align related policies. These governance challenges will affect the EU’s security agenda, and are well-documented, for example in the energy security and transition field⁴⁹ and in climate security.⁵⁰ Policy silos – both horizontal and vertical – present systemic challenges for the smooth delivery of the EU’s security agenda.

- **The pitfalls of a growing trend towards a centralised EU policy and investment direction** – the multiple crises that we have witnessed over the past 15 years have generated a tendency towards centralised EU decision making, facilitated by the Commission and implemented by member states. The design and delivery of the RRF is a recent example of this. Its mid-term review⁵¹ points to a very limited territorially-sensitive orientation. This represents a significant opportunity cost, where RRF financing fails to gain traction or leverage at the regional/local level. In an EU security context, the relative infancy of the agenda has been guided by a rather EU, top-down perspective. **A continued centralisation direction and ‘territorially-blind’ approach must be avoided in the design of the Union’s security agenda**, as this risks generating or perpetuating negative impacts on some places and/or groups of citizens. Furthermore, this could serve to alienate EU citizens, disconnecting them from the EU’s security and resilience direction.

- **The EU27’s weak political appetite to ‘do more together’ for EU Security** – intransigence across member states stems from the Union’s current inability to overcome a ‘national sovereignty’ impasse. This is creating a default response of poor cooperation between the Commission and member states and across EU countries. It is clearly illustrated in the current approach to defence spending,⁵² where an unwillingness to coordinate planning and investment efforts creates fragmentation, while limiting scale potential. This presents a significant threat to the EU’s Security agenda, diluting the Union’s capacity to effectively deal with related threats.

The EU’s governance weaknesses represent structural challenges for a strengthened security agenda. CP’s architecture can play a role in facilitating improved policy alignment, especially at regional levels but this alone will not generate the scale and directionality needed to position EU security as a core priority in the post-2027 MFF.

boosting investment capacity across the security spectrum. In turn, this creates greater scope to leverage private investment.

The tough choices the EU faces in financing a pervasive security and resilience agenda come with significant trade-offs. The future CP should be positioned as complementarity to this mission, rather than competing with or opposing it.

EU COHESION AND SECURITY ALIGNMENT: HARNESSING MUTUAL BENEFITS AND LEVERAGING IMPACT

The EU governance and fragmentation challenges outlined above are acting as a brake on a strong, harmonised approach to security and resilience. Cohesion Policy can help to reorient a stronger EU security and resilience agenda in the post-2027 period by harnessing related policies, investments and governance approaches

under the CP's planning architecture, including partnership agreements, operational programmes and regional economic development plans. Championing EU policy cohesion efforts would also facilitate 'Cohesion-proofing', to tie the EU's security agenda to local ambitions and investments. Importantly, this could help to guard against the negative impacts that a more 'space-blind' direction can generate.

A strong EU Security/Cohesion policy partnership could help to unlock the challenge of mobilising decisive scale and directionality in delivering on the EU's strategic security objectives. Additionally, the future CP could help to champion the revival of the EU Single Market⁵³ by highlighting and countering the negative consequences of a 'going it alone' security direction that many member states favour when they fear a threat to national competence. In short, the future CP could help to moderate the EU's solidarity/sovereignty dilemma, in the context of a more pervasive, EU Security agenda.

6. Delivering EU security ambitions at the regional level: Some illustrations

KEY MESSAGES:

- Efforts to broaden the appeal of the Security / Cohesion relationship – at political, policy and Cohesion 'community' levels – are needed now to design the post-2027 policy architecture.
- This policy relationship needs to shift rapidly from concept to concrete examples, inspired by pre-existing actions and investments (e.g. in renewable energy security; climate security; food security; and cybersecurity).
- Cohesion's ETC programme and S3 policy framework offer channels to strengthen EU cooperation for Security / Cohesion – deepening exchange, diffusing learning and accelerating competitiveness.
- EU regions have the practical knowledge and know-how to mobilise their innovation ecosystems in delivering multiple complex transitions, with an increasingly strong security dimension.

This chapter sets out some ideas for how to 'translate' the Union's high-level security and resilience-related objectives at the regional level. It does so by analysing existing EU security and resilience measures and positioning these in a future context underpinned by improved coordination. **Delivering 'cohesion' across the Union cannot be achieved in a context of**

heightened insecurity – whether related to food, energy, territory, health and social wellbeing or protection from climate impacts. As the EU's Security agenda builds greater momentum, this will generate pressure on the Union's longer-term investment priorities (like Cohesion, CAP and the Framework Programme) to update their relevance to a vastly changed political and policy context. By demonstrating their capacity to serve the Union's strategic security and resilience needs, these **long-term EU instruments should form the foundations of the Union's crisis planning, preparation and response policy architecture.**

AN ILLUSTRATION OF THE SECURITY/ COHESION POLICY RELATIONSHIP, IN PRACTICE

The examples outlined below indicate the significant potential to define and deepen the rationale and policy action connecting CP with security and resilience. They are based on real cases of how this is already in operation, as well as highlighting the gaps and scope for deeper alignment. This offers insights into the practical mobilisation of Security/Cohesion actions and initiatives. With just over one year (around May 2025) until the design of the future CP starts to take shape, the security-oriented 'building blocks' to reorient the policy require urgent attention.

This should commence with a clear, conceptual underpinning and rationale for the Security / Cohesion relationship that can be translated into a compelling policy narrative. Concrete examples of how CP connects

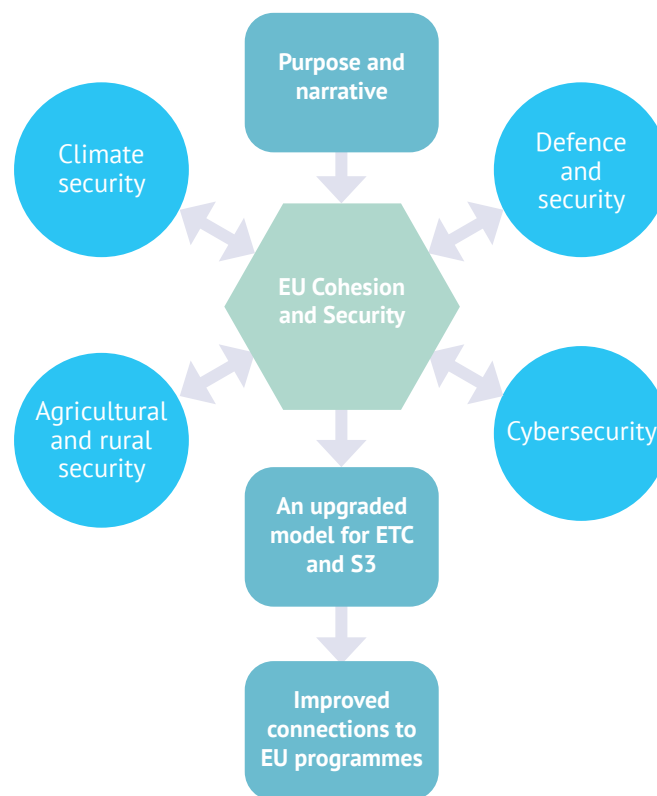
to the Union’s security and resilience direction, are also required, based on existing actions, investments, and opportunities. Innovation and EU collaboration (across national and regional borders) will be critical drivers in determining the strength and directionality of the EU’s Security agenda. CP’s European Territorial Cooperation (ETC) programme and its regional innovation framework (Smart Specialisation Strategies - S3) are cornerstone components, not least in promoting exchange, diffusing learning, and accelerating competitiveness. Harnessing these to the EU’s Security agenda will be vital if security is to become a truly pervasive goal.

In addition, the Union’s strategic goals aim to improve international competitiveness, deepen its value chain orientation, and reduce risks and uncertainties associated

with critical supplies. The security focus of these issues is becoming more important in an era of tense geopolitics and includes renewable energy; clean tech; food security; and cybersecurity. Regions – through their regional economic development plans and innovation ecosystems – operate at the coalface of these security efforts, mobilising citizens, communities, industrial and knowledge partners to work together. EU CP provides the framework to make this happen.

The diagram below offers an illustration of a possible framework that could support a renewed policy design process for better connecting EU Security and Cohesion. It highlights how better directionality could be generated for improved policy alignment.

OUTLINE FRAMEWORK TO GUIDE EU SECURITY AND COHESION POLICY ALIGNMENT



Source: Alison Hunter.

EXPLAINING THE EU SECURITY AND COHESION POLICY ALIGNMENT FRAMEWORK

CP’s post-2027 reform to build strategic connectivity with EU security and resilience should consider the following factors:

1. Building a new Security / Cohesion narrative – this concerns the rapid reorientation of the post-2027 Cohesion debate through a strong security underpinning, confirming the ‘fit’ between EU Security

and Cohesion. In addition, CP – with its focus on addressing the highly differentiated needs of citizens and their territories – can support the EU’s necessary policy shift from ‘Economic Security’ to ‘Security and Resilience’.

2. Taking action to connect CP to the Union’s wider policy architecture through a security and resilience intervention logic – the ideas offered in the diagram above are described in more detail below. The selected themes are merely illustrations and although they are

presented separately, they are in reality very interlinked. They require high levels of connectedness, given that impacts in one area spill over to others. Moreover, these themes are also strongly dependent on EU regional operational programmes and economic development investments. In many places, they also represent pre-existing priorities at regional and inter-regional levels. Re-orienting and connecting these towards security and resilience goals would be guided by an upgraded CP intervention logic. Examples offered are:

- ▶ **EU agricultural and rural security:** the EU's crisis era (including war in and beyond Europe and climate-driven pressures) has created multi-faceted, security-related challenges for the Union's agriculture sector not least related to food production, supply chains and logistics. The EP has recommended that the EU "strengthens its food security and the resilience of its agricultural sector and its entire supply chain by reducing its dependence on imports from third countries and diversifying the supply of critical imported products such as fertilisers, animal feed and raw materials."⁵⁴ At the same time, growing concerns about uncertain yields (linked to climate change) and price fluctuations (connected to geopolitics, war and conflict) across the sector have led to large-scale demonstrations, which have shown further the precarious nature of the sector in times of crisis. However, **an holistic overview is currently missing that sets out EU rural security and resilience concerns, with policy measures fragmented across EU and national lines.** There is significant scope to re-orient and better align efforts to support the EU's agricultural and rural security. Examples are offered below:

- **Addressing the current policy fragmentation of security-related issues** that face the EU's rural territories - CP's recent focus on the specific challenges facing rural territories⁵⁵ and the conditions that influence the wider resilience of these areas (e.g. de-population in places with stagnant economies), should be aligned with the Rural Development pillar of the Common Agricultural Policy (CAP). The EU's security needs should offer a turning point to better reconcile policy and investment responses, so overcoming the stalemate that has persisted over successive programming periods to better align Cohesion and CAP.

- **Improve the strategic framing of the needs of the EU's rural territories** - The recent update report⁵⁶ of the EU's long-term vision for rural areas has offered only a partial overview of the wider security and resilience issues faced by these territories, focusing on food security. Without a more holistic analysis of the Security and Cohesion challenges these territories face, there is a risk that EU rural territories will be permanently disadvantaged

- **A Security / Cohesion 'lens' could help to concentrate EU efforts on designing policy opportunities for rural areas,** including, new and

attractive options for renewable energy infrastructure and supporting the EU's future military capacity.

- ▶ **EU defence and security:** The Commission's recently proposed European Defence Industrial Strategy (EDIS)⁵⁷ points to the need for collective action, setting out governance and investment instruments, as well as seeking to streamline existing (disconnected) measures. The EU regional dimension to this effort must not be overlooked, not least the role of business and their related supply chains: "Creation, within EDIP, of a Fund to Accelerate Defence Supply Chain Transformation (FAST), particularly targeting SMEs and small mid-caps via debt and/or equity financing."⁵⁸ "A high level of experimentation will be required to generate coordinated efforts and investments to address the ambition behind the proposed Industrial Strategy. Intensive cross-border and interregional collaboration will be needed through, for example, regulatory sandboxes. Regional innovation systems are critical to mobilising this effort. However, the EU's governance frameworks remain ill-equipped to marshal this type of collective action, risking a high degree of fragmentation. **The future CP, strongly connected to the EDIS, could help to set out the new 'groundwork' needed for improved governance.** This includes coordinated efforts in technology upgrading, labour markets and skills, given the size of investments needed.

- ▶ **EU cybersecurity:** There is huge scope, under CP, to improve EU policy coordination for cybersecurity, underpinned by strengthening joint efforts. These include a number of recent EU cybersecurity actions to enhance "cyber solidarity"⁵⁹ through cross-border provision of services across the EU. The new regulation also sets out a "cyber security alert system", based on a pan-European infrastructure network of cyber hubs. Regional networks that fulfil such a function are already in place,⁶⁰ facilitated by European Digital Innovation Hubs (DIHs). **Strengthened Security / Cohesion actions could boost the EU's cybersecurity coordination and scaling efforts,** by:

- **improving the integration of DIHs into regional S3:** With both areas currently anchored to different Commission services, their integration has – to date – been rather elusive. This is despite cybersecurity being a prominent theme in regional economic development plans (and in S3). Improving cybersecurity coordination efforts across the EU through CP's national partnership agreements and operational programmes would help to ensure that interregional and trans-national cybersecurity efforts are sufficiently captured and coordinated in these frameworks.

- **addressing the current siloed⁶¹ approach to the EU's cybersecurity ambitions** Adopting a 'ground-up' approach to ensuring oversight of efforts and investments in the cybersecurity space are increasingly important for the EU's security and resilience agenda. CP's planning architecture provides a systemic method to delivering this.

- **shifting to a greater level of joint procurement for critical infrastructure, coordinated actions and investments.** Here, the regional and interregional dimensions should not be overlooked – including interregional projects through CP’s ETC and S3 efforts, with strong examples of collaboration across regions and evidence of joint investment efforts related to cybersecurity.

► **EU climate security:** Climate security encompasses a broad sphere of issues that relate to the EU’s internal and external⁶² environments, the latter being heavily focused on international peace and security. However, the security dimension to climate change needs to be understood as more than an externally generated threat. Within the EU, capacity to deliver on the Union’s green energy transition is highly differentiated, giving cause for concern across vulnerable territories where a ‘just transition’ will be difficult to achieve. Furthermore, different EU territories are affected by climate change in different ways, according to their characteristics and geography (e.g. risks of flooding and drought). CP’s territorial Cohesion focus helps to ensure that these risks and challenges are not overlooked. **How EU citizens perceive climate ‘security’ (and their resilience to overcome related challenges) is highly related to their local circumstances.** Applying a territorial climate security ‘lens’ to regional actions and investments is increasingly important, yet difficult to coordinate given the patchwork of EU, national and regional climate initiatives⁶³ that exist. The post-2027 CP should be designed to ensure improved capture of these efforts to provide a more accurate account of climate security measures, and the specific actions and investments needed for regions to lead, coordinate and/or support these efforts.

3. Upgrading the design of Cohesion instruments to embed a place-based focus in the EU’s security agenda: Cohesion Policy’s ETC programme (sometimes known as ‘Interreg’) and S3 agenda offer the means to mobilise and coordinate security and resilience actions, projects and investments within and across EU regions. These instruments support regions to strengthen their innovation strategies and systems, and to deepen interregional, cross-border and trans-national cooperation. They should facilitate stronger embedding of an EU security and resilience agenda at local and interregional levels. This could include, for example, interregional sandboxes to better understand and connect regulatory measures for energy security or cybersecurity. CP provides the framework to identify the differentiated needs of EU territories. From a legislative perspective, this is critical in helping to expose the challenges of connecting different regulatory and governance systems across member states – a complex matter that is often overlooked when a ‘top-down’ approach to policy making prevails (at EU and/or national levels). **CP can therefore inject a stronger place-based orientation into the planning and design process of connecting regions to the EU’s security and resilience agenda.**

To achieve the above, a stronger strategic dimension to CP’s future ETC and S3 directions is needed, based on a deeper connection to EU security and resilience. A case in point is a new dimension to ETC’s macro-regional strategies (under the EU Strategy for the Baltic Sea Region (EUSBSR)) that promotes cooperation with Ukraine.⁶⁴ Future cooperation and investment in technology could offer mutual benefits for defence innovation and technology not least related to Ukraine’s growing expertise in connecting drones with Artificial Intelligence.

CP AND THE EU’S SECURITY AND RESILIENCE-DRIVEN INNOVATION AND COMPETITIVENESS

Furthermore, a stronger security and resilience dimension to interregional efforts should be harnessed to the EU’s wider innovation and competitiveness policy framework (e.g. including EU strategic value chains across targeted areas in digital, clean and biotechnologies). The existing gulf⁶⁵ between the EU’s interregional innovation investment efforts and those that adopt a largely nationally driven orientation (including the EU’s important projects of common European interest - IPCEIs) represents a very significant opportunity cost to generating improved innovation directionality and scale. **The bottlenecks to building a genuine EU ‘innovation pipeline’ – especially those with a strong security and resilience orientation – need to be removed if the EU is to maximise its international competitiveness.** This theme is strongly related to the current gaps in the Union’s industrial policy framework.

This chapter has illustrated the relevance of security and resilience to EU regions, across many policy dimensions. It has shown that there is clear scope to re-orient CP’s future ETC programmes and S3 agenda towards a stronger EU security and resilience direction, adopting a place-based and ‘bottom-up’ approach to innovation and interregional cooperation in a new EU Security-driven era. This can generate improved evidence of long-term needs and challenges, scaled-up investments and deeper collaboration. Strengthening these efforts requires improved strategic planning and governance – within and beyond CP parameters – through a deeper security and resilience intervention logic.

CP can inject a stronger place-based orientation into the planning and design process of connecting regions to the EU’s security and resilience agenda.

7. Towards a (genuine) EU security-driven industrial strategy

KEY MESSAGES:

- A radical conceptual leap is needed in defining the industrial direction of the EU's Security agenda and in setting out the (EU and member state) policy and investment architecture to support this.
- An upgraded definition of EU public goods should accompany such a shift, taking account of equity considerations.
- Key principles to underpin a security-oriented industrial strategy should include:
 - reinforcing the policy relationship between an EU security-driven industrial strategy and the role of CP;
 - positioning CP as a key contributor to the EU's industrial readiness ambitions;
 - upgrading S3 as an active driver of these efforts, through a reformed framework that supports value chain resilience and industrial readiness in key sectors.

With EU Security increasingly likely to become an EU priority in the post-2027 period, the current EDIS would need to be significantly broadened beyond its current parameters. **A new era of security-driven industrial strategy is emerging where investments needed (including related technologies, defence and infrastructure spending) are of a scale that does not currently match the political rhetoric.**⁶⁶

A new era of security-driven industrial strategy is emerging where investments needed (including related technologies, defence, and infrastructure spending) are of a scale that does not currently match the political rhetoric.

UPGRADING EUROPEAN PUBLIC GOODS

Accompanying this direction, an upgraded definition of EU public goods (EPG) is necessary, given that a new security and resilience orientation must take account of equity considerations. As the EU's Security agenda (rightly) adopts a more pervasive direction, its relevance across a much wider range of policies and public interests must begin to take shape. Indeed, **EU citizens' security, protection and resilience concerns are of a different magnitude than even a decade ago.** How the EU redefines EPG matters for the types of policy and investment that support them. Financing from mainstream budget lines is already happening. For example, STEP financing will be mainly driven through existing EU instruments. However, these policy developments are evolving in the absence of a clear intervention logic for security-driven EPG.

CP is already heavily committed to these efforts via a number of different instruments, including: financial support through the Just Transition Fund (JTF)⁶⁷ to places facing the most complex energy transition challenges; cross-border and interregional investments in joint infrastructures related to energy security and cybersecurity; and interregional value chain coordination to strengthen EU competitiveness in strategic domains and technologies linked to security and defence.

The concept of acting together for the 'greater good' is a defining CP principle and is required more than ever for the EU to navigate the permacrisis era.

There is a need to define EPG in a changing global context, underpinned by very new and different EU responses. CP's solidarity and fairness ethos are central to this. **The concept of acting together for the 'greater good' is a defining CP principle and is required more than ever for the EU to navigate the permacrisis era.**

Furthermore, **in a context of crises and shocks where 'top-down' and centralised decisions and policy responses are taken, place-sensitivity is rarely a first-order priority.** This entails risks related to fairness and equity, not least for the Union's vulnerable territories (e.g. related to the places on the Eastern border with Russia or the EU's new State Aid regime with its uneven impacts on EU businesses, depending on the financing capacity of the member states where

they are located). **An EU Security-driven industrial strategy requires a new EPG framework to prevent a worsening of existing innovation, digital and economic divides across the EU.**

KEY PRINCIPLES OF AN EU SECURITY-DRIVEN INDUSTRIAL STRATEGY

A security-oriented EU industrial strategy should be underpinned by a number of key principles:

1. Establish a strong policy relationship between an EU security-driven industrial strategy and the role of CP:

a. A place-based approach to the EU's evolving industrial strategy agenda is no longer only desirable, it is essential. Yet, this has remained out-of-reach in successive iterations of EU industrial policy. A lack of political will across the EU27 to either adopt a genuinely EU approach to industrial policy or to support regions to connect to these efforts, is further challenged by European Commission policy silos that fail to align efforts across services (including DGs GROW, R&I, REGIO, COMP and others). These barriers are related to outmoded ways of working, weak governance and political resistance. They continue to limit effective engagement of regional innovation systems (e.g. through clusters and interregional S3 Partnerships) in EU industrial policy efforts.

A place-based approach to the EU's evolving industrial strategy agenda is no longer only desirable, it is essential.

b. The specific inclusion of CP in a security-driven EU industrial strategy would help to create effective framework conditions, supporting regions to design their security and resilience-related industrial and innovation priorities in their CP operational programmes, in line with EU priorities. **This directionality could facilitate improved industrial scaling efforts and investment leverage, while reducing fragmentation.** Furthermore, a CP 'lens' can promote a place-sensitive approach to an EU security-driven industrial direction, helping to identify risks and impacts for places where benefits and opportunities are more limited.

2. Position CP as a key contributor to the EU's industrial readiness ambitions

a. The EU's industrial strategy response to the challenges it faces is rapidly evolving from a direction that champions proactive market opportunities to one that

prioritises 'security of supply' and military capacity. This new de-risking approach has been catalysed by an increasingly hostile global trading environment. The coordination effort now required (at a very rapid pace) implies significant public intervention. State aid and industry incentives are increasingly driven by government needs, rather than purely market demand. Evidence, especially over the last years of a dominant EU state aid regime, shows the uneven impacts this generates across EU regions. It is therefore **imperative that CP is tightly harnessed to the Union's new industrial readiness direction, to maximise regional engagement opportunities.** CP's surveillance and targeted action function will also help to minimise the threats associated with a 'winner-takes-all' (or most) impact that a strengthened industrial strategy can generate.

b. **The recent STEP initiative could provide the 'test case' impetus for the post-2027 period,** illustrating how and where CP can be used to maximise impact, while avoiding automatic, default outcomes of concentrated investment and uptake in only the most advanced regions.⁶⁸

c. **An improved, security-driven industrial innovation pipeline orientation is urgently needed across the EU,** identifying security and defence-related value chain opportunities, future-proofing them and improving collaboration efforts across EU and national policies, investments and innovation ecosystems. Support at the highest political and policy levels – across EU institutions and member states – will be needed to overcome existing inertia.

3. **Upgrade CP's post-2027 design to support the EU's 'de-risking' focus.** The EU's de-risking narrative reflects an emerging global trend for Industrial Policy to deliver supply chain resilience.⁶⁹ However, the EU's associated measures are currently very unclear, due to member state resistance in generating a cohesive approach across the EU27. **The current gaps in EU innovation and value chain governance create conditions for dispersed and uncoordinated action.** In turn this generates risks to security of supply. Furthermore, directionality and scale are significantly compromised. **'Security proofing' EU value chain resilience measures, and incentivising industrial readiness, requires close connection to the post-2027 Cohesion Policy.** The organisations and actors engaged in these efforts can be traced back to regional innovation ecosystems.

The current gaps in EU innovation and value chain governance create conditions for dispersed and uncoordinated action.

4. Position S3 in the post-2027 CP as an active driver of an EU security-driven industrial strategy. As a place-based and regionally driven agenda, S3 has been received (and implemented) very differently across the EU27, and with varying degrees of enthusiasm at the national level. Those member states receiving the least from CP's financial envelope – and with less stringent Commission monitoring of how S3's related enabling conditions are being met – are often the least likely to promote S3's value, at EU, national and regional levels. This has created **limited impetus to position S3 as a key tool for EU industrial policy action at the national and trans-national level.** The Commission's 2023 Communication⁷⁰ on future EU competitiveness emphasised the role of S3 as a support framework to guide and connect innovation ecosystems. The directionality of an EU security-driven industrial strategy would be strongly served by improved anchoring of S3 in the EU's future security / cohesion direction. This will be difficult to deliver without shared political will across the EU27

5. Upgrade the post-2027 S3 enabling conditions to support value chain resilience and industrial readiness in key sectors.

- a. This should be targeted at both regional and interregional levels across all EU strategic (and tech-oriented) domains and implies tighter coordination between national and sub-national S3/innovation priorities and those set out at the EU, strategic level. In short, **S3 needs to become a more targeted instrument in supporting the EU's security-driven industrial policy direction.** With an increasing focus on deep-tech innovation and strategic technologies to support the Union's de-risking goals and deliver its security ambitions, there are inherent tensions in combining an EU 'top-down' vision with 'bottom-up' needs and realities. A security-driven, prioritisation process would require a much more focused approach than has been the case to date.
- b. In addition, member states and regions would be required to set out more compelling evidence of the specific opportunities and challenges they face in a new era of heightened security, defining how S3 can provide a targeted framework to support domestic and EU goals. This risks a very uneven response across EU territories, depending on pre-existing innovation capacity and endowments. **For less innovative places, risks of becoming or remaining 'left behind' are likely to be greater than before** given their limited capacity for tech and security-oriented innovation. Furthermore, **skills security is becoming an increasing challenge across the EU** – not only related to demographics and an ageing workforce but also in ensuring a ready supply of skills, across the whole value chain, to steer critical technologies. This will force a level of hard choices in selecting S3 priorities across different territories – a situation that has so far been rather absent in the design and implementation of S3.

The above points to the need for a radical, conceptual leap in defining the ambition of the EU's future industrial strategy to support its evolving security agenda. The distance to cover in realising this is significant. A recent show of strength from Germany, France, and Italy for a 'single EU industrial strategy'⁷¹ is difficult to reconcile with the many tensions and obstacles that underpin this, including a lack of general agreement on the specific direction this should take (e.g. related to incentives for EU-driven public procurement). Furthermore, **the EU's governance structures, and institutional silo working will make it very challenging to mobilise coordinated action across relevant policy areas.**

Relatedly, **regional innovation systems – underpinned by Cohesion's place-based S3 agenda – need to play a more strategic role in the EU's new industrial strategy era.** Connecting regional intelligence about innovation supply and demand to an EU Security-oriented, industrial strategy direction is imperative. Improved EU innovation governance is needed to address this current gap between EU industrial initiatives that are driven by the member states and industrial efforts at regional and interregional levels.

The EU's governance structures, and institutional silo working will make it very challenging to mobilise coordinated action across relevant policy areas.

Failure to overcome these challenges could further fragment the EU's security interests and investments. The upcoming Competitive Council in May is likely to build on the recent momentum towards a genuine EU industrial strategy, but **it is questionable whether the EU27's appetite extends to a bolder, security-driven direction to underpin this.** Certainly, more ambitious solutions are needed to provide EU industry with assurances and direction relating to the Union's competitiveness. The recent Antwerp Declaration for a European industrial Deal⁷² has currently attracted the interest of over 1000 actors (including companies, associations and unions). Its explicit, security-related demands are confined to raw materials, yet the content of the Declaration – calling as it does for upgrades and improved connectivity across the EU's various infrastructures – is strongly aligned to a security-driven direction.

8. Conclusions

KEY MESSAGES:

- The concept of EU Economic Security is evolving as a critical and overarching objective and represents a paradigm shift with respect to the Union's future, security-oriented direction.
- The EU should broaden its security ambitions by positioning security and resilience as an overarching priority in guiding the Union's future direction, harnessing the mite of EU and national policies and investments to navigate this.
- CP faces an uncertain future and must undergo radical reform to remain relevant to the EU's changing context in an uncertain and often hostile world.
- There is a significant opportunity to redirect CP's future reform towards a new Security / Cohesion relationship, reflecting a global 'new normal' characterised by multi-faceted security concerns.
- The post-2027 EU funding framework should harness Cohesion Policy's long-term and structural renewal orientation to EU security, positioning CP as a critical conduit for delivering EU security and resilience priorities.
- Achieving the above is far from inevitable. The current reality – at EU, national and regional levels - reflects an absence of political vision and will, while policy and investment capacity are highly differentiated across the EU's multi-level governance system.

THE FUTURE OF EUROPE: DELIVERING SECURITY AND COHESION

The EU's purpose and direction are being redefined, in a context of geopolitical fragmentation. The Union faces multiple challenges including: a crisis-prone era; multiple transitions; and war and conflict in Europe and beyond. Alongside an intensifying debate about future priorities and financing for the post-2027 MFF, the June European Parliament elections are likely to bring political change.

This paper explores the EU's new and evolving security agenda and makes proposals to boost its significance to the future of Europe and related post-2027 financing. Shifting from the currently, narrow Economic Security dimension to a broader and more pervasive security and resilience focus would facilitate this.

The paper also notes the absence of any real debate about the relationship between EU Security and Cohesion. This gap needs to be addressed to facilitate a new narrative about the mutual benefits in connecting

these two important policy areas. The paper offers insights and recommendations for how to achieve this, highlighting the need for a strong reform of the future CP in the context of a new security and resilience era for the EU project.

SECURITY NEEDS COHESION AND COHESION NEEDS SECURITY

Security has become increasingly important for the EU. The permacrisis landscape contrasts radically with the relative 'security' we have experienced since WWII. The EU's evolving Security agenda needs a multi-faceted policy and investment effort – at EU and national levels – to respond (at scale) to an increasingly hostile external environment.

Yet the security debate is currently somewhat confined to the Brussels 'bubble' despite its long-term importance across a wide range of EU policies and investments. This is due to:

(1) The relative infancy of the EU's security agenda – the Union is navigating new territory, with security matters shifting from a national direction, to one that acknowledges the need for connected EU action

(2) National sovereignty sensitivities regarding security competences – EU security and defence remain a national competence. A shift to deeper and more strategic EU security cooperation remains contested and is far from inevitable.

(3) Concerns about the associated investment needed for a stronger EU Security direction – war in Ukraine and wider global conflict are creating a new 'reality check' for the EU27 concerning the costs of security and defence both inside and beyond the EU's borders. Member states have been ill-prepared for the financing needs of the EU's permacrisis era, beyond the current (2021-27) period which was perceived as a one-off, extraordinary response to the global health pandemic.

The current intransigence surrounding the EU's security and resilience direction is also problematic for sub-national level engagement. Securing regional traction matters enormously, to drive the scale of action and investment needed, reaching far beyond obvious 'defence' considerations. Indeed, 'securing' our future concerns a multitude of actions including renewable energy security, food systems security, skills security, and climate security. Europe's security and resilience are very real issues for citizens and communities, intrinsically linked to the EU's social model and solidarity ethos - both currently under threat due to internal dis cohesion.

Cohesion Policy – the EU policy closest to the needs of citizens and their territories – provides the foundations for a new EU security- orientation, targeting sub-national

action and marshalling the EU's multi-level efforts to generate security and resilience-driven directionality across EU policies and investments.

The current debate about Cohesion Policy's future is characterised by calls for reform, with many voices questioning its added value.⁷⁵ CP's 'identity crisis' will not be addressed if discussions about its future are insufficiently connected to the EU's multi-faceted security concerns. To date, this has barely touched the radar of the future CP debate. This deficit comes with a significant risk that the future direction of CP and the EU's security interests evolve on parallel platforms, consigning CP to a much-diminished status, with very limited perceived relevance for navigating the EU's future direction.

Absent radical reform, Cohesion Policy – like the disadvantaged people and places it seeks to represent – risks being permanently 'left behind'.

Securing regional traction matters enormously, to drive the scale of action and investment needed, reaching far beyond obvious 'defence' considerations.

A re-orientation of the Policy's future direction is urgently required. It should be driven by mainstreaming the EU's evolving security direction into the post-2027 CP, underpinned by four key actions:

- ▶ **Political acknowledgement (at EU and national levels) that the Union's security agenda is about more than defence and military capacity**, and is in fact, a pervasive theme and an EU strategic priority that will require a multi-level, policy cohesion effort to generate the scale and directionality of action needed.
- ▶ **Revitalised and unanimous appetite across the EU27 to commit to a strong post-2027 CP** that will instrumentalise and add value to the EU's evolving Security agenda.

- ▶ **Commitment in the Commission to reform and re-position CP** as the EU's long-term, strategic investment policy, fit for confronting the Union's multi-faceted security challenges, while enhancing the policy's place-based focus.

- ▶ **New momentum across the CP community to re-orient the debate about the future Policy**, and advocate for its reform in a security and resilience direction that:

- i. connects the EU's security and resilience-related challenges and opportunities to EU regions;

- ii. responds to the highly differentiated needs and capacities of regions (e.g. related to food security, energy security and cybersecurity);

- iii. acknowledges that tough compromises will need to be made in generating a new Security/Cohesion relationship;

- iv. supports the reconfiguration of CP-related instruments (especially ETC and S3) to maximise EU security and resilience cooperation. In turn this will: optimise industrial-readiness, mobilise scaling capacity; and contribute to the EU's efforts for improved global competitiveness.

With NextGenerationEU, the EU has shown what is possible to achieve collectively. It is time to rise to that challenge again in securing the EU's long-term and prosperous future. A connected Security and Cohesion direction offers a pathway to achieving this. Bold and radical decisions will be required regarding the setting out of priorities to guide this direction. The EU must again show what it is made of. A wholesale effort across member states and institutions will be needed to deliver this.

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NOTES

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