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Europe must take charge of its strategic interests

Long term and productive investment is essential for economic growth. However, corporate, infrastructure, energy investments and R&D are higher in large economies than in Europe and real GDP growth and productivity gains in the euro area have failed to catch up with US, China and Japan over the past two decades.

In 2018, the EU invested EUR158 billion in climate change mitigation. At 1,2% of GDP this figure is marginally less than the United States (1,3%) and little over a third of China's performance (3,3% of GDP). Moreover, the Investment Report of the EIB (2019/2020) shows that the European Union is risking a gradual loss of global competitiveness with slow innovation, adoption of digital technologies and productivity growth. As of the end of 2019, Europe was not home to any of the world's 10 largest internet companies and only one European company were in the worldwide digital top 20. Europe is adding an Artificial intelligence (AI) gap to its digital gap. In June 2020, Europe had only 5% of the world's 483 unicorns – private companies with a value of at least $1 billion – compared with 47% for the US. China had 25% of unicorns (CBInsight, 2020).

The Covid -19 pandemic and the induced global lockdown have caused a sharp slump in the global and EU economies. This crisis also worsens economic disparities across the EU. In such a context, the big fiscal deal agreed at the European Council in July 2020 is a welcome and significant step forward which should strengthen the European Union. This move towards fiscal cohesion and solidarity is real and reassuring. For the first time, the EU will collectively borrow the plan's full amount from the financial markets and repay it from the EU budget over almost 40 years. The shock absorbing role for the EU is a real novelty and this EU fiscal deal may set a precedent for future crises to be met with collective debt.

But Europe also needs much more to fill its infrastructure gap, the goals of climate change, the rise of senior generations and other sustainable goals. Given its size and its duration, the Next Generation EU plan will only partly cover these needs. More will be needed for Europe to escape the current trap of low trend growth. The EU plan is not designed to cover all investment needs but to help low-income countries narrow their gap.

Among other key policies that must be delivered are European Banking Union and Capital Market Union (CMU) without which the EUs' key political priorities will not be able to be implemented. Faced with the "technological war" between the United States and China, Europe must lay the foundations of its sovereignty for the next 20 years. In the field of security and defence, reinforcing technological autonomy is essential. Sovereignty must also be exercised in the field of green technologies, and Europe must become the leader in this area. Technological challenges require a European industrial policy and strategy for technology funding. A holistic industrial policy marrying finance, research, industry, competition, trade, existing local eco systems and education is vital and urgent. The choice is simple: unite our forces to give Europe its economic independence or allow our industrial base and capacity to disappear. In this way, we need to rethink the EU competition policy in order to better protect our critical companies.

Such an EU approach also requires that Member States accelerate their homework and implement strong and credible domestic reforms in order to improve the business environment, the potential growth and the competitiveness of SMEs, facilitate the shift to renewable energies, promote digital services, education and skills and attract private investors whose savings are frozen or misallocated due to uncertainty and lack of confidence. ●