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A new deal for Europe: seizing the opportunity of defining new industrial policies

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The European elections are now very close. The context is radically different from before the 2019 elections: consequences of the COVID-19 pandemic, geopolitical tensions, war in Ukraine. As a result, priorities have shifted to issues of economic competitiveness, security and strategic autonomy, to limit dependence on energy and value chains, and to take part in the race between the major regional blocs to secure their supply of raw materials and gain an advantage in the new green and digital markets. Against this backdrop, where ecological objectives seem to be relegated to second place at best, the discussions at the Extraordinary European Council of 17 and 18 April, fueled by Enrico Letta's report on deepening the internal market^{[1](#)}, provided an opportunity to make the link between the definition of new industrial investment policies, now at

the heart of the debate between Member States, the ecological transition and social issues. Drawing on contributions from experts in various Member States, IDDRI highlights the key points on which to structure this debate to ensure that the challenges of ecological transition are given their rightful place, without separating them from those of cohesion between Member States and within our societies.

Transition objectives almost disappeared from the Council's strategic agenda, but saved by the Letta report?

The strategic agenda discussed by the European Council² to give direction to the Commission's next mandate relegates the issue of transition to being just one of several dimensions of the quest for competitiveness and power. The priority "A strong and secure Europe" includes the issues of security, migration, enlargement and Europe's international role. The priority "A prosperous and competitive Europe" deals with issues of competitiveness, but also innovation, digital, energy and climate (including the key objectives of decarbonizing the economy already included in European legislation during the previous mandate), food security (an issue that risks replacing rather than complementing that of agricultural transition), and social policy. Finally, the priority "A free and democratic Europe" focuses on the rule of law and the promotion of democracy and fundamental values.

The report presented to the Extraordinary European Council on 17 and 18 April by former Italian Prime Minister Enrico Letta made a much more explicit link between the challenges of competitiveness and power and the project of a "fair, green and digital transition", by clearly putting on the agenda the need to define the objectives, means and instruments of a Europe-wide industrial investment policy. The initial question to be addressed was how to strengthen the single market: Enrico Letta stresses that we cannot discuss this without asking what objective we are setting for such strengthening. This is all the more fundamental given that many European citizens are questioning the very objective of European integration, not only defined by the common market. While citizens want security, protection, and power, they have not abandoned environmental and social concerns.

The Letta report therefore proposes that the fair, green and digital transition should be the explicit objective that the European Union sets itself. In order to support the industrial investment needed for this project to actually transform the continent's economy, which was already the aim of the Green Deal, it suggests building a savings and investment union, which stands as the report's flagship proposal. Indeed, the savings of Europeans, i.e. extremely large amounts of money, are often currently invested in industrial projects in the United States³. This is a major challenge for Europe's sovereignty and economic power. The question of financing a new industrial policy and defining its objectives is becoming the central issue in the European debate, and it is a real opportunity to include the challenges of ecological transition and social issues.

Competitiveness also remains a burning issue. The Letta report points out that "the lack of integration in the financial, energy and telecommunications sectors is one of the main reasons for Europe's declining competitiveness". Mario Draghi's report on competitiveness, which is eagerly awaited before the summer, could well push the European debate further away from the issues of transition, if competitiveness is seen only as a short-term battle, with no long-term commitment to the far-reaching transformation of the European economy to restore its competitive edge.

Defining new industrial policies and set the conditions for them to embrace ecological and social objectives

In this context, where environmental issues may be perceived as having taken second place—including in budgetary trade-offs which are suffering from the increase in public debt and the multiplication of financing fronts—the new priorities and the new dominant discourse at European level, which are crystallizing around the new industrial policies, have the potential to take sustainable development issues with them. But this is subject to certain conditions and with a number of contradictions that we explore in [*Reinventing the Deal - What new narrative to put sustainable development at the heart of the European Commission's next mandate?*](#), IDDRI's analysis of the voices from different countries gathered together in our blog series [*European States of Mind - Reinventing the Deal*](#).

The Green Deal has laid solid foundations on which new industrial policies can capitalize. It has begun to infuse our economies and societies and build a direction for the long-term competitiveness of European economies. But it faces challenges in terms of implementation and widespread adoption and lacks a social project to accompany it. The perspectives from different Member States on a variety of economic sectors in our series of blog posts show that defining new industrial policies is not a straightforward matter, and that there are many versions of them, in terms of their objective, their scope, their means of intervention and their method of financing. A genuine European debate needs to be launched to reach agreement on this issue.

This debate is also necessary to prevent these new industrial policies from being economically ineffective, if they are accompanied by a narrow focus on price competitiveness, a narrow vision of security that does not include the issues of prevention and resilience in the face of environmental crises, a concentration on a few champions rather than an entire innovation ecosystem, or even the capture of new financial resources by statu quo players. Other risks concern the social impact of these policies, if they lead to increased competition within Europe itself, between countries and between regions, and if the question of their linkage with social policies is not addressed. The question of the social and economic effects on other regions in the world, and in particular on developing countries, cannot be ignored either, both in terms of guaranteeing stable partnerships with these countries from a political point of view and in terms of the economic links that Europe has every reason to continue to forge with them. These risks of economic inefficiency and of social impact are also entry points for raising the issue of ecological transition objectives as part of the solution. The new industrial policies, defined solely in terms of securing energy supplies, must not reinforce the shortcomings of the legislation passed under the Green Deal to date, particularly the transition in the agricultural and food sector, the reduction of pollution, human health and the health of ecosystems, issues without which it seems illusory to truly achieve resilience and security for our societies.

In order to form a system in Europe, the new industrial policies must mobilize fields of action, innovation policies, skills and cohesion policies to fully grasp the territorial impacts, and common financing instruments. And as the challenges of sustainable development do have impacts on consumer behaviour, our relationship with the environment and health, all of which are part of a new social contract, it is also essential to develop new narratives that capture these social, environmental and economic challenges together, if we are not to fall back into the pitfalls of the Green Deal.

¹ <https://www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf > ;

² <https://www.consilium.europa.eu/fr/policies/strategic-agenda-2024-2029/#path > ;

³ "The European Union is home to a staggering 33 trillion euros in private savings, predominantly held in currency and deposits. This wealth, however, is not being fully leveraged to meet the EU's strategic needs. A concerning trend is the annual diversion of around €300 billion of European families' savings from EU markets abroad, primarily to the American economy, due to the fragmentation of our financial markets." (<https://www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf>)