

EU Prospects ahead of EP elections and beyond Joost van Iersel

I believe that the impact of the upcoming European elections is greater than ever before. Some of the important reasons are:

- The **EU** has increasingly become a matter of **domestic political debate**.
- While the EU was in the past seen by the media and public opinion exclusively as a regulatory machine in economic affairs, **these days its political impact** is considered, in the view of the media and of public, of far broader significance.
- The **most important** issue in public discussion across the Union is the **migration** issue, but a very important issue is also that
- To a large minority of public opinion the EU is **insufficiently contributing to growth and jobs**. Both issues feed **nationalistic approaches**.
- In a number of countries anti-European parties and/or policies are competing with moderate or pro-European parties, resulting in a **battle between national-oriented populism and open-minded Europe-oriented realism**: France and Italy, Poland and Hungary, and some others in-between.

As the underlying overall trend in public opinion is rather uncertainty about what is going to happen the coming 10 years, it is most important, in view of these elections, to create an atmosphere of trust and legitimacy between the Member States. In other words, opposite to the slogan of *Brexit: We will take back control*, the **Union** should be presented as **a shared solution of problems** Member States and populations are facing. This requires **shared political leadership** of the main political parties around the same narrative on the basis of an ***equally shared common sense of purpose***.

There are strategic choices to be made on important issues, on which choices at the moment are either put aside or hardly acknowledged. Last week Mario Draghi has raised once more his voice in a speech to the EP, urging for a completion of EMU, the banking union and a capital markets union. In telecommunication and related areas necessary decisions are postponed, this is also the case in transport as well as in energy. The same goes for climate change. In all these fields progress is being made with very small steps, but to public opinion and even insiders it is far from clear to what extent these little steps help to reach the overarching goal of the creation of stable growth and jobs.

In this short presentation I would like to highlight **one strategic field** which is often considered as a domain of experts, but which is paramount for the future wellbeing of Europe, for its companies and its populations. It concerns the **paradigm shift of digitalisation and AI as well as the platform economy**, and the need for an Industrial policy in this regard. Looking at its short history from

2012 onward **Industry 4.0** and the **Internet of Things** has risen disproportionately as a priority across industry. It is increasingly affecting business, products and services and their interaction, causing **fragmentation and disruption as well as a complete overhaul of existing business models** and the relations between big and small companies. In society at large the effects are on the one hand visible and tangible in the ever broader and **personalised variety of products and services**, and in the way they are offered to the market. On the other, the **labour market undergoes substantial adjustments**: we notice a growing gap between the elder and younger generations, and between the well to do and the poor or better and badly educated people. On top, the way in which labour markets function and develop changes fundamentally. Well-regulated labour relations are replaced by increasingly **highly individualised labour contracts**. The gap between **well-performing and lagging countries and regions increases**. Societies that are unwilling or not able to adjust will suffer considerably. One perceives this across the continent. If not managed well, the consequences for such societies and for the Union as such may be damaging if not disastrous.

There is also a **geo-economic and geo-political aspect** involved. All current studies prove that in this paradigm shift **Europe is lagging** as opposed to the US and China. The gap is increasing. **Global platforms** are steadily extending their stocks of data by taking over companies and by intervening in an increasing number of separate domains in manufacturing and service industries. Big data has crosscutting effects. Platforms are **indispensable to strategic parts of value chains** what may make companies vulnerable in becoming dependent on outside forces. In Europe, the last Mohikans were Nokia and Ericsson quite a long time ago. The economic and the political problem, that such situation raises, is underestimated for too long. **Europe felt quite invulnerable** as the EU is still the biggest trade partner in the world. The global record of important sectors such as the car industry, machinery, pharmaceuticals, the chemical industry, and others is impressive. But there are **two worrying aspects**. The first is that **Europe is insufficiently represented in the technologies of the 21st century, notably IoT, AI, and, notably, the platform economy**. The platform economy is dominated by seven main players that take 70% of the market value: Apple, Amazon, Microsoft, Facebook and Alphabet, i.e. Google, in the US and Alibaba and Tencent in China. Europe is missing. The second worry is that European industry and governments remain **on average too traditionally oriented** and respond too slowly to the new paradigm. Risk-aversion is not helpful either, **Governments remain attached to their prerogatives**, more bluntly, too nationalistic in industrial policy, while business is also too reluctant in sharing knowledge and, notably, data. For that matter big companies are modernising more ambitiously and aggressively, but on the whole business acts too slowly. Look for instance the German car industry that is taking up the challenge, but the famous *Mittelstand* still works mainly with traditional methods. Meanwhile there are **big differences between the Member States**. Scandinavia, for instance, is moving forward pretty fast, while the southern partners are in general badly equipped, and Eastern Europe is, again, a quite different story.

Fragmentation of globalisation is becoming a daily phenomenon. *America First* and *China First* are realities. *Europe First* does not exist. In Industrial policy the EU is still highly fragile. Until recently it has been hardly discussed. On the other hand, no single Member States will be able to fight successfully deliberate Chinese and American policies to acquire a dominating hegemony in the field of platforms, AI and Big data. It is fascinating to see, how the American government via Pentagon and other state agencies as well as and the Chinese state driven industrial actors are pouring huge financial resources in this development. It looks to me as the Super megatrend of our days. Competition between the giants will have huge consequences for Europe, and not only in economic terms. Due to global developments Industrial policy moves rather silently and slowly to the centre stage. The Competitiveness Council that has been an unstructured body for many years is becoming aware of the challenges. The Commission is more focused than in the past. The Digital Single Market is a key priority. In the upcoming MFF the emphasis is shifting both to industry and to digitalisation and AI.

The main question is whether Europe is not yet too late. Stumbling clocks on the road are: slow decision-making, national, often protectionist, industrial policies, too limited financial resources, and, above all, bad implementation of agreed policies. For the next period political parties should, in my view, urgently present to the voters the need for bundling European initiatives in technologies of the future to ensure a satisfactory independence of Europe vis-à-vis its competitors, explaining that combined strength is indispensable to safeguard European values. A competitive economy in strategic value chains will, in the long run, be a corner stone in maintaining and protecting both European values and sheer interests. Big data is a most important raw material, like oil in the past. Directives on privacy, huge fines of billions of dollars and an assertive competition policy are not sufficient. Those are, however important they are, primarily defensive instruments. The goal for Europe should be to deliver and produce adequately. That means, firstly, that the European countries, the public and the private sector alike, have to open up systematically to each other, and, secondly, that they develop in this strategic area indeed a common sense of purpose. Society at large is also concerned. Apart from its significance for value chains Big data and AI is directly concerning the way we are living and working as citizens. Media, cyber, security, anti-criminality on the one hand, and the new social goods in a number of sectors, and, above all, the promotion of the right skills in which the whole population of the continent should be involved, are all elements that will be deeply influenced by the paradigm shift.

In all these issues the choice for European countries is either to go alone or to go together. There is no way in-between. In the campaign for the important European elections 2019, and beyond, a European roadmap is urgent in order to foster trust, resilience and common confidence.

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