

Sujet traité : Mario Draghi décrit son plan pour rendre l'Europe plus compétitive / Mario Draghi outlines his plan to make Europe more competitive

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Mario Draghi outlines his plan to make Europe more competitive

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The continent needs investment on a par with the Marshall Plan and a lot more innovation, says the former central banker



Illustration: Dan Williams

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GROWTH IN EUROPE has been slowing for decades. Across different measures, a wide gap in GDP has opened up between the European Union and America. Europe's households have paid the price in forgone living standards. On a per-person basis, real disposable income has grown almost twice as much in America as in the EU since 2000.

For most of this period, slowing growth could be seen as an inconvenience but not a calamity. No more. Europe's population is set to decline and it will have to lean more on productivity to grow. If the EU were to maintain its average productivity-growth rate since 2015, it would only be enough to keep GDP constant until around 2050.

Yet Europe's need for growth is rising. The EU is aiming to decarbonise and digitalise its economy and increase its defence capability. It must preserve its social model as its societies age. The investment needs are massive. According to the latest estimates, the investment share will have to rise by around five percentage points of GDP to levels last seen in the 1960s and 1970s. For comparison, the additional investments provided by the Marshall Plan between 1948 and 1951 amounted to around 1-2% of GDP annually.

To reignite growth, the European Commission has today released a report on EU competitiveness under my leadership. This report identifies the root causes of the EU's weakening position in key sectors and lays out a series of proposals to restore the EU's competitive strength. It identifies three main areas for action.

The first is closing the innovation gap with America. Europe largely missed out on the digital revolution led by the internet and the productivity gains it brought: in fact, the productivity gap between the EU and America since 2000 is largely explained by the tech sector. The EU remains weak in the emerging technologies that will drive future growth. European companies specialise in mature technologies where the potential for breakthroughs is limited.

The problem is not that Europe lacks ideas or ambition. But innovation is blocked at the next stage: it is not translated into commercialisation, and innovative firms that want to scale up are hindered by inconsistent and restrictive regulations. Many European entrepreneurs prefer to seek financing from American venture capitalists and scale up in the American market.

The EU must change course. A weak tech sector will not only rob it of the growth opportunities of the coming AI revolution. It will also hinder innovation in a wide range of adjacent sectors—such as pharmaceuticals, cars and defence—where integrating AI into operations will be critical for the EU to remain competitive.

The report proposes a fundamental reform of the innovation lifecycle in Europe: from making it easier for researchers to commercialise ideas, to joint public investment in breakthrough technologies, to removing barriers to scaling up for innovative companies, to investing in computing and connectivity infrastructure to lower the cost of developing AI.

It puts improving skills at the centre of this agenda, so that European companies can find the talent they need to innovate and adopt technology, and so that people in Europe are able to benefit fully from technological change. While the EU should aim to match America in innovation, it should exceed it in training and adult learning.

The second area for action is combining decarbonisation with competitiveness. If Europe's ambitious climate targets are matched by a coherent plan to achieve them, decarbonisation will be an opportunity. But if it fails to co-ordinate its policies, there is a risk that

decarbonisation could run contrary to competitiveness and growth.

EU companies face electricity prices that are two to three times those in America. Natural-gas prices are four to five times higher. Over time, decarbonisation will help shift power generation towards secure, low-cost clean-energy sources. But fossil fuels will still set the energy price for most of the time for at least the remainder of this decade. Unless Europe better transfers the benefits of clean energy to end-users, energy prices will continue to dampen growth.

Decarbonisation is also an opportunity for EU industry. Europe is a world leader in clean-tech innovation and parts of manufacturing, like wind and low-carbon fuels. Yet Chinese competition is becoming acute, driven by a powerful combination of subsidies, innovation and scale. Europe faces a possible trade-off. Increasing reliance on China may offer the cheapest route to meeting the EU's climate targets. But China's state-sponsored competition represents a threat to otherwise productive industries.

The report proposes a plan to marry decarbonisation with competitiveness. It starts with reforming Europe's energy market so that end-users can see the benefits of clean energy in their bills. Industries that enable decarbonisation, such as clean tech and electric vehicles, will need more support to promote innovation and level the playing field against competitors using large-scale industrial policies. Europe will need to act together to green industries that use energy intensively and are disadvantaged by asymmetric regulations.

The third area is increasing security and reducing dependencies. As the era of geopolitical stability fades, the risk of rising insecurity becoming a threat to growth and freedom is increasing. Europe is particularly exposed. The EU relies on a handful of suppliers for critical raw materials and is heavily dependent on imports of digital technology.

In this setting, the report calls on the EU to act like other major economies and build a genuine EU "foreign economic policy": co-ordinating preferential trade agreements and direct investment with resource-rich countries; building up stockpiles in selected critical areas; and creating industrial partnerships to secure the supply chain for key technologies.

The report also calls for Europe to build up its defence-industrial capacity. The EU's defence industry is too fragmented and suffers from a lack of standardisation and interoperability of equipment. For its companies to integrate and reach scale, Europe needs to aggregate and focus its spending. European collaborative procurement accounted for less than a fifth of spending on defence-equipment procurement in 2022.

Important decisions lie ahead about how to finance Europe's investment needs. Integrating its capital markets will be crucial. Europe has high household savings but they are not channelled into productive investments in the EU. However, the private sector will not be able to bear the lion's share of investment financing without public-sector support.

The more willing the EU is to reform itself to generate higher productivity, the more fiscal space will increase, and the easier it will be for the public sector to provide this support. Some joint funding of key projects, such as investing in breakthrough innovation, will help in this productivity drive. Other key “public goods”—such as defence procurement or cross-border grids—will also be undersupplied without common action and funding.

The report is coming out at a difficult time for the continent. But Europe can no longer afford to procrastinate to preserve consensus. The EU has reached a point where, without action, it will have to compromise either its welfare, the environment or its freedom.

To succeed, it will have to take a new stance towards co-operation: in removing obstacles, harmonising rules and laws, and co-ordinating policies. There are different constellations in which it can move forward. But what it cannot do is fail to move forward at all.

Europe should be confident, even as the size of the challenge reaches unprecedented levels relative to the size of its economies. It has been a long time since self-preservation was such a common concern. The reasons for a unified response have never been so compelling—and in unity Europe can find the strength to reform.■

Mario Draghi was prime minister of Italy from February 2021 to October 2022 and president of the European Central Bank from 2011 to 2019.