

COMPETITIVENESS IS A KEY ISSUE FOR EUROPE

by Gergely Fejérdy (PhD),
 Researcher at the Hungarian Institute of International
 Affairs, Deputy Director of the Otto von Habsburg
 Foundation, and Academic at the Peter Pazmany
 Catholic University in Budapest



Each election brings new opportunities. The 2024 European Parliament elections are no exception. In this context, it is advisable to establish a hierarchy among the many challenges the European Union currently faces and to focus, at the community level, on areas that could prove to be decisive. The responsibility of representatives elected to the European Parliament will be to provide concrete and appropriate responses to issues in a way that serves the common interests of Union citizens in a real and tangible manner. This will also help to reduce disillusionment with European integration, as in recent legislatures, Members of the European Parliament have often placed greater emphasis on ideological and societal issues than on common competency problems such as competitiveness. Yet, progress in this area is necessary if the European Union wishes to meet the challenges it faces.

2024 could signify changes for the Old Continent, not only because of the European Parliament elections but also due to several

other global political events that could influence the new cycle that begins after the elections. Above all, the November U.S. presidential election could be unusually important for the future of Europe. The identity of the 47th President of the United States and their approach to world conflicts could pose a major challenge for the EU in terms of defense and security policy, but the consequences will extend well beyond these areas. For Europe, Washington's policy on the Russo-Ukrainian conflict, as well as on the Israeli-Palestinian conflict and rivalry with China, are of vital importance. The European Union's dependence on the United States is partly a historical legacy, but it is also a conscious choice. The world's leading power, with a similar civilizational past, and the Old Continent are linked by a thousand threads weaving a system of alliances, but this does not mean that their interests are necessarily always aligned.

The past twenty years have shown that the European Union is increasingly dependent,

“In a HIGHLY Tense INTERNATIONAL CONTEXT, IN THE SHADOW OF a WAR IN ITS NEIGHBORHOOD, EUROPE needs DECISIVE MEASURES TO STRENGTHEN THE UNITY OF THE UNION AND ENSURE GREATER AUTONOMY.”

that its medium and long-term competitiveness is deteriorating, especially for the United States and China, while its defense capabilities are not even sufficient to defend itself. Long after the end of the Cold War, it seemed that the new era would offer an opportunity for peaceful development. Twenty years ago, in 2004, the accession of most countries from the former Eastern Bloc to the EU, and their admission to NATO twenty-five years ago, underscored the triumph of the Euro-Atlantic alliance and dispelled any caution, including towards Russia. It was precisely at this time that Vladimir Putin, a former KGB agent, came to power in 1999 and has since continued to exercise power in various forms, denouncing the status quo and weaving imperial dreams. Meanwhile, the European Union has been forced to face crises that have followed one another at an unusual frequency, further weakening its position on the world stage: in 2008, the economic crisis; the rescue of the single currency, the euro, on January 31, 2020; Brexit, followed by the Covid-19 pandemic in spring 2020; and finally, the Russo-Ukrainian

war starting in February 2022. To top it all off, climate change is, year after year, a major problem, with repeated droughts and floods. A strong and competitive economy is one of the essential tools for meeting these challenges, as it is the only way to generate the financial resources without which it will be impossible to respond.

The 2024 Commission report, published in February, paints a mixed picture of the EU's competitiveness: while it is the world's leading exporter, it trails far behind the United States and China in terms of R&D and innovation, especially in cutting-edge technologies. It is also very disadvantaged in terms of capital market investments. It is enough to recall that 30 years ago, the European Union filed seven times more patents than China. Today, China's patent filing rate is fourteen times higher than Europe's! It can also be noted that twenty companies valued at over \$100 billion have been created in the world over the last twenty-five years, but among them, nine are American, eight are Chinese, and none are linked ►

► to a member state of the European Union. This phenomenon is not new, and numerous reports and attempts have been made over the past decades to improve the situation in the EU.

For the cycle starting in 2019, two main directions were identified to improve Europe's standing: the digital transition and the green transition. The latter is extremely costly and requires considerable effort, even in the absence of the specific circumstances the EU faces. A much more balanced approach should be adopted in this area, as forcing member state populations into mandatory, often ill-considered, and ideologically driven reforms would be a Pyrrhic victory rather than a fundamental and lasting change of mindset. It is also important that radical measures be taken in this area, not only in Europe but also in the rest of the world. The EU should use all means at its disposal to try to facilitate this evolution on a global scale. The green transition is also related to the energy issue, which has been particularly compromised by the EU's choice of sanctions against Russia, putting Europe at a serious competitive disadvantage, while, for example, very polluting coal-fired power plants had to be returned into service.

In the new cycle beginning in 2024, it will be important to seek a better balance between reducing energy consumption and achieving greater autonomy, considering the realities of each member state. A number of additional measures would be necessary to improve competitiveness. The digital transition should remain a priority, but the emphasis should be on industrialization, concluding trade agreements in Europe's interest, reducing excessive administrative burdens, developing infrastructure networks, attracting skilled labor, strengthening the educational system, etc. This last point is particularly important, as it represents a long-term investment that pays significant dividends if properly valued.

In a highly tense international context, in the shadow of a war in its neighborhood, Europe needs decisive measures to strengthen the unity of the Union and ensure greater autonomy. Instead of ideological battles, it is

important to focus on competitiveness, which is a key factor, as successes in this area can impact all the issues that currently concern us, whether it be defense policy, environmental protection, promoting economic cohesion, etc. Since it is an old truth, as emphasized by the outgoing European Parliament Member 25 years ago, Otto von Habsburg: "Only an economically strong nation, only an economically strong continent has a chance to survive, those who sacrifice the comfort of the moment for the great national, European, defense necessities." "The European economy is necessary if we want to live in a world where economies the size of the United States are developing. Europe can only survive through the united action of all its sons and daughters, by the rational use of all its resources. Only then can we achieve the economic and financial independence of Europe, a sine qua non-condition for our continent to truly regain its status as a world power."

Let us dare to set this goal for ourselves today as well. ■

