

Saving industrial innovation in Europe

by

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Overview

Four years ago, the presidency of the Council of the European Union initiated an independent and tripartite group of experts to work on innovation policy management. Stefan Schepers, who manages this group, analyses the impact of dysfunctions of European governance on innovation policies. He believes that a solution may be found by setting up a core group aimed at restoring a 'team spirit', built on trust and co-operation, which existed when the European Community was first created. He also suggests the need for better management of the complexity of European policies and the ability to relate them more closely to socio-economic issues. Industrialists have a role to play in this reform by contributing to a shared vision in order to serve European interests. EU projects regarding energy, the digital sector or even the circular economy might then be powerful means for innovation.

Report by Élisabeth Bourguinat • Translation by Rachel Marlin

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Having been director general of the European Institute of Public Administration when Jacques Delors was president of the European Commission, I joined the private sector. A few years ago when I was advisor to the Polish government which held the presidency of the Council of the European Union, the Polish Prime Minister Donald Tusk and his Finance Minister decided to create an independent and high-level tripartite group to advise the European Council and the Commission on innovation policy management. It deals with more than just innovation as it handles innovation policy management to help in the creation of jobs which is currently difficult in Europe. European methods of governance are at least twenty years behind the times: it is like wanting to make an electric car using design tools intended for a mechanical car.

A successful system designed by Jean Monnet

The system of multinational governance established by Jean Monnet and the other co-founders of the European Community was certainly successful. Its achievements included the creation of a common market, followed by that of a unique market (even though this market has still not been completely achieved); the introduction of a common currency; the negotiation of trade agreements; the restructuring of sectors in difficulty (such as steel, coal, agriculture and transport); and the development of a culture of co-operation, both on a political level as well as between national administrations.

Three components were necessary to create a common market: legislation to break down national barriers; the creation of common industrial standards in order to establish fair competition; and financial funding to help to reconstruct sectors in difficulty and to support those who seemingly 'lost out' in this integration. All of these elements were implemented and worked well in the Europe of the original six member states, followed by nine, twelve and fifteen countries.

The system relied on the combination of two approaches: an idealistic approach symbolised by a broad vision of Europe; and permanent haggling (almost like in a street market) in order to find compromises between national interests. With this dual approach, the European Commission was considered to be independent of national interests which were defended by the Council of Ministers. This system was quite well balanced and worked well until the end of Jacques Delors' presidency. It started faltering towards the end of the 1990s but, as is often the case, this was not apparent until much later on.

Flaws in the system

Direct election of the European Parliament

The first flaw in the system appeared in 1979 as a result of the direct election of the European Parliament. I realise that just by saying this I am breaking a taboo, but it is easy to realise that when one allows to choose MEPs by national election systems (who are supposed to represent the common European good) this may well destabilise the situation. Consequently, MEPs are now in a rather uncertain position.

Adopting a principle of precaution

The second flaw is linked to the Treaty of Amsterdam, signed in 1997, which was based on a principle of precaution. Once this concept, which was originally devised by the Germans, was adopted on a European level, the European Parliament never let it go, and the Parliament has now devoted itself to the 'idealistic' protection of citizens and consumers without the constraints of any socio-political or economic responsibility which exists on a national level. This is one of the main causes of the regulatory overload which currently weighs heavily on European companies.

Joint decision between Council and Parliament

The third flaw appeared when the Treaty of Lisbon was introduced in 2007. Under the direction of the former French president Valéry Giscard d'Estaing who had already made a case for a 'United States of Europe' and did not take into account the fact that the Community had increased the number of member states from fifteen to twenty-three, there was an attempt to make European governance more democratic by having decision made by both the Council of Ministers and the Parliament. The decision procedure now concludes with a 'trialogue' phase during which the three presidencies of the Council and a multipartite delegation of the Parliament negotiate the final agreements between the Parliament and the twenty-eight member states.

Often, the only consensus which one is able to find consists of taking into account everyone's requests and demands, and this inevitably results in a new regulatory overload.

Enlargement of the European Union to twenty-eight members

The fourth flaw is linked to the enlargement of the European Union and the disappearance of the original culture of co-operation. At the time when the Council only had fifteen members, each of whom was accompanied by one or two advisors, it was possible to sit around a table and negotiate. The heads of state knew each other, they could discuss matters informally, and the ministers knew how to try to convince 'difficult' colleagues to accept a compromise. Today, a Council meeting can involve up to two hundred participants. How can one possibly have similar discussions in such circumstances? Not only is it complicated materially speaking, but the 'team spirit' which once prevailed has disappeared.

This spirit started waning because the members of the Council no longer spoke the same language. In the past, everyone resorted to speaking French. Even the British made the effort only to send diplomats to Brussels who were able to speak French. Today, English has become the working language, but not everyone speaks it properly. The English spoken by a prime minister of one of the founding countries of the European Community is not even up to secondary school standard.

The disappearance of 'team spirit' became more noticeable after the arrival in the European Union of countries which emerged after their liberation from the Soviet Union communist era, and they were not willing to give up the slightest part of their sovereignty. Furthermore, their administrative systems were often inefficient, with the exception of some countries among the Baltic states which had benefitted from rapid modernisation because of close co-operation with Sweden and Finland.

Finally, the 'team spirit' completely disappeared after the battering it received from Alexis Tsípras and Matteo Renzi. Their undiplomatic style somewhat offended Angela Merkel and her allies who ordinarily were supposed to help out Greece and Italy financially.

Difficult objectives to put in place

At the same time as dysfunctions multiplied in the governance methods of the European Union, the Union continued to give itself additional objectives. These included the adoption of a policy for research and innovation, the creation of an energy union, the launch of a digital policy, and the implementation of a circular economy. Not only are all these objectives difficult to support, but they are also hard to implement.

A rather unfavourable context

The impact of these dysfunctions was made worse by increasing interdependencies and the growing systemic complexity of the European Union; radical transformations and globalisation as a result of the progress of science and technologies; greater inequalities linked to chosen economic policies; and the growing discontent of populations.