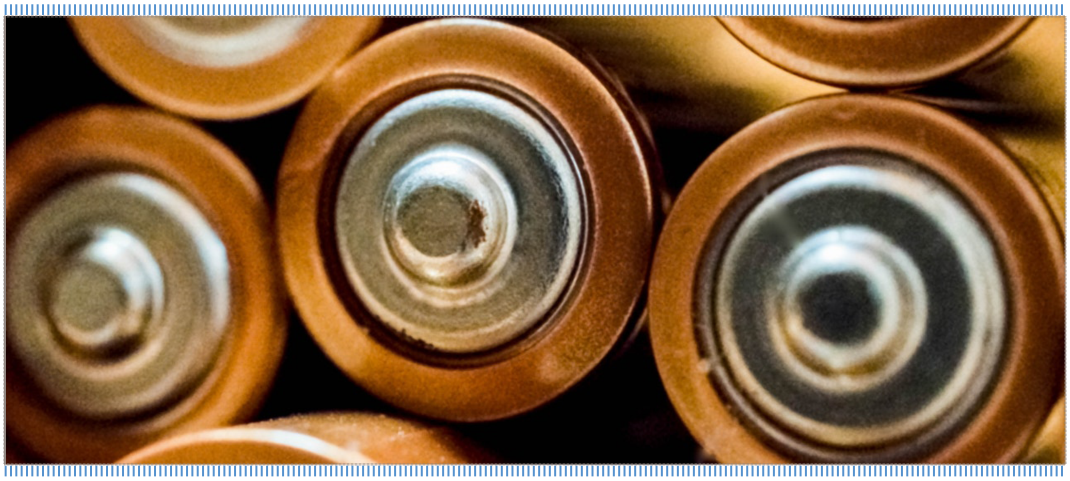
JACQUES DELORS INSTITUTE BERLIN
Centre for European Affairs at the Hertie School of Governance

NOTRE EUROPE JACQUES DELORS INSTITUTE

POLICY PAPER NO.243
OCTOBER 2019
#ECONOMY
#GROWTH
#INDUSTRY

BEYOND INDUSTRIAL POLICY

WHY EUROPE NEEDS A NEW GROWTH STRATEGY



HENRIK ENDERLEIN
Director, Jacques Delors Institut – Berlin

ELVIRE FABRY
Senior Research Fellow, Jacques Delors Institute – Paris

LUCAS GUTTENBERG
Deputy Director, Jacques Delors Institut – Berlin

NILS REDEKER
Policy Fellow, Jacques Delors Institut – Berlin

ABSTRACT

Industrial policy has become a major buzzword in European economic policy debates but, as it stands, the term means too many different things to too many people. It is also a misnomer for what Europe truly needs: a new growth strategy that redefines the role of the state in the economy, allows Europe to tackle the challenges of globalization, automation and digitalization and, at the same time, appreciates the fact that close economic partners increasingly question the norms of fair competition.

For such a strategy to be successful, it needs to stand on firm intellectual ground so that it does not run the risk of generating superficial solutions to poorly-defined problems. Solutions need to be future-oriented and compatible with the digital age or they will be dysfunctional. They also need to go beyond individual member states and be at least European or else they will be irrelevant. Furthermore, a new growth strategy should strengthen, not weaken global trade relations as well as Europe's openness to the world.

An encompassing European growth strategy should therefore:

#1 ▪ Make substantial progress on the traditional Single Market agenda;
#2 ▪ remove obstacles for small European firms and start-ups to scale up;
#3 ▪ strive to set the global regulatory gold standard for technologies of the future;
#4 ▪ make progress towards an "Economic Schengen";
#5 ▪ increase European public funds for innovation and gear its budget toward research as well as making new technologies ready for the market;
#6 ▪ make the Capital Markets Union a reality to facilitate the private funding of innovation;
#7 ▪ defend open trade with new bi-and multilateral treaties;
#8 ▪ equip the EU with the necessary defensive measures to level the playing field in global trade;
#9 ▪ refrain from politicizing competition policy, but use it more intelligently.

INTRODUCTION

"Industrial policy" is to economics what vinyl is to music: It can still be functional, but we like it mainly for nostalgic reasons. When German Minister of Economic Affairs and Energy Peter Altmaier published the German "National Industrial Strategy" paper[1] and later co-authored a paper on the same topic with his French counterpart Bruno Le Maire,[2] it was unclear to many whether this was a big step backward or a big step forward.

Indeed, the discussion lacks clarity and focus. **Industrial policy means too many different things to too many different people:**

- For some, it simply stands for Europe's desire **to retain a relevant share of traditional industrial production** (but then the question should be raised as to whether it still makes sense to talk about "industry" in an economy rapidly moving to digital value creation).
- For others, it is a **buzzword calling for the state to become a much more assertive actor in our economies** and contribute to the creation of "champions" (but then the question should be raised as to whether it makes sense to create digital unicorns by referring to "industrial" policy).
- Some see it as a lever to **undertake long-desired changes to EU competition policy** (but then the question should be raised as to whether we should be discussing that topic directly rather than the woolly "industrial policy" idea).
- Finally, some see it as the **renaissance of the European ambition to become a leader in the technologies of the future** (here again, the question should be raised as to whether the future is merely "industrial"). Still, it is useful to pursue the debate. **There is a need for a new growth strategy in Europe**. And all of the elements above are part of this discussion. But Europe would be on the wrong path if it simply tried to go back to whatever form "industrial policy" once took.

We see an urgent need to **discuss and re(de)fine the role of the state in the economy** in the face of two main challenges – one internal, one external:

- Internally, our economies and societies will for the foreseeable future undergo **two fundamental transformations**: First, **globalization, digitalization** and **automation** will continue to profoundly change the way we live and work. Second, the fight against **climate change** will require a vast rethinking of the way we produce and consume. There seems to be a growing consensus that these transformations neither can nor should be purely market-driven processes. Markets seem so far unable to internalize either the urgency of action against climate change or the social and economic impact of digitalization. Hence, **there is a new role for the state to play in pushing the right policies and facilitating the necessary transitions**.
- Externally, exactly at the moment when our societies and economies are undergoing these fundamental transformations, the principles of the **multilateral rules-based economic system are under strain**: The **U.S. openly resists multilateral approaches**, while the idea of a **level playing field in global trade is called into question by Chinese state capitalism** and its open support for Chinese state-owned enterprises.

1. See Federal Ministry for Economic Affairs and Energy, National Industrial Strategy 2030 – Strategic guidelines for a German and European industrial policy, 2019: https://bit.ly/2OfinmP.
2. See Bundesministerium für Wirtschaft und Energie and Ministère de l'Economie et des Finances, A Franco-German Manifesto for a European industrial policy fit for the 21st Century, 2019: https://bit.ly/2IlzyQO.

We should therefore reassess the role of the state in our economies to work out how to best manage the **changes within our societies** while, at the same time, finding a strategy to deal with the **changing external environment and maintaining Europe's competitiveness in the world**. These should be the underlying objectives of **a new growth strategy for Europe**.

The remainder of this paper will first set out some guiding principles, before explaining the structural changes in our markets that need to be the starting point for building a new growth strategy. It will then go on to present nine concrete recommendations that could become the main elements of such a new strategy. We focus in this paper on aspects linked to globalization, digitalization and automation and less on the specific challenges linked to the fight against climate change.

1 . CORE PRINCIPLES: FUTURE-ORIENTATION, EUROPE AND GLOBAL TRADE

A strategy needs to stand on firm intellectual ground so that it does not run the risk of generating superficial solutions to poorly-defined problems. Therefore, three principles should guide us when finding the right policy answers:

- First, it is crucial to resist the temptation to simply repackage old priorities and pet projects under the new label of industrial or growth policy. **Solutions need to be future-oriented and compatible with the digital age or they will be dysfunctional**. This is why in the following section of this paper, we will explain how markets today differ from markets of the past and how this changes the requirements for good policy.
- Second, it is crucial to resist the temptation of neo-nationalism. **Solutions need to be at least European or else they will simply be irrelevant**. When European companies have a true single market for their products, this market serves almost 200 million more customers than the U.S. market. When Europe jointly gives itself rules for the technologies of the future, these have the strong potential of becoming the global gold standard. When Europe negotiates trade agreements with any other country or multilateral block, it is far stronger than any of the Member States would ever be alone.
- Third, it is crucial to resist the temptation of neo-mercantilism. The global economy is not and will never be a zero-sum game, even if its rules are currently under pressure. This is why **solutions should strengthen and not weaken global trade relations as well as Europe's openness to the world**. A retreat to economic nationalism is not a strategy that fits Europe's ambitions. Finding the right mix of policies that keep Europe a largely open economy while strengthening its capacity to innovate and to defend itself against unfair competition is the challenge at hand.[3]

3. For a masterful explainer, see Jeromin Zettelmeyer, The Return of Economic Nationalism in Germany, PIIE Policy Brief, 2019: https://bit.ly/2OjQRoB.

2 . MARKETS ARE CHANGING

Rethinking the role of the state in the market requires an appreciation of the fact that **markets are currently undergoing deep structural changes**.

Concretely, a new growth strategy needs to reconcile two new, conflicting market realities. On the one hand, new technologies and market structures make growing market concentration in some sectors inevitable; on the other hand, this concentration can create harmful productivity gaps between a small number of very productive firms and a large share of companies which increasingly lag behind. Before we turn to our specific policy recommendations, we will discuss these conflicting demands in more detail.

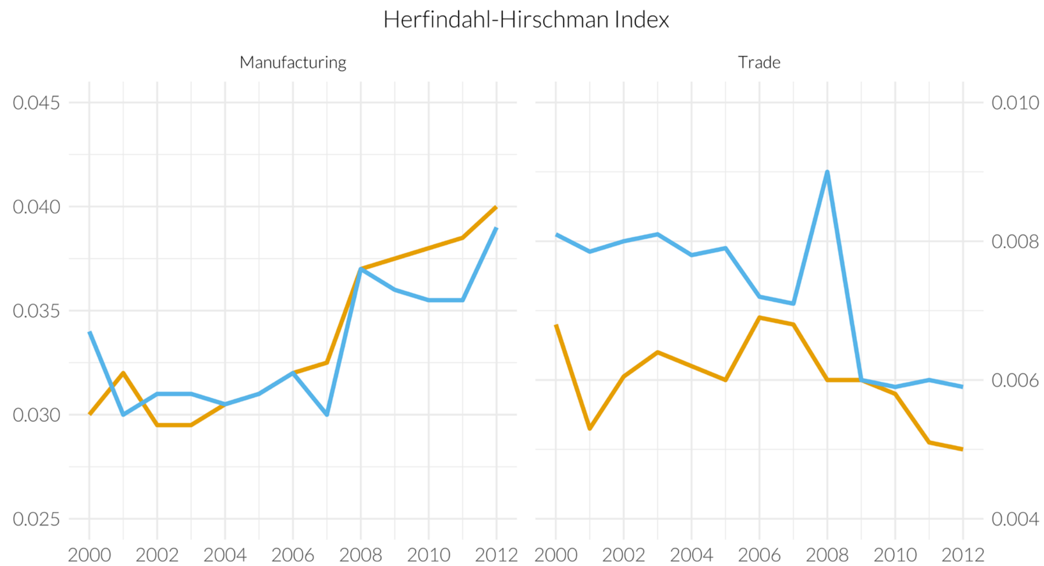
First, it has become clear that some sectors are bound to gravitate toward a few large players. If Europe wants to compete in these sectors, it will need companies of a certain size. We can observe that markets are becoming increasingly more concentrated throughout the world. In some industries, this lies in their very nature. The value created by platforms such as Google or Amazon crucially hinges on their network effects, reputation and positions as central intermediary service providers. At the same time, many key industries such as transportation, chemicals or automotive are characterized by high entry costs and, thus, give a natural advantage to established firms. Importantly, concentration also does not always imply a lack of competition. On the contrary, some very concentrated markets – think, for example, of food retailers – are dominated by a handful of large companies that compete fiercely with each other. Combined with the comprehensive exploitation of economies of scope and scale, such markets can even lead to more efficient production, lowering prices on the demand side and strengthening competitiveness at the international level.

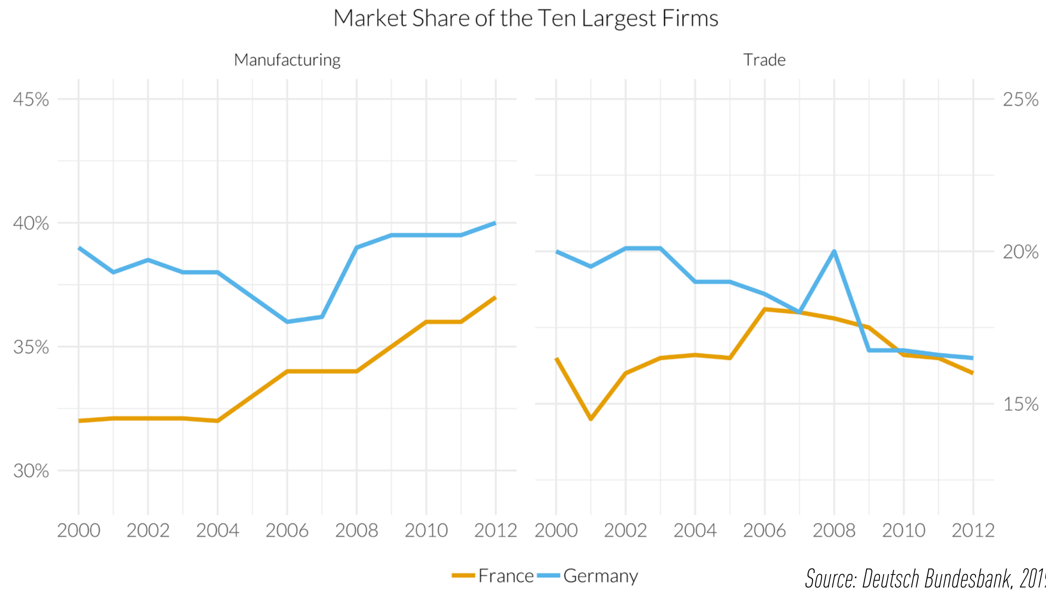
Europe has so far been largely unable to nurture the development of big, internationally competitive companies in tech and digital industries. European decision-makers would be well-advised to pay close attention to changing market structures. In comparison to both the U.S. and Asia, the EU has not been able to bring about the sort of high-tech businesses that have grown into globally dominant positions and which shape much of the current economic transformation. **Taken together, the five most prominent U.S. start-ups of recent decades (Apple, Alphabet, Microsoft, Amazon and Facebook) today have a larger market capitalization than the sum of all DAX 30 and CAC 40 companies. Almost no European company has achieved comparable growth, and there are very few European tech giants such as Amazon or Facebook.**[4]

Once established, big tech companies are innovation leaders and provide crucial digital infrastructure. Amazon for example is now the world's largest corporate spender in Research and Development (R&D), with an annual budget of $ 16.09 billion. At the same time, network effects, economies of scale and, increasingly, the ability to collect and analyze large volumes of data, make it virtually impossible for late-comers to catch up.

But why is the next Tesla still more likely to be developed in Palo Alto instead of Perpignan or Pirmasens? For one, while European businesses in theory have access to the largest Single Market in the world, in practice, **regulatory fragmentation still sets high benchmarks for organic growth within Europe**. Moreover, international competitors do not always compete

4. See Paul-Jasper Dittrich, How to scaleup in the EU? Creating a better integrated single market for start-ups, Jaques Delors Institute Berlin: Policy Paper, No. 208, 2017: https://bit.ly/2K3F2gR.





Source: Deutsch Bundesbank, 2019.

on fair terms. In some instances, state-backed companies, particularly from China, as well as a host of protectionist measures by foreign governments, skew the international playing field to the detriment of European firms. **If Europe wishes to reach the peak of the digital transformation curve, it needs a wide set of policies that pave the way for successful business developments and future innovations on the continent.**

Second, **concentration** also carries a major risk: **It can create increasing productivity gaps between a few very innovative firms at the top and a growing number of companies that lack productivity growth and fall behind**. Indeed, market structures are not only changing in high-tech and platform economies. **Between 2000 and 2014, about three out of four industries in Europe saw their concentration increase. On average, the share of the 10 percent largest companies in industry sales rose by about 2-3 percentage points**.[5] This points to a trend toward a “winner-takes-most” economy, where **only the largest and**

5. See Matej Bajgar, Guiseppe Berlingieri, Sara Calligaris, Chiara Criscuolo, Jonathan Timmis, Industry Concentration in Europe and North America, OECD Productivity Working Papers, No. 18, 2019: https://bit.ly/2JSeW1h.

most productive firms have been able to reap the full benefits of innovation and trade liberalization. This development is still more subdued than in the U.S., but it is clearly present.[6] These developments go hand in hand with a polarization of investment expenditures and spending on R&D. While in Germany, for example, aggregate spending on innovation has increased, these expenditures are increasingly concentrated among very large firms. In contrast, small- and medium-sized enterprises (SMEs) in particular have largely retracted from R&D in recent years.[7]

This is especially problematic, as the **trickle-down of corporate innovation from leading firms to the rest of the economy also appears to be slowing down**.[8] While in the past 20 years productivity growth at the global frontier has remained relatively stable, these gains are increasingly confined to a small subset of firms. We still know little about the drivers of this trend, but the fact that technologies are increasingly locked up in frontier firms seems to be one of the main reasons why aggregate productivity growth in Europe has performed rather poorly over the last decades.

In short, a new growth strategy has to reconcile the need of fostering European companies of a globally-competitive size with a strong push to avoid winner-takes-all markets in which such companies could become detrimental. This means that policies should aim to foster the growth of highly productive businesses in Europe and ensure a level playing field at the international level, while at the same time remaining firmly committed to open exchanges and to multilateral solutions. It also implies that Europe needs to support the productivity of its entire economy – not just that of a few superstars – in order to ensure the kind of inclusive growth that is needed to meet the joint challenges of automation, digitalization and the required ecological transformation.

3 . FOCUS ON SUBSTANCE, NOT SYMBOLS

Against the backdrop of the diagnosis outlined above, a new growth strategy for Europe should primarily

- remove barriers to increase market size and shape global rules;
- increase public funding for innovation and improve access to private capital; and
- ensure a level playing field through trade-and-competition policy measures.

We present nine specific recommendations.

The first four recommendations focus on market size and scope. The Single Market remains Europe's most successful economic policy tool. European companies can tap directly into a market of over half a billion customers across the entire continent. In principle, these are

6. See Germán Gutiérrez and Thomas Philippon, How EU Markets Became More Competitive Than US Markets: A Study of Institutional Drift, NBER Working Paper, No. 24700, 2018: https://bit.ly/2GvAvCH.
7. See Christian Rammer and Torben Schubert, Concentration on the few: mechanisms behind a falling share of innovative firms in Germany, Research Policy 47, 379–389, 2018.
8. See Dan Andrews, Chiara Criscuolo and Peter N. Gal, Frontier Firms, Technology Diffusion and Public Policy: Micro Evidence from OECD Countries, OECD The Future of Productivity: Main background papers, 2015: https://bit.ly/2oJfrj4.

ideal conditions for companies to thrive and grow. However, especially when it comes to the technologies of the future, the Single Market does not deliver. A smart growth strategy would change this. Deepening the Single Market may not at first seem like the most obvious approach to take, but it holds the most promise in making European firms more relevant – not only in areas where Europe has always been strong, but also in areas where it is currently lagging behind. And in those areas where Europe cannot press ahead fast enough, France and Germany should take the lead – for example, by creating an "Economic Schengen".

Recommendation #1 ▪ Make substantial progress on the traditional Single Market agenda

Though it is a *ceterum* censeo of all papers on EU economic policy, completing the Single Market project almost 30 years after its start is still one of the most critical steps in boosting Europe's growth potential. In a vast number of areas, from energy to services, we are still far away from a true Single Market. The agenda to complete the Single Market is piecemeal and highly technical. Yet it should feature prominently on every European growth agenda.

Recommendation #2 ▪ Remove obstacles for small European firms and start-ups to scale up

The Single Market is often too fragmented for start-ups and smaller firms to use its full potential and grow to a relevant global size. A recent Delors Berlin paper has identified three main roadblocks for start-ups to scale up:[9]

- *Taxation*: 28 different tax codes are easy to handle for multinational firms – but not for smaller firms that want to concentrate on getting their innovative products on the market. A consolidated common corporate tax base with a one-stop shop for corporate taxation in the EU would alleviate this burden immensely. In addition, it would help reduce the complexity of VAT regimes, e.g. by introducing an online EU-wide VAT clearinghouse for online shops.
- *Fragmented* labor market regulation: The maze of 28 different national social security and employment systems makes it very difficult for start-ups to operate in different countries. Bringing down compliance costs by introducing a 29th labor market regime for nascent firms, for example, could be one way of ensuring that from a very early stage European firms can tap into the full potential of the Single Market.
- *Regulation of data access and flow*: Accessing data as well as ensuring its free flow across borders is a prerequisite for European start-up growth. In the last years, however, many Member States have set up national location rules (e.g. for accounting data), forcing companies to keep data in every Member State in which they operate. Eliminating unnecessary data location rules as well as getting market-dominant companies and public authorities to share more of their datasets without compromising data protection principles could go a long way in boosting European technology companies.

Recommendation #3 ▪ Strive to set the global regulatory gold standard for technologies of the future

Europe's regulatory framework on data protection, the GDPR, is in the process of becoming the global gold standard in the field. No digital giant can ignore Europe's 500 billion customers,

9. See Dittrich, How to scale-up in the EU?: https://bit.ly/2K3F2gR.

and they therefore must adapt its product to these European rules; by doing so, these rules become de facto global rules. This is a good example of how being ahead of the regulatory curve allows the EU to shape how technologies develop in the future according to its own preferences. However, this is not only a question of values; it is also one of good policy for growth. Giving Europe a set of coherent rules on matters like autonomous driving or new digital-banking and insurance services before each Member State has adopted its own rules means preventing regulatory fragmentation before it has even started. It also means ensuring that technologies can be deployed throughout the entire EU early on. This should include the field of taxation, where the EU needs to be front and center in adopting new rules on taxing digital value creation, such as monetizable data streams.[10] Exporting European rules to the global stage also means enabling European firms to export products that are adapted to these rules, e.g. with regard to the ethical use of AI.

Recommendation #4 ▪ Make progress towards an "Economic Schengen"

Advancing the Single Market agenda is necessary, but it has always been a slow endeavor, given that 28 different preferences have to be aligned. But why always proceed top-down when advancing from bottom-up could also be productive? France and Germany should take the lead and go further bilaterally. Two avenues are promising here:

- In 2014, Jean-Pisani Ferry and Henrik Enderlein submitted a report to then-economy ministers Emmanuel Macron and Sigmar Gabriel, recommending the creation of an "Economic Schengen Agreement" for three areas: energy policy, digital policy as well as vocational training and qualification.[11] France and Germany would agree on common policies and standards in these areas, and other Member States would be free to join. Just like the Schengen itself, this would then become EU policy further down the road. In all three areas, these proposals remain as valid today as they were in 2014.
- In the Aachen Treaty signed in January 2019, France and Germany agreed to "coordinate on the transposition of European law into national law". In fact, they should go further by committing to jointly transpose European directives to avoid any gold plating and to facilitate a maximum of cross-border linkages and trade.

Recommendations 5 and 6 focus on money. It may seem trivial, but unlocking funds to support innovation and facilitate the growth of European companies remains one of the key contributions that public policy can make into a new growth strategy. On the one hand, this means increasing the size of available funds, i.e. more public money for innovation at the European level. On the other hand, this means improving access to private funding by deepening European capital markets and reducing their fragmentation.

Recommendation #5 ▪ Increase European public funds for innovation and gear its budget toward research as well as making new technologies ready for the market

The EU is about to adopt its next seven-year long-term budget: the Multiannual Financial

10. See Paul-Jasper Dittrich and Pola Schneemelcher, Users, Data, Networks. A proposal for taxing the digital economy in the European single market, Jacques Delors Institute Berlin, Policy Paper, 2019: https://bit.ly/32Ski4d.
11. See Henrik Enderlein und Jean Pisani-Ferry, Reformen, Investitionen und Wachstum: Eine Agenda für Frankreich, Deutschland und Europa. Ein Bericht für Sigmar Gabriel und Emmanuel Macron, 2014: https://bit.ly/2OhH0PW.

Framework 2021 – 2027. There seems to be a growing political consensus on two points: First, that the state has a role to play not only in basic research but also in making new technologies ready for the market; and second, that it does not make much sense for every Member State to develop their own schemes. Instead, there should be a powerful EU-level research and innovation budget, complemented by Member States' actions. This budget should be significantly larger than its predecessor Horizon 2020. This is why the High Level Group on maximizing the impact of EU Research & Innovation Programmes recommended doubling the research and innovation funds in the new Horizon Europe program.[12] The Commission has now proposed an increase of about 64 percent; but this would require Member States to put significantly more money on the table than they have been willing to provide up to now. [13] In addition to increasing funding, it will also be necessary to better mainstream innovation policy throughout the entire MFF, e.g. by creating concrete linkages based on innovation between different EU programs.[14] The creation of the European Innovation Council is a very welcome step in this respect.

Recommendation #6 ▪ Make the Capital Markets Union a reality to facilitate the private funding of innovation

Access to private funding is one of the main determinants of how fast and how far companies can grow. Yet European capital markets remain underdeveloped compared to the U.S. market and are, in addition, still highly fragmented. This means that the cost of capital for firms is still to a large degree determined by their location rather than by their growth prospects, productivity or profitability. This is particularly relevant when it comes to start-ups and small companies that have trouble accessing venture capital to facilitate their growth.[15] Therefore, pressing ahead with initiatives to deepen European capital markets and in particular to reduce fragmentation when it comes to venture capital should be part of a new European growth strategy.

Recommendations 7 and 8 formulate the expectation that Europe also needs to accompany internal transformations with proposals to change the international landscape. The EU needs to ensure a level playing field in global trade, particularly when it comes to China. However, it is important not to fall into the trap of symbolic actions that do more harm than good.

Recommendation #7 ▪ Defend open trade with new bi-and multilateral treaties

Open trade remains pivotal for the success of Europe's export-oriented economy. As trade wars loom and the World Trade Organization (WTO) comes increasingly under pressure, the EU needs to redouble its efforts to defend the open flow of goods and services through bi-

12. See Pascal Lamy et al, LAB – FAB – APP – Investing in the European future we want, Report of the independent High Level Group on maximising the impact of EU Research & Innovation Programmes, 2017: https://bit.ly/2sEIMKP.
13. See Jörg Haas, Eulalia Rubio and Pola Schneemelcher, The MFF proposal: What's new? What's old? What's next?, Jacques Delors Institute Berlin, Policy Brief, 2018: https://bit.ly/2KaStJP.
14. See Eulalia Rubio et al., Mainstreaming Innovation Funding in the EU Budget, European Parliament Study, 2019: https://bit.ly/2JlEKTx.
15. See Philipp Ständer, Public Policies to promote Venture Capital: How to get national and EU measures in sync, Jacques Delors Institute Berlin, Policy Paper, No. 203, 2017: https://bit.ly/2OmZyOI.

and multilateral trade agreements. Pressing ahead with new negotiations would allow the EU to set global standards for the rules underlying open trade in the 21st century and secure the interests of exporting firms, consumers and the Single Market. This includes the opportunity for the EU to become a role model for "greening" trade by setting ambitious environmental standards, incentivizing trade in environmentally-friendly goods through tariff modulations, reciprocally cutting down harmful subsidies and promoting green procurement and greener supply chains. The more controversial issue of the border carbon adjustment should also be tackled.[16]

Recommendation #8 ▪ Equip the EU with the necessary defensive measures to level the playing field in global trade

While the EU should remain open to foreign investment, the benefits of inward foreign direct investment need to be weighed against any potential harm to the EU's long-term strategic interests. Particularly in sectors that provide critical infrastructure such as energy, transport, communications or finance, the EU needs to gear-up its defensive toolkit. The recently-adopted EU framework for screening Foreign Direct Investment (FDI) in strategic sectors provides a good first step in that direction. However, it is substantially weakened by the fact that the ultimate decision on whether to allow an investment currently still lies with the respective Member States. To be better able to defend common interests, future reforms should focus on strengthening EU-level competencies in FDI screening and investment. Moreover, the EU also needs a better handle on forced technology transfer and intellectual property theft. Measures could include a requirement for EU firms to disclose when they are subject to a forced technology shift, and stricter approval standards should apply to investments by countries and companies that are found to engage in such behaviors. In addition, the EU's public procurement rules should better account for the strategic interest in supporting EU technologies in sensitive sectors. Finally, the EU should enable itself to better counter extraterritorial sanctions by the U.S. This requires going further than the creation of INSTEX: It necessitates a forceful strengthening of the international role of the euro.

The final recommendation goes back to the heart of the recent debate on "industrial policy". Competition policy is at the heart of a functioning market economy. The biggest danger lies in throwing away the baby with the bathwater. The current framework is functional; it should be used wisely, rather than be substantially changed.

Recommendation #9 ▪ Refrain from politicizing competition policy, but use it more intelligently

Competition policy is an exclusive competence of the European Union and carried out by the European Commission in full independence. This should not change. A politicization of competition policy, e.g. by giving the Council the possibility to override Commission decisions, would make the whole framework less reliable and more prone to capture by individual Member States' interests. In addition, this would weaken the Commission as an institutional actor exactly at a time when we need a stronger Commission to bring Europe together. And while it is clear that some competition decisions can be of a strategic nature and thus have a broader political basis, the right of the Commission College to amend a proposal by the

16. See Pascal Lamy et al., Time to Green EU Trade Policy: But how?, Jacques Delors Institute, Policy Paper, 2019.

Commissioner for Competition already gives enough political room for maneuver.

The Commission should use its political leeway intelligently in key future-oriented areas. There are also areas in which rethinking competition policy could be justified. This applies, in particular, to regulating competition with foreign companies in European markets. In cases where international frameworks fall short of obtaining sufficient solutions, Europe should think creatively about instruments that could help ensure fair competition between European firms and foreign state-backed companies. For example, current WTO state-aid rules do not apply to service-sector subsidies and have difficulties in dealing with state-owned enterprises. In these cases, the EU could, for example, consider steps such as actively penalizing foreign state-aid in EU procurement processes.

Conclusion

Economies in France, Germany and everywhere else in Europe are undergoing fundamental transformations; meanwhile, the global environment is looking increasingly unstable. In this context, a new European growth strategy that carefully redefines the role of the state in the economy in some crucial policy areas could be a very useful guide for future policy efforts.

Such a strategy should not primarily rely on highly symbolic measures such as defensive trade instruments or a reformed competition policy. These can still be necessary, but are not the real game-changers. Instead, a European growth strategy should mostly focus on better European policies in areas where Europe has a lot of leeway and can shape global rules in the future. This is why deepening the Single Market should be the highest priority. Europe should ensure that companies across the continent have access to private capital to grow, and that innovation is spurred by robust public funding at the European level. Furthermore, where progress at the EU level gets stuck, France and Germany should lead the way with bilateral cooperation that is open to all Member States who are willing to join in.

As a last word: **“Industrial policy” is not the right header for the debate. Europe needs future-oriented growth**. Vintage music on vinyl might sound great, but its sound is even better when put into to the right digital setting.

Managing Editor: Sébastien Maillard & Henrik Enderlein ▪ The document may be reproduced in part or in full on the dual condition that its meaning is not distorted and that the source is mentioned ▪ The views expressed are those of the author(s) and do not necessarily reflect those of the publisher ▪ The Jacques Delors Institute cannot be held responsible for the use which any third party may make of the document ▪ Original version ▪

L'Europe pour les citoyens

PREMIER MINISTRE

NOTRE EUROPE JACQUES DELORS INSTITUTE

JACQUES DELORS INSTITUTE BERLIN
Centre for European Affairs at the Hertie School of Governance

Institut Jacques Delors
18 rue de Londres, 75009 Paris
info@delorsinstitute.eu – www.institutdelors.eu
Jacques Delors Institute – Berlin
Friedrichstraße 194, 10117 Berlin, Allemagne
info@delorsinstitut.de – https://www.delorsinstitut.de