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European industrial policy: the lessons from NGEU in the new geopolitical framework, 'more funds are not enough'

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Theme

As the Spanish Presidency of the Council of the EU takes off on 1 July, the last full semester before next year's European elections, the time has come for setting strategic objectives for the Union for 2024-29.

This article underlines the idea that in order to develop a successful European industrial policy in the new geopolitical framework, the experience of NextGenerationEU shows that the increase in European dimension funds has to be accompanied by deep changes in the way they are invested, transforming public-private cooperation with the aim of scaling up European technology. Europe lacks success stories such as those that have made the US lead and exert global industrial technological traction due its large-scale defence and space projects.

If Europe as a whole intends to succeed in its industrial, technological and wealth generation race with China and the US, other targets should be achieved, such as the creation of a Capital Markets Union, a Banking Union and an Energy Union, accompanied by a new financial instrument or sovereign fund, new instruments and policies that should guarantee the efficiency, simplicity, neutrality and soundness the US has achieved with its Inflation Reduction Act (IRA). Europe has created too many administrative and regulatory obstacles for its financial instruments.

The EU must change the way it deals with the rest of world, engaging and reinforcing its foreign agenda with industrial and investment elements that generate clear benefits for its counterparts in an equal and sustainable way while defending the Single Market and avoiding national fragmentation and competition between Member States. The aim is to attract investment projects using national funds or to rescue companies using aid in an asymmetrical manner and contrary to European integration principles.

Trump, COVID-19 and Russia have accelerated a common geopolitical trend: the need for a new common industrial policy in Europe

At the end of a convulsive European legislature, the EU has begun to transform the design and governance of its economic policies by paying greater attention, and resources, to industrial policy in broad terms.

This 'new' orientation is due to two main reasons.

- The restrictions and obligations imposed by the global geopolitical transformation that began at least a decade ago and which became evident during the mandate of President Donald Trump in the US and the growing confrontation between China and the US. This confrontation is increasingly oriented towards trade, industry and competition in technological matters as determinant elements of how security is currently understood, and complementary to the classic meaning of security –hard force–.

- The acceleration of this trend caused by the global COVID-19 pandemic, which highlighted the risks and consequences of industrial and technological vulnerability that were then revealed and that the subsequent supply crisis, the so-called bottlenecks, exacerbated. This process became still clearer with the invasion of Ukraine, that extended vulnerability to the energy sector, highlighting the risk that Russian dependence had generated in Europe. Taking advantage of the investment instruments created to deal with the pandemic, mainly NextGenerationEU, this led to an acceleration of Europe's energy transition.

The IRA awakens Europe

In this context, other significant events have occurred, such as the approval by the Biden Administration of the IRA in August 2022, and later, the speech by Jake Sullivan, National Security Adviser to President Biden, on the renewal of US economic leadership in April 2023 at the Brookings Institute.[1]

Regarding the IRA, a bill approved by the US Congress already six months before, Europe waited until the beginning of 2023 to open the debate about what its response to inflation should be or, even, if there should be one. The debate symptomatically took time to activate, showing Europe's disorientation on the issue because it was not about responding or reacting, much less emulating the measures promoted by President Biden, but about definitively facing the causes of Europe's industrial, energetic, productive and technological weaknesses, which are prior to COVID, the invasion of Ukraine and the IRA itself.

The best analysis available to date is, as usual, Bruegel's.[2] In its paper, Bruegel first dissects the IRA: trade-distorting measures contrary to the WTO; an amount of aid no greater than Europe's –although the latter continue to be higher for renewable energies–; its technologically neutral character but that is discriminatory by origin of production and raw materials used; and its greater focus on the deployment of renewables than on innovation, which will allow the US to reduce its carbon emissions by 40% by 2030 compared with 2005.

On a global scale, the IRA will accelerate decarbonisation; it will distort supply and distribution chains; will divert resources –industrial, capital and minerals– to the US in

[1] https://www.whitehouse.gov/briefing-room/speeches-remarks/2023/04/27/remarks-by-national-security-advisor-jake-sullivan-on-renewing-american-economic-leadership-at- the-brookings-institution/.

[2] https://www.bruegel.org/policy-brief/how-europe-should-answer-us-inflation-reduction-act.

the short term, but with positive spill effects over medium-term knowledge about the rest of the world; will reduce vehicle exports to the US; and will have hard-to-foresee consequences on the prices of solar panels, wind turbines and energy in general.

Likewise, for Europe, and from a broader perspective, the international context is not the most appropriate to try to make progress in terms of trade, investment and growth in accordance with the schemes in force until recently. The as yet unfinished debate on European Strategic Autonomy, or on Open Strategic Autonomy, is the best example of this lack of full definition.

It is clear that from a European perspective the never-abandoned goal of achieving major international trade advances and breakthroughs collides with a reality marked by deglobalisation, fragmentation and protectionist tendencies.

Industry is the new key for national security

Jake Sullivan's recent speech, cited above, has made the new paradigm clear: national security dictates economic strategy, affecting economic, industrial and commercial policies, something unthinkable a very short time ago. His references to a 'foreign policy for the middle class (invest in workers)' or the explicit desire to promote the delay of China's technological development with instruments for that purpose, such as the IRA, and new measures aimed at promoting 'strategic and green protectionism', define an unprecedented and complicated panorama for the traditional multilateralism and European regulatory drive.

This discourse defines with unprecedented clarity the role of industry today in the new framework of geopolitical competition that directly involves security and the economy. In this context, the fight against climate change and energy transition, the will to reduce global inequalities and the threats to democracy, international trade and labour standards, all elements cited by Sullivan, converge around the vector of security as the ultimate priority.

The big question is whether the EU can and should do the same, and whether it will be able to help shape a new international order characterised by being open, multilateral and based on its traditional values and principles –liberal democracy, the rule of law, the welfare state and an open market economy–. All this, compatible with the transatlantic link, a priority, as the rivalry between China and the US grows while Russia becomes the main destabilising factor globally and also in its neighbourhood –Europe–.

We live in a reality with a significant inertia towards the formation of blocks. The US is favourable to this, for example with the EU-US Trade and Technology Council, in which Europe feels very comfortable, and also with the growing involvement through other means of Japan, Korea and, globally, the growing extraterritoriality in the use of economic sanctions. This is a complex framework because China is fully aware that the US wants to block its progression.

It should also be noted that important voices from the US,[3] such as Larry Summers, have warned of the risks of a protectionist closure and deglobalisation for the well-being of the American middle class should they imply losing access to lower-priced industrial and consumer goods. Thus, criticism has also been expressed.

China's global financial support

Regarding China, geopolitically, its bold mediation in the rapprochement between Saudi Arabia and Iran has just become known. Also, as shown by the joint study produced by the World Bank, the Harvard Kennedy School, the Kiel Institute and AidData,[4] which, although it barely made news despite its profound implications, showed that between 2008 and 2021 China financed the emergency bailout of 22 countries to the value of US$240,000 million for debts almost exclusively created by investments in infrastructures on the new Silk Road (the 'Belt and Road', that mobilised US$900,000 million in total). Some of these countries are as 'western' as Argentina, Pakistan, Kenya and Turkey, reinforcing their dependency on the opaque Chinese financial system. The figures, already equivalent to those handled by the IMF (its 10 main debtors accumulate US$80,000 million in outstanding debt –US$42,000 alone for Argentina, US$17,500 for Egypt and US$7,850 for Pakistan), show the magnitude of Chinese power.

The IMF, for decades the world's leading lender of last resort, has a formidable competitor in providing emergency loans to indebted countries. In 2021 alone, China granted US$40,500 million and the IMF, still ahead, US$68,600 million. China is the leader, however, in middle-income countries, which are its commercial and financial priority and main target.

What should Europe do?

The real question that Europe must ask itself is how it can combine the new energy, technological and productive geopolitics with the reinforcement of the Single Market, with its security and defence goals and needs, and without falling into protectionism while it pushes for the global adaptation of multilateralism to the new reality.

Europe must protect its internal and external competitiveness while reinforcing the attractiveness of the Single Market for sustainable or green investments, maintaining the efficiency of its internal decarbonisation process and, as an agent abroad, reinforcing its agenda where China does not go or reach by filling the debate on the Open Strategic Autonomy of real and practical contents in its technological and industrial investment dimension. Macron's phrase 'buy European' is not the way.

The situation today is that the EU has not yet adopted a clear path. It must address this issue from the perspective of the European value chain –technology, raw materials,

[3] https://www.brookings.edu/2023/05/02/reactions-to-national-security-advisor-jake-sullivans-brookings-speech/.

[4] https://www.aiddata.org/data/china-as-an-international-lender-of-last-resort-dataset-version-1-0.

research, development and innovation– and also be willing to build a European Energy Union, which will require it to reform the Treaties (art. 194).

The Member States' unsustainable national regulatory fragmentation in price setting and subsidy systems weakens the European response and capacity, in energy more than in anything else, and prevents bringing budgetary and legislative efforts together.

The usual European approach emphasising the regulatory aspect is insufficient. Soft power may not be enough. The required degree of industrial transformation that Europe deserves needs something more than an incentive or a regulatory straitjacket, depending on how it is looked at, because it requires complicity and business confidence to assume complex productive and technological investments from the private sector firsthand.

European institutions and national governments are taking a long time to realise that this time regulating is not enough. If Europe intends to maintain its industrial model, it is necessary to understand the current strategic moment, which requires setting clear objectives and assuming real decisions and action, and not so much plans and speeches.

The IRA effects: assuming reality and old problems

Regarding the IRA, in its paper, Bruegel proposed a list of measures echoing the state of the debate and proposals raised then in Europe's capitals, both by governments and by analysts and think tanks:

- Reforming the European electricity market and interconnections.
- Creating the European Fund to finance renewables
- Improving the 'skills and innovation' strategy for productivity
- Creating the European Capital Markets Union
- Launching a new Sovereign Fund or European Sovereignty Fund

From all this, much remains to be done because the European Commission President's plan is basically that: a plan.

The Net Zero Industry Act[5] (Industrial Plan of the Green Pact) presented in February by Ursula von der Leyen repackages money already allocated (NextGenerationEU, *RePowerEU, InvestEU,* Innovation Fund, Junker Plan, etc) and conditions the creation of a potential new Fund for European Sovereignty to the review of the European Financial Framework, which is somewhat insufficient.

It is also important to recall the European initiatives that were already underway before von der Leyen's announcement framing the IRA reaction debate:

- Critical materials (and Critical Raw Materials Directive/Act).

[5] 'COM(2023) 62 end. A Green Deal Industrial Plan for the Net-Zero Age', https://commission.europa.eu/document/41514677-9598-4d89-a572-abe21cb037f4_en.

- Strategic sectors and European Industrial Strategy.
- Skills (to face the shortages of EU skills) (European Skills Agenda).
- Resilient productive chains initiative (Industry 5.0: towards more sustainable, resilient and human-centric industry).
- The European Renewable Energy Financing Mechanism[6] based on article 33 of Governance Regulation (EU) 2018/1999 of the 'Clean energy for all Europeans package' in force since September 2020. And the EU Financing Mechanism for Renewables (EU) 2020/1294 that links different Member States in common projects.

Complementarily, there are essential measures that should have been part of the European proposal:

- The strengthening of European subsidies –those with a European dimension and coherence– for innovation in clean energy without damaging the Single Market. This European-scale aid should be available for small, medium and large players, overcoming the limitations of the current Important Projects of Common European Interest (IPCEI).

The risk of national and uncontrolled state aid and subsidies in Europe

Europe should also be aware that the financial volume it devotes to industrial subsidies in an uncoordinated national manner is at least equivalent to what the US has put into circulation with the IRA, so the reaction is arguable. In energy, for example, as the European Commission has calculated,[7] the total amount of energy subsidies in the EU27 has grown constantly since 2015, reaching €173,000 million in 2020. Note that in 2020 the invasion of Ukraine and the European energy crisis had not yet occurred, the two elements that have triggered energy subsidies up to four times greater than that amount (the IRA assumes US$400,000 over 10 years). The report mentioned includes conceptual definitions of subsidies, their sectoral distribution and a detailed analysis of the transport sector and subsectors (road transport and aviation).

These figures are the best demonstration that Europe is risking a lot if its only reaction to the new industrial and energy challenges that have arisen in the rapidly changing global geopolitical framework consist of giving state aid from the different Member States and making them individually more flexible. If so, the northern Member States will have no incentive to create a European Sovereignty Fund, destroying the Single Market and prolonging the paralysis until there is a new single or common community instrument.

[6] https://energy.ec.europa.eu/topics/renewable-energy/financing/eu-renewable-energy-financing-mechanism_en.

[7] Study on energy subsidies and other government interventions in the European Union – 2022 edition https://op.europa.eu/en/publication-detail/-/publication/34a55767-55a1-11ed-92ed-01aa75ed71a1.

International trade

Regarding international trade, and before the US, although the US intends to continue eroding a WTO already weakened by its previous President Donald Trump –steel or China–, the EU must combat the worst of the IRA –rules of origin or electric vehicles parts restrictions– and negotiate a multilateral agreement on green subsidies. Sectorally, the issues to be discussed on trade are multiple because the new global framework of geopolitical competition with direct implications on security and the economy has direct implications not only for industry, climate change and energy transition, but also for complex aspects like inequality trends, threats to democracy and labour standards.

Likewise, within the EU-US Trade and Technology Council (TTC), it is necessary to advance on substantive issues with effective content that anchor open negotiations to guarantee exchanges in specific industrial and technological sectors such as aluminium and green steel, and the shared use of industrial and technological goods such as electric vehicles, critical raw materials and minerals. At its last meeting,[8] the TTC showed its will to advance in areas like Artificial Intelligence (AI), semiconductors, 6G and quantum computing, as well as in technological standardisation in a broad sense in order to avoid breaking the compatibility of digital systems and maintaining the efforts in terms of energy. The geopolitical framework was also very present at the last meeting of the TTC, that discussed the screening of investments in sensitive areas, the use of sanctions in the context of the invasion of Ukraine and actions against the interference of other powers in third countries.

De-risking with China

Regarding China, commercially, President Ursula von den Leyen has said that the EU wants to reduce economic and diplomatic risks but not to disengage, 'de-risking not decoupling', because a total disengagement as the US seems to be pursuing would not only be unfeasible but also contrary to European interests.

However, it is clear that China aims to lead the global value chains with the highest added value and advanced technology without isolating itself, while maintaining its trade relations in the global south in its own way and also with Europe and the rest of the world within the framework of the weakened multilateral system (and the WTO).

It is hard to imagine trade, energy, strategic raw materials and technological components production without China. Also, without China, it will not be possible to manage major global challenges such as climate change. The interdependence is such that, for example, Europe especially, must prepare for the impact that the Chinese economic recovery will have on the energy markets next winter, now that is has left behind its own COVID nightmare.

Europe must know how to combine the reinforcement of its strategic autonomy in production, technology and industry with the goal of not renouncing to the Chinese

[8] Joint Statement EU-US Trade and Technology Council of 31 May 2023 in Lulea, Sweden https://ec.europa.eu/commission/presscorner/detail/en/statement_23_2992.

market. This aim is not exclusively European. For many multinationals of all types and sectors, the Chinese market remains essential.

The lessons from NextGenerationEU and the case of Spain

The best thing the EU can do is to take note of the recent experience from the creation and use of the funds from NextGenerationEU and the European Recovery and Resilience Mechanism (MRR), totalling €140.000 million for Spain (€72.700 million in transfers and the rest in loans).

These are big numbers and deserve the best use. In Spain, for instance, annual flows of gross capital formation –investment– fluctuate in the range of €250,000-€300,000 million (50% in construction and infrastructures, 40% machinery and ICT –information and communication technologies at around €100,000 million–, with the remaining 10% corresponding to transport material). These are levels that, despite their magnitude, have proved to be insufficient to maintain the net capital stock of the Spanish economy and improve productivity. Regarding R+D+i, the mean trend is €15.000 million per year (8,500 companies, 4,000 universities and the rest in Public Administrations). Regarding public investment, the average in recent years was €25,000 million (€10,000 million in infrastructure).

Furthermore, the secular difficulty of executing European funds should be recalled. During the 2014-20 budgetary period (Multiannual Financial Framework), in the case of Spain, there were €56,258 million for the period without including the Common Agricultural Policy (CAP) of around €12,000 million per year. Initially, 78% of the funds were allocated to projects and around 60% of the amount was spent, for a European average of expenditure or use of around 66% of the initial allocation, thus proving the importance of the European nature of the problem.

Hence, NextGenerationEU involves an investment capacity that is six or seven times higher than the existing one, and, making the challenge greater, for a period of only two years, which requires multiplying by 20 the management capacity shown between 2014 and 2020.

Today, already in 2023, the doubts that were generated in 2020 linked with the lack of administrative coordination capacity due to the unknown nature of the instruments and funds that were being created and raised have become reality. Now it is not easy to know what will happen in the short and medium terms.

What can be said is that the European private sector’s absorption capacity is limited, and that it depends on expectations, experience in technological scaling-up (which is lower in Europe than in the US), and that the national and European administrative systems that assign funds to projects are close to collapse. Efficient public-private cooperation up to market parameters is not that easy to reach.

Following the pandemic, with the invasion of Ukraine, the business confidence climate necessary to commit investments has not ceased to be conditioned by external factors such as the consequences of the lockdown and the war.

Before the invasion it was difficult to focus the attention of a substantial number of companies on new investment projects because they were still managing the consequences of the pandemic, restructuring their debt or, for instance, in Spain negotiating with the ICO (the Spanish public credit institution) or the Solvency Fund, or studying possible mergers or restructurings.

But that is not the main reason for the difficulties: what is mainly relevant has been the nature of the projects financed with the new facilities, which are far more difficult to execute than those that have traditionally been financed or co-financed with European funds.

It is completely different to finance a final project for the construction of a transport infrastructure, a highway or a section of high-speed railway, for example, than to contribute to the technological change that a company in a certain sector requires to modify its production processes, for example to decarbonise.

The former is still a short public provision of a good, while the latter requires that a private company internalises in its production process transformations that, although financed or co-financed, need to make financial and market sense and have coherence in accordance with their competitive and sector specialisation, and of course imply a risk.

The latest experience shows that the use of public resources is not enough, as innovation and the technological use of public money is much harder and very different from finalist spending on infrastructures.

Also, from the Spanish experience with NextGenerationEU, the main lesson is the difficulty that the articulation of public-private cooperation implies despite the existence of more than enough funds and of a Public Administration system totally willing to give aid and cooperate. The improvement of public-private cooperation requires clarifying and unifying procedures, reinforcing security for both parties, establishing maximum times, modifying contracting mechanisms and reinforcing transparency and publicity.

The main reform must be on the public side, which must transform its mechanisms and instruments and train employees in management systems comparable to those used by the private sector. This also requires including the financial sector in the different aid programmes to ensure that private decisions, public aid and effective financial transfers occur quickly and synchronously.

One solution could be the creation of a single transversal agency in the style of a Tax Agency (*Agencia Tributaria*) capable of speeding up, eliminating duplications –like multiple electronic signatures–, eliminating the complexity of the process itself, even when digital, eliminating unnecessary procedures, centralising, and simplifying procedures as much as possible with total coordination between administrations.
Likewise, this requires a cultural change and a modification of the personnel hiring system and access to the administration, the 'public function'. This means giving priority to merit and capacity obtained in the academic and training sense and professional experience, to be able to enter and leave the public sector normally as an ordinary labour

market change, and reducing the systems that require preparation for memory tests that ignore the elements of greater objectivity and neutrality that distort access and prevent equal opportunities.

From a market and productive perspective, the use of European funds and the large-scale financing on a European scale of big industrial and technological projects, has not learnt to stay ahead of the market, innovating and using advances in a real and non-experimental content. In this respect, Europe is far behind the US or China. In the technological industrial field, Europe lacks experience in public-private cooperation. The US has had for decades defence and space programmes, and profits from an enormous single market.

Nevertheless, and despite that weakness that keeps them behind, European companies are well aligned with the general objectives that the moment demands, like fighting climate change and preventing the loss of biodiversity, combating social inequality and the dualisation of the labour market. However, their priority is to survive and be competitive both industrially and technologically and they still have not found the way to do it.

The EU must assume that in the new geopolitical context, and within the framework of Open Strategic Autonomy, the companies that are the main priority object of common European action belong to an ecosystem that is very different from that of the traditional recipients of funds and European aid. Only by understanding this idea will Europe be able to deploy the much-needed industrial policy.

Scaling up European technology

Europe suffers from a serious lack of experience in the practical application of industrial projects capable of scaling up its technology (in the words of James Bradford DeLong), following guidelines such as those that have led the US to exert traction from large defence and space projects. Furthermore, these are projects that can only be carried out on a European scale.

Until now, despite their success in important aspects, the 'experimental' nature of the Research Framework Programmes or the Horizon Programme has not given the expected results of scaling up technology in cutting-edge industries, as occurred before with Eureka or with Leonardo on vocational education training.

The stagnation of productivity is a collective problem, and so are the growing difficulties of competing in the technological and digital fields on a global scale. The traditional public policies developed to combat them for decades –such as the increase in public investment in quality education or R+D+i– are very different from those being deployed now, which implies the transformation of internal processes of companies that we are now learning to implement with the new European industrial policy.

Efficiency, simplicity, neutrality and soundness

Incentives and simplicity are essential, even more so for the comparatively small and vulnerable Spanish and European companies.

The European response requires the creation of the Banking Union and of the Capital Markets Union, but also of the Energy Union and of a new financial instrument that allows financing industrial and technological projects of all kinds and on a European scale.

The Energy Union is also an absolute necessity. Russia has made us understand that weaponising interdependence is here to stay.

Europe must proceed with the same efficiency, simplicity, neutrality and soundness that the IRA has achieved in the US. It should not be forgotten that the IRA's ultimate goal is to increase the investment capacity and leverage of private companies in their purest sense.

If there are two issues that should be noted about the IRA and the measures that it contemplates is its simplicity –administrative, fiscal and financial– and its technological neutrality regarding the energy transition.

Europe has created too many administrative and regulatory obstacles for its financial instruments that jeopardise industrial policy and technological development. For instance, penalising investments in technology or defence projects with lower banking ratings, which hinder the technological development of the EU and its companies. European budgetary rules do not allow this type of investment either.

Strategy, capacity and technology are the three pillars of any security policy. In addition, of course, to a lack of external dependency for any of those three. Europe is aware of the existence of large-scale risks combined with limited capabilities.

Although having Funds is not enough, it is necessary and the progress and efforts made during the last three years since the COVID-19 pandemic must be recognised. NextGenerationEU has a revolutionary Recovery and Resilience Facility, through which the European Commission –on behalf of the EU– borrows on the markets at more favourable rates than most Member States and redistributes the amounts. This has been called a 'Jeffersonian' and is the first-ever large Eurobond operation.

This accomplishment should not conceal the fact that it is essential to achieve a Capital Markets Union and a Banking Union. This is a priority aimed at avoiding national fragmentation and competition between Member States in order to both attract investment projects using national funds and to rescue companies using aid in an asymmetrical manner and contrary to the Single Market. Renationalisation is a mistake.

Externally, Europe must complement its regulatory approach, historically based on its confidence in a multilateral system that no longer guarantees its effectiveness, with a more insistent and demanding attitude in defence of its economic, industrial and technological model, without renouncing to multilateralism. The current negotiations with the US about the consequences of the IRA for the European automobile industry and European electric batteries is a step forwards, but it should not mean abandoning the defence of the global multilateral framework.

As an agent abroad, Europe must reinforce its foreign agenda with industrial and investment elements that allow it to offer benefits to its counterparts in an equal and sustainable way. The EU should focus on countries that have not aligned themselves with China. Only in this way will Europe be able to preserve and strengthen its overall internal and external competitiveness. The EU should also assume a more active role in alleviating foreign debt and insolvency in those countries.

Conclusions

As the Spanish Presidency of the Council of the EU begins during the last complete semester of the European legislative period, we can conclude by insisting on the idea of the need to build a true European industrial ecosystem, along the line of the old debate about European industrial districts, if Europe as a whole intends to succeed in its industrial, technological and wealth generation race with China and the US. That should be Europe's main objective for 2024-29.

Technologically and from an industrial perspective it is necessary to at least unite all the 'new' technologies at the European level (IA, aerospace, quantum computing, defence technologies and cutting-edge healthcare) and scale up European technology.

The use of public resources and money to scale up European technology from an industrial perspective is much more difficult very different from finalist spending on infrastructures. The experience with NextGenerationEU has proved so, as well as the difficulties that arise when articulating public-private cooperation initiatives. The improvement of public-private cooperation requires clarifying and unifying procedures, reinforcing security for both parties, establishing maximum times, modifying contracting mechanisms and reinforcing transparency and publicity, and creating a specialised agency for such matters. The main reform must be on the public side, which should transform its mechanisms and instruments and train employees in management systems comparable to those used by the private sector, and change its old-fashioned memory-based public recruitment procedures.

The creation of the Capital Markets Union, Banking Union and Energy Union should be accompanied by the creation of a new financial instrument or sovereign fund.

Regarding the rest of the world, Europe should reinforce its agenda where China does not yet reach by adopting real policies for its Open Strategic Autonomy, reinforcing its foreign agenda with industrial and investment elements that allow it to offer benefits to its counterparts in an equal and sustainable way. Europe must protect its internal and external competitiveness while defending the Single market –avoiding national fragmentation and competition between Member States– and reinforcing its attractiveness for sustainable and green investments.

Europe has developed too many administrative and regulatory obstacles for its financial instruments, derived from its traditional regulatory or soft power culture. There is clear need to be able to act with greater efficiency, simplicity, neutrality and soundness, as the US has done with the IRA, guaranteeing better and faster results.

Complementary structural reforms are also necessary: reforms that require a profound consensus both at the member state and European levels in areas such as employment quality, the resolution of insolvencies, bankruptcy and market unity within member states.

Finally, a broad economic governance with a greater orientation towards real productive activity gains is needed, including fiscality and taxation on this goal as well. Also, an issue that the crisis has turned into a new and urgent need is the reform of the Union's battered institutions at all levels to improve their capacity to deliver. Reluctance to accept change can only lead to a far worse world.