



From Awokening to Awakening

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Žiga Turk

University of Ljubljana, Slovenia

Abstract

In navigating the currently troubled waters of inflation and the rising cost of living, politicians are tempted to treat the symptoms—offsetting the increasing expenses with subsidies and expanding welfare programmes. But one should also treat the cause. The cause is not Russian aggression towards Ukraine. That is also a symptom—a symptom of the weakness of Europe and the West, either real or perceived. This weakness should be addressed. In 2022 power politics made a comeback. It has become clear that a world in which prosperity is spread by innovation and trade is not a given but has to be protected by real power. In 2022, with war once again on European soil, the EU woke up to a world it thought only existed in the history books—where power rests on the pillars of demography, energy security, food security and military strength. To maintain its borders, its prosperity and its prestige in the world, the EU will need to be stronger. It will have to work harder, work smarter, improve productivity, innovate more and build alliances. Digital innovation is an important talking point, but one needs to look at the fundamentals first. The time is past for resting on one's laurels, lecturing the world on European values and enjoying the American guarantee of safety for free.

Keywords

EU, Geopolitics, Innovation, Digital economy, Wokeness

Introduction

Since its inception in the 1950s, the EU has been understood and promoted as a peace project. 'Never again war' was the mantra of the founding fathers after the two bloody world wars among the European powers. It worked throughout the Cold War and for

Corresponding author:

Žiga Turk, University of Ljubljana, FGG, Jamova 2, 1000 Ljubljana, Slovenia.

Email: ziga.turk@gmail.com



more than 30 years thereafter. After the fall of the Berlin Wall, Europe reaped the peace dividend. It invested even less in its own security than before. After the accession of most of the Central and Eastern European countries to the EU, it would have appeared to most that war was no longer possible in Europe. Europe was aiming for higher goals. A constitution was proposed to make it less a union of independent states and more a multinational democratic empire. After saving itself, Europe then turned to saving the planet, leading efforts to stop global warming.

Awakening

Europe has reduced CO₂ emissions quite significantly, but to some extent by exporting its energy-intensive industry abroad. It has replaced domestic coal with imported Russian gas. It has invested heavily in wind and solar energy, but with the latter dependent on Chinese imports. It has invested little in nuclear, and Germany even started to close its existing nuclear power plants down after the panic that followed the Fukushima accident.

Provided with the security of the NATO umbrella and with trade routes protected by the American navy, Europe could afford good intentions—with regard to digital innovation, the climate, human rights and democracy. The Commission became the mouthpiece for European ideals and there was a sense that Europe was leading the world, not only in politics and democracy, but also in morality. The dream was that the Euro-Atlantic area and European civilisation would continue to expand, that Europe was a peace project, universal and all-encompassing to the point that nothing dangerous could happen in Europe any more (Rifkin 2004).

Awakening

On 24 February 2022 everything changed. It changed more than it did after 9/11. The events of 9/11 were a desperate act of terrorism executed by an organisation that does not pose a strategic threat. The events of 24 February were carried out by a European strategic competitor. In a single day it became clear that the building of the European peace architecture was missing one whole wing—the eastern one. And it reminded us, after 30 years of daydreaming, that weakness invites violence.

The instinctual reaction was shock and disbelief. This was quickly followed by denial. Reality has been sinking in slowly. The security of Europe, its prosperity and its independence are not a given, but something that must be worked and fought for.

In the words of the protagonist of the Chernobyl series (*IMDB.com* 2019), ‘Every lie we tell incurs a debt to the truth. Sooner or later, that debt is paid’. The lies were that the world is now different, that real power is not important, that soft power counts, that we do not need to invest in security or in the home sourcing of strategic goods, and that Europe can be a beacon without having muscle. We are paying the debt now, trying des-

perately to stop the Russians in Ukraine and signalling others with ambition to do something similar elsewhere.

Back to the fundamentals

European economic problems can be discussed on two levels. The fundamental is that of survival. I will not, in this article, drill all the way down into the traditions, values and meanings that can sustain a community and which the EU has neglected since the very beginning—the most striking example being its inability to mention Christianity in its planned constitution (Barbulescu and Andreescu 2010). If one does not know what one is protecting, one will not protect it much. Instead, I will look into the measurable fundamentals on which the security and prosperity of a country or empire depends. According to Zeihan (2022), these are demography, food and energy.

European demography is in decline. To sustain a population, there should be an average of 2.1 children born to each woman. In the EU there are 1.5. Without immigration, the European population will shrink. Immigration, unfortunately, may bring with it the problems of the countries from which the migrants are immigrating.

Europe can feed itself. The self-sufficiency of the EU as a whole hovers at around 100% (Sadowski and Baer-Nawrocka 2016). For better or worse, the huge investment of the EU budget into subsidising agriculture has protected most of it from being a victim of globalisation. Europe can feed itself, provided it can produce enough synthetic fertilisers. These require energy and raw fossil materials.

However, Europe is hugely dependent on energy from abroad. About 55% of all of Europe's energy is imported (World Bank 2014). To some extent this is a natural condition—the major global reserves of fossil fuels are not in Europe. An exception is coal, but it is the most greenhouse-gas intensive of all energy sources. To some extent this dependency is a matter of choice. Many European countries have given up on nuclear, prohibited fracking and shut down coal power plants.

In this analysis, Europe receives two negative marks (demography and energy) and one positive (food). Russia's one negative is demography. China's scorecard is similar to Europe's. The US is doing fine across all three. Latin America has a negative point for energy.

The world, except Russia and the US, depends on trade to get the basic commodities for survival. Trade requires an orderly world. This difference is the key source of strategic divergence between the US and the EU.

The last fundamental is defence. The US provides two-thirds of NATO's entire defence spending and the rest of its members combined (the European countries, Canada and Turkey) just one-third. For comparison, the GDP of the US is about the same as the

combined GDP of the non-US NATO members (NATO 2022) and this is without examining the efficiency of that spending.

Beyond the fundamentals

With the exception of food production, the EU does not have the fundamentals to project power in its neighbourhood and the world. But so far it has been able to maintain its pivotal role in the world by being the first to enjoy the benefits of great enrichment and the Industrial Revolution. It has had a good educational system, top-notch science and development, and its population was hardworking. Across these parameters, the trends are now negative.

First, the idea has to be dismissed that Europe can afford to work less, have longer holidays and enjoy more leisure time because it works smarter, has a better skilled workforce and so on. This is no longer true. According to the Pisa results (OECD 2018) and ARWU University rankings (*ShanghaiRanking.com* 2022), European education and science are not exceptional in today's world. The hours worked matter.

Shorter working hours and longer holidays are a part of the European quality of life. They also impact how much is produced. In 2016 the average Chinese worker worked 2,174 hours; the average American worker, 1,757; the French, 1,514; and the German, 1,354. In other words, Chinese workers worked on average more than 50% more than their German colleagues (Our World in Data n.d.a). The labour force participation rate among 15–65 year olds is slightly better in the EU (80.3%) than in the US (77.3%) (OECD Data 2021). Productivity per hours worked in the US is some 5% higher than in France or Germany, a third higher than in Spain or Italy, and more than six times that of China (Our World in Data n.d.b). All put together, the EU is the third-largest global economy, trailing the US and China.

Lacking the demographic potential of some of its competitors, the Union's policy has been to invest in research and innovation. The Lisbon Strategy, launched in the 2000s, aimed to make the EU the most innovative region in the world. Two decades later, however, the EU lags behind the US and China in research and development spending. The EU invests 2.27% of its GDP, China 2.4% and the US 3.45% (Eurostat Statistics Explained 2022).

Playing digital

While Europe has invented many of the elements of the digital revolution, including the World Wide Web, Skype, PHP and Linux, it has not been very successful at turning innovation into successful business. Of the top 10 software companies in the world, all are in the US, with the exception of one German company (Companiesmarketcap 2023c). Of the top 10 semiconductor companies, 7 are American, with Taiwanese, Korean and Dutch companies in second, third and fourth place respectively (Companiesmarketcap

2023b). Of the top 20 telecommunications companies, only one is from the EU (Companiesmarketcap 2023e). Among the top 35 Internet companies, again only one is from the EU: Spotify, in thirty-fifth place (Companiesmarketcap 2023a). There is not a single European company among the top 35 video game companies (Companiesmarketcap 2023f). And among the top 20 tech companies only one is from the EU (Companiesmarketcap 2023d). According to a study by McKinsey, the EU is a leader in just one of the future transversal technologies—next-generation materials—and not lagging behind in one other—clean tech (Smit et al. 2022).

While unable to make a success of digital business, the EU is at the forefront of digital regulation and setting standards to protect its citizens from the dangers of the digital landscape: disinformation, fake news and artificial intelligence. It has advocated a ‘human centred’ digital age (De Cremer et al. 2022) and ‘human AI’ (Perucica and Andjelkovic 2022). It pioneered mobile phone networks with Nokia and Ericsson, but is now importing gadgets from Asia and relies on software from the US. According to McKinsey, Europe is ahead of the US on product–market regulation but behind on labour policy, tax and property rights (Smit et al. 2022).

Conclusions and recommendations

The future well-being of Europeans depends on the fundamentals: the demographic outlook, without immigration, is bleak. Immigration, however, may create a number of problems if it is not the result of sovereign EU policies but driven by external pressures. Europeans are unlikely to be hungry in the near future, though prices may rise as the intensive European agriculture depends on artificial fertilisers which require raw fossil materials as well as plenty of energy to produce. The EU is far from being self-sustaining in terms of energy sources. Wind and solar cannot replace coal, oil and gas. Europe needs a European energy policy, which is likely to include nuclear, fracking and coal as back-ups.

Europe also needs to invest in its own sovereign defence capabilities, industry and economic policy. These policies need to be based on the reality of the world, not on day-dreams. Europe should not focus on being a beacon of morality, but a very clever hard economic and military power.

Power is the result of smart and hard work. While Europe invests a lot in research and development, it is failing to capitalise on this in business, largely due to fragmentation and lack of scale, lack of technology ecosystems, lack of risk and growth funding, and an unfavourable regulatory environment. This holds true for all technologies, but manifests itself most clearly in the digital landscape. Europe has failed to create a culture of enterprise and innovation.

In terms of hours worked, Europeans are some of the least hard-working people in the world. Europeans need to develop a culture of delayed gratification and a better

work–life balance—in favour of work. Especially with the demographic crunch, Europeans will be expected to work longer hours and for more years if they expect to maintain their standard of living. It simply takes work to get things done, to get services running, to build and to grow.

Europe can survive and thrive if it gets serious about its fundamentals. Instead of dreaming of political and economic utopias, Europeans should get ready to work smarter and harder. Just as they have done successfully in the past.

The path forward is a hard one. But there is no other choice if Europeans want to remain free and prosperous. Europe has a strong economic base and a one-of-a-kind culture. Europe can use its unique heritage to innovate and catch up with the global economy. These are the issues it needs to address. Redistribution to prevent the weakest members of society from suffering from inflation in terms of rising food and energy prices only addresses the symptoms. Robust growth in productivity can make Europe stronger.

The digital economy is a small but important element in all of this. For three decades now, Europe has been unable to create a globally competitive digital economy. It should therefore work more closely with those that can and establish a common regulatory framework for the free digital world. This means working with, rather than against, the US in setting the rules. These rules should not hamper innovation and should ensure that the West remains the digital leader. This also applies to the military applications for digital technology. Being woke will not help. Europe needs to wake up to the new realities, roll up its sleeves and think harder.

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Author's biography

Žiga Turk is a professor at the University of Ljubljana, Slovenia. He was minister for growth as well as minister of education, science, culture and sports in the government of Slovenia and secretary general of the Felipe Gonzalez's Reflection Group on the Future of Europe. He is a member of the Academic Council of the Wilfried Martens Centre for European Studies.