

The EU's Draghi Agenda Isn't Ambitious Enough

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European security and sovereignty depend on whether it can develop its own digital sector. While last year's landmark Draghi Report on EU competitiveness offers recommendations for how to get there, they often miss the mark or are inadequate to the sheer scale of the challenge.

LONDON – Few national leaders get to save their societies even once, let alone twice. Charles de Gaulle did so, first by leading Free France during World War II, and then by ending the Algerian War and forging the Fifth Republic that we know today. Last year, [Mario Draghi](#) was given a chance to do the same.

Draghi's first heroic moment came at the height of the euro crisis in 2012, when, as president of the European Central Bank, he [declared](#) that the ECB would “do whatever it takes” to avert a financial collapse. Then, the European Commission handed him the keys to Europe's future once again. Last September, he released a major [report](#) on European competitiveness, the core message of which has become more relevant than ever.

The Draghi Report shows that per capita income in the United States has grown more than in Europe since the 2008 global financial crisis, as Europe has fallen behind America (and China) technologically. Since this productivity gap is born of chronic under-investment – EU companies spent €270 billion (\$305 billion) less on research and development than their US counterparts in 2021 alone – Draghi recommends that Europe expand its investments by €750-800 billion per year (around 4.4-4.7% of GDP). But Europe does not need investment for investment's sake; it needs investments in economic missions. If innovation-driven, inclusive, sustainable growth is the goal, the state's role is not just to fix markets, but to shape them. Under an “[entrepreneurial](#)

[state](#),” the public sector can maximize public value creation by adopting an outcomes-oriented approach, thereby directing investment toward clearly defined objectives. Rather than being only a lender of last resort, the state should become an early-stage investor in strategic sectors.

Draghi also argues that there is too much regulation in Europe, which leads him to call for a new EU vice-presidential position charged with overseeing “simplification.” Not surprisingly, the business community welcomed this recommendation. But, again, this message misses the point: If regulation is well designed, it actually can stimulate innovation.

Meanwhile, the Draghi Report has little to say about building the public-sector capabilities needed to implement its recommended changes. But state capacity is an obvious prerequisite for Europe to achieve long-term growth and stability, let alone manage more immediate crises. Public-sector capabilities depend on the cumulative investments that a state has made over time. Europeans should be pursuing the opposite goal that Elon Musk and his so-called Department of Government Efficiency are [advancing](#) in the US.

A key part of the report focuses on what a new model of EU growth and security would mean for digital technologies, particularly AI. How can Europe develop a digital sector that is aligned with European principles? Such questions have become increasingly urgent. The US and China have already recognized that autonomous technologies will be crucial for economic, political, and military security in the years ahead.

Europe’s biggest weakness is its lack of large companies to compete against the likes of Alphabet (Google), Amazon, and Microsoft. More than 80% of Europe’s digital infrastructure and technologies are imported, and some 70% of foundational AI models are developed in the US. Fortunately, models like the [EuroStack](#) initiative could rewire the European digital ecosystem and restore European sovereignty over its digital infrastructure.

China has managed to match the US in the digital domain through massive investments in digital technologies and AI, digital infrastructure, and efforts to attract expertise from around the world. If Europe is to close the digital gap, it must do something similar. Thus, EuroStack has proposed €300 billion in investment over the next decade.

But Europe also needs a “firewall” to prevent foreign tech giants from reaping the rewards of increased investment in digital infrastructure. US tech giants have been able to harvest data and monopoly profits from almost every economy except China, which has blocked their access and promoted the growth of its own tech giants (Baidu, Alibaba, Tencent, Huawei). Can the EU create a firewall that gives its own companies preferential access? Can it change the status quo, where virtually all data are harvested and stored under the auspices of US companies, to one where European companies preside over Europeans’ data?

Europe already boasts strong industrial positions in the lithography machines used in chipmaking (ASML), in AI (Mistral), and in cloud services (SAP), and it has a strong scientific foundation from which to develop new technologies and innovations. But lest it replicate America’s [digital feudalism](#), the European model should tighten antitrust enforcement and block foreign takeovers of promising European digital companies.

Moreover, Europeans should require foreign tech giants to share their technology as a condition of access to EU markets. For example, companies like Google, Facebook (Meta), OpenAI, Microsoft, Apple, and Amazon could face a deadline (1-2 years) to form a joint venture with a European partner who would gradually take day-to-day control of the service, data, and storage. In exchange, the US tech companies would maintain access to one of the world’s biggest markets.

Ultimately, European security and sovereignty depend on Europe’s ability to develop its own digital sector. While the Draghi Report offers recommendations for how to get there, a strategy based on deregulation and higher investment is inadequate to the scale of the challenge.