Tomorrow's Affairs
Analysis of today
Assessment of tomorrow

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Short-termism takes over the EU

A combination of economic and political panic seems to be driving the European Union into an expanding series of short-term backsliding over long-term strategic planning.

The latest example is the next package of sanctions on Russia over its Ukraine invasion that the bloc is preparing. Rather than prioritise the EU's long-term geopolitical interest, some major countries are demanding exceptions to shield domestic commercial interests.

This comes hot on the heels of a European scramble for Russian LNG that took place in the first half of this year, ahead of several cut-off points. It amounted to an injection of billions into the Russian war chest.

European countries justify the dash for affordable LNG by pointing at the energy problems caused by the US war with Iran. But that would be to ignore the very slow transition over the past four years, when war was raging in Ukraine.

It would also imply that from next year, when new Russian LNG contracts are banned, the European position would suffer dramatically. In reality, mechanisms are in place and the last-minute drive for cheap LNG will do more for some profit margins than overall energy security.

The green transition – one of the main targets

Other examples of European short-termism abound. The bloc has initiated a number of reviews of its regulatory framework under the diffuse heading of increasing efficiency and competitiveness. In other instances, it has cancelled or postponed the scheduled tightening of regulations.

The latest and most blatant example is the proposed softening of the bloc's Emissions Trading System, ETS, for CO_2 producers inside the EU.

Polluting industries would have four years longer to adjust than previously envisioned and more money would be ploughed back into these industries than had been planned.

This is part of a slew of measures to soften or slow down the EU's green goals that have also, among others, affected agriculture, the chemical industry and the automotive industry.

The green transition is one of the main targets of the backsliding backlash. It is a favourite punching bag of the populist far-right, as well as a bogeyman for some industries.

The latter are not necessarily all inefficient, polluting legacy producers but also 'new' players such as data centres.

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Interestingly, the ETS reform has pitted countries such as Poland and Italy, who champion 'old' industries, vs Spain, which complains about the concessions undermining its transition to new industries, such as solar. Madrid argues that softening the measures now 'punishes' early investors in sustainability.

The disagreement highlights some of the problems with the EU's partial rethinking of the balance between short-term commercial considerations and long-term goals.

First of all, it damages the confidence that industry has in the predictability and stability of European regulations. When the trajectory changes midway, this also can be costly in terms of investments that already have been done, or having to once again change procedures and ways of doing business.

It also undermines the credibility of the long-term goal, whether resisting Russia or the green transition, and with it the chance that industries will invest in it.

Taken together, there's a good chance that such short-termism will, in fact, help prevent the rise of industries – or energy systems – that the EU is seeking to promote in order to become both more geopolitically independent and competitive.

The pretext of competitiveness

The backsliding is not limited to energy, the green transition, pollution and the environment. The EU has also softened implementation of its AI, online and digital regulatory framework – the AI Act, the Digital Services Act and the Digital Markets Act.

Again, this is being done under the pretext of competitiveness for emerging EU tech companies. In reality it mainly benefits American tech-giants and has probably more to do with transatlantic bullying than steady EU policy.

Overall, the image is one of control slipping away from 'the Brussels bureaucracy' and EU governance becoming more in thrall to outside pressure and national interests.

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Of course, the bloc's national governments have always defended their own perceived interests, often vociferously, although the realisation of a shared goal also facilitates compromise.

While progress on a common policy, take the single market or health directives, can only be achieved at a pace that allows all countries to buy into them, many other policy areas are fast-moving and require a quicker process to forge consensus.

The latter is certainly the case for Russia and also, as we are finding out to our detriment, the climate crisis. The fast-moving AI and digital field is probably another such area.

Prioritisation of short-term interests

The added pressure on the EU to compromise, soften and slow down progress towards its long-term goals comes amid challenges to the bloc's industrial base and an ongoing cost-of-living crisis.

Politically, these are accompanied by a weakening or even collapse of traditional mainstream parties and the political centre.

Softening some of the measures that are regarded as imposing too much short-term economic pain is seen as a way to both help the survival of some European industries and avoid inflicting more costs on the population.

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There are several flaws with this line of thinking. First of all, it's not an easy task to determine which industries, or companies, need a bit of breathing space in order to adapt, and others that are genuinely hidebound and should be put out of their misery sooner rather than later.

Also, whatever the merit of supporting some struggling sectors, doing it in this way, by tinkering with forward-looking regulation, endangers the emergence of alternatives.

And ultimately, while the cost-of-living issue and industrial transition fan anger and resentment, they are not the main drivers of political extremism and instability in Europe.

If centrist politicians and bureaucrats seek to halt the bloc’s growing political instability by handing out favours to industry and hoping they trickle down, they will in all likelihood be disappointed on all counts.

The EU’s internal considerations are accompanied by a worsening international position. The bloc faces a raw GDP decline vis-à-vis its major competitors, mainly the US and China.

Many of the EU policies affected by backsliding are exactly those that are aimed at helping it eventually to improve that international position.

As with the Russia sanctions, the question is whether leaders are willing to impose short-term economic suffering in order to achieve long-term benefits and whether they can get their populations to come along.

However, such dichotomies are often false. There are smarter ways of spreading the economic burden to minimise the effect of industrial renewal on the most vulnerable layers of European society.

However, that requires a different line of thinking than the one that is bringing about the current prioritisation of short-term interests.

For that to happen, the political wheels will have to turn once again in Europe, and that can take longer than the bloc actually has to make the necessary changes.