

Together into the future: Russia and the EU must now determine a coordinated industrial strategy

By Oliver Hermes

Our continent is in the midst of a test of historic proportions: Many people are losing their lives and are threatened by loss of jobs and prosperity. Our continent's solidarity in health and increasingly also in economic matters is facing a litmus test as a result of the coronavirus crisis. This crisis now forces us to respond quickly. This also presents a great opportunity: Our continent's hour may yet strike, and what was missed could now be made up for with a new injection of energy. This can be achieved if, based on a joint EU-Russia strategy, further sectoral or functional strategies are developed, such as strategies for energy, climate protection and digital transformation, with all interdependencies with regard to a newly defined joint industrial strategy.

The future of industry *beyond the obvious*

In times of crisis, entrepreneurs always look for opportunities. The same should apply to policy. It is now a matter of building a sovereign and solidary continent that is more than a junior partner of China or the USA. If Russia and the EU succeed in finding a coordinated industrial strategy, our continent can reposition itself in international competition.

The measures adopted by the heads of government of the EU states in recent months represent what is initially only "necessary" to overcome the coronavirus crisis. But the measures do not go far enough. They are *obvious* and provide only one answer to what is self-evident, namely the acute and short-term management of the economic and social impact of the crisis. But now is the right time to think *beyond the obvious* and to lead the continent into a new age.

Individual countries outside the EU adopted national industrial strategies before the outbreak of the pandemic and are implementing these consistently. Russia is pursuing a clearly formulated industrial strategy with the aim of reducing its dependence on the raw materials markets, especially oil and gas. In addition to strengthening export activities, it aims to diversify its industry and increase local value creation. When we look for a coherent industry strategy for the EU, we are unfortunately bitterly disappointed.

It is self-evident and *obvious* to stabilise our continent's value chains so that individual member states do not fail as either customers or suppliers. *Beyond the obvious* would be to compensate now for the backlog demand in research, development and education and, in addition, to focus specifically on the digital transformation and climate change as the absolute future priorities.

In the context of the digital transformation, EU industry should not only focus on creating smart products, systems and solutions and building digital production facilities. It is about pushing the digitalisation of sales and marketing processes, including distribution processes, with urgency and speed. On this point we can learn from Russia: They look at the digital transformation from the *front end*, i.e. from the customer's point of view. In Europe, it is often conceived under the label "Industry 4.0" or "Industrie du Futur" from the *back end*, i.e. from procurement and production processes. The digital transformation is intended to increase customer retention and loyalty of industrial customers.

The coronavirus crisis in particular has shown that people around the world are dependent on our industrial products. Medical technology is a key sector in which especially Germany is a global leader. It is modern and efficient industrial products that ensure the global maintenance of critical infrastructures in the health, energy and water, transport and traffic sectors. E-commerce is a sector in which the USA and China have left us behind. But even goods sold online must be first industrially produced. Nevertheless, our continent's lagging behind in the IT sector is painful and dangerous. Here too, Europe can learn from Russia: There are still some Russian global players that can hold their own in the IT sector.

The countries of the EU, together with Russia, still have a unique research landscape across the board. The intensive scientific cooperation between Germany and Russia has impressively demonstrated their

common qualities, not least in space exploration over the past decades.

Climate protection will remain a critical topic of our time

Long-term developments have a significant effect on climate and will therefore rightly remain one of the top issues of our time at all levels of society. This is where the EU has put the emphasis with the Green Deal. Many European industrial companies are already climate protection companies. Cooperation between the EU and Russia creates great common opportunities in this context:

By 2020, we can already look back on 50 years of German-Russian energy relations. The pipelines built back then are still functioning today. In times of the Green Deal they will experience another change in importance: Natural gas from Russia helps the EU to improve its climate balance in the short term. And a further use of the transport infrastructure for climate-friendly hydrogen is already emerging, opening up a huge new field for cooperation within the framework of the Green Deal. This partnership must be further developed into an energy and climate alliance in the future.

Climate protection is a common concern for Europeans and Russians. Even with the foreseeable reshoring of international value chains, EU and Russian companies can work closely together and once again locate more production on our continent.

In the interest of our industry, we need an institutionalised dialogue between the European Commission and the Eurasian Economic Union. On their own, neither the EU nor Russia will manage to develop an effective antidote to the division of the world by the Chinese and the Americans. It is now time to finally initiate a sensible exchange on a common economic and industrial area from Vladivostok to Lisbon, linking the EU, Russia and its neighbouring partner countries.

Solidarity across national borders

Joint problems and crises require joint solutions. At the political level in many countries of the world, the initial reactions to the coronavirus crisis came as a reflex and were mostly nationalistic. In the coronavirus crisis, Russia has shown solidarity beyond its own borders by responding to Italy's – the European epicentre of the pandemic – request for help with medical personnel and equipment. The pandemic now offers the opportunity to create not only an economic but also a humanitarian partnership between the EU and Russia. Here, the exchange of medical experts via platform concepts of associations, but also private sector initiatives and sponsored projects can set an example.

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