



ARTICLE

The top four trends driving European policy in 2022

The start of a new year is the perfect time to reflect on and prepare for what comes next. As we enter the third year of a global pandemic, it is clear that the effects of this crisis on the EU policy agenda are irrevocable. But will the COVID-19 crisis continue being the main driver of the EU's policy decisions? Or will other considerations impact the direction of travel of EU policymaking? Read on for what we think will be the top four tendencies that will drive European policy in 2022.

1. Increasing assertiveness

An ever-closer Union has long been the dream of EU federalists, and a nightmare for inter-governmentalists. While the debate is unlikely to be settled any time soon, it is starting to lean towards the position of the EU federalists, perhaps more from a place of 'need' than a 'want' from EU Member States.

Though the process started with the global financial crisis, the COVID-19 pandemic greatly prompted the need for common action on large-scale events beyond the level that a national strategy or budget could handle. This momentum will continue in 2022, and the EU is going to do all it can to maximise on this opportunity. In the healthcare field,

which has traditionally been a Member State competence that countries fiercely protected, the Commission was able to step in and conduct joint procurement for COVID-19 vaccines and therapeutics. This drive will continue since the EU is pursuing further joint purchasing and is also pushing through an ambitious package to re-shape the pandemic preparedness and response landscape. Similarly, during the worst phase of the crisis, the EU issued common debt to finance the collective economic recovery. This is something many Member States have long opposed. The conditions attached to this 750 billion EUR package¹, which aims to advance the EU-wide digital and energy transitions, will give the EU the leverage it needs to drive the region to meet its long-term goals and build resilience. Building on this, the EU will now re-start its push for 'own resources' for the EU budget by proposing taxes at the EU level on items such as carbon and plastic as well as a minimum tax for globally active companies.

As crises increasingly become more global and demanding, Brussels will be expected to step up and expand its remit to areas where Member States have traditionally been more hesitant, such as healthcare and fiscal policy.

2. A quest for strategic autonomy

The disruption of supply chains during the pandemic, the increasingly hostile trading environment, and the continuous shortage of critical products and materials in Europe led the EU to realise that it needs to take better care of its strategic needs and interests.

This means that the EU is no longer intending to fully rely on the multilateral and rules-based international order, even if it continues trying to reform the system. In principle, this signifies that the EU will use all the tools at its disposal to increase its strategic autonomy. This spans across diverse areas such as investments, the re-shoring of strategic supply chains (e.g., batteries and semi-conductors), the adaptation of the state aid framework to the realities of the economic recovery, and the creation of a policy framework conducive

to the creation of EU alternatives to non-EU providers of critical goods and infrastructure. It also means putting forward new policy proposals that strengthen the EU's trade defence arsenal, its data and payment sovereignty, and the international role of the Euro. Policymakers will also aim to leverage the internal market to export the EU's values and standards abroad, in the same way it did with the EU's data protection framework. This sort of export, also known as the Brussels effect, could potentially be seen in frameworks on the use of artificial intelligence, climate action and sustainability, and ethical supply chains.

For business, this means they might encounter a stricter policy framework around their dependence on third-country providers, especially for critical functions and more scrutiny on the whole for non-EU firms.

3. All about the hot button issues

Even though the green and digital transitions are not new to the EU agenda, they have been partially overshadowed by the pandemic. With most key policy initiatives proposed by the Commission on the table, the green and digital transitions will re-claim their place as main drivers of the overall EU policy agenda.

Not only are policymakers busy with dedicated legislative initiatives (most notably the Green Deal² and the Digital Single Market package³), but the EU is also aiming to legislate in unprecedented domains that will be critical for the future, such as artificial intelligence and data as well as the sustainable product initiative which will lift circularity requirements to the next level. As the bloc continues to work on being the leader in global debates about privacy and digital political advertisement, antitrust investigations affecting large tech companies continue to be an action coming from the European Commission. Such investigations are increasingly backed by proposed legislation like the Digital Market Act (DMA)⁴. The EU will also continue to support green and digital projects by providing investment and funding opportunities to business enabling the digitalisation and decarbonisation of the economy.

¹ <https://www.consilium.europa.eu/en/meetings/european-council/2020/07/17-21/>

² https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en

³ <https://digital-strategy.ec.europa.eu/en/policies/digital-services-act-package>

⁴ https://ec.europa.eu/info/strategy/priorities-2019-2024/europe-fit-digital-age/digital-markets-act-ensuring-fair-and-open-digital-markets_en

Beyond the ambition and sheer volume of files on the table in these areas (think Fit-for-55⁵), the twin transition is cross-cutting and impacts nearly all sectors – e.g. energy, financial services, and healthcare.

Corporations can therefore expect an increasingly horizontal and integrated policy approach, which requires keeping track of cross-sectorial developments and recognising the dynamic nature of shifts in policy in adjacent areas.

4. The power of public opinion

The EU approach to policymaking has long been considered too bureaucratic. This criticism has most vehemently been aimed at the European Commission. While the shift has been slow, moving into 2022, the Berlaymont is increasingly looking less like an ivory tower and more like the headquarters of increasingly responsive technocrats.

Thanks to the considerable backing of Green parties across the EU during the last European Parliamentary elections, the Commission has been able to push forward its ambitious green agenda. Landmark policies such as the European Green Deal⁶ have been constructed based on public drive as the Commission President has cited the popular support for taking decisive action against climate change as a call for immediate action.

At the same time, the increased politicisation of technical issues and the growing impact of EU policies on everyday



life means EU policymakers will face a broader and more engaged audience. They will therefore need to ensure that the EU's renewed green and digital policy push benefits the broadest group of citizens possible.

The role of consumer groups and non-profit organisations can be expected to grow further, with EU policy decisions increasingly echoing the voice of citizens as it is heard in Brussels. This will be especially true when they are channelled through organised advocacy groups.

Businesses need to engage with a growing and diversifying stakeholder constellation, ensuring that their vision and purpose resonate with these groups.

⁵ https://ec.europa.eu/commission/presscorner/detail/en/IP_21_3541

⁶ https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en

ANNE-SOPHIE DEMAN

Director
anne-sophie.deman@fticonsulting.com

ARNE KOEPPPEL

Senior Director
arne.koeppel@fticonsulting.com

VESELA MINCHEVA

Senior Consultant
vesela.mincheva@fticonsulting.com

SUPARNA ARORA

Consultant
suparna.arora@fticonsulting.com

FTI Consulting is an independent global business advisory firm dedicated to helping organisations manage change, mitigate risk and resolve disputes: financial, legal, operational, political & regulatory, reputational and transactional. FTI Consulting professionals, located in all major business centres throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges and opportunities.

For more information, visit www.fticonsulting.com and connect with us on Twitter (@FTIConsulting), Facebook and LinkedIn. The views expressed in this article are those of the author(s) and not necessarily the views of FTI Consulting, its management, its subsidiaries, its affiliates, or its other professionals. ©2022 FTI Consulting, Inc. All rights reserved. www.fticonsulting.com