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Fostering Belgo-German Connectivity in the Heart of Europe

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On 18 March 2019 the fifth edition of the Belgo-German Conference took place in Brussels. Framed around the inter-related themes of energy, mobility and digitalization, the conference sought to provide a platform for dialogue between political leaders, diplomatic officials, and representatives from the private sector, academia and civil society. This European Policy Brief aims to illuminate the major topics that were discussed at the conference and put these into a wider context. The umbrella theme of connectivity in infrastructure speaks to the common ambition that Belgium and Germany share: propelling the European project forward – even when facing headwinds – by embracing increased economic interdependence.

INTRODUCTION

Belgium and Germany are two federal states and founding member states of the European Union. As geographical and political neighbours, they have for decades maintained cordial, not to say excellent relations. Such a state of affairs should not be taken for granted, however, as both

countries face new challenges to their foreign policy outlook. Being able to adapt to a future EU without the UK, or to an international system in which the US and China face off with one another for technological and geopolitical advantage, is of central importance to Brussels and to Berlin.¹ To some extent this may become a matter of making political choices. For both countries, ‘being European’ is not just a matter of geography. It is also the only way to guarantee that Europe continues to play a role in setting international standards, offering an attractive countermodel to the economic sanctions of President Trump and the state capitalism of China. Because its prosperity and security are tied to the rules-based international order, German Foreign Minister Heiko Maas argued, Europe has to be able to define and execute its own foreign policy – based on core values such as democracy, rule of law, tolerance and fundamental rights.²

This challenge also encompasses nurturing a healthy social-economic tissue conducive to European cooperation in a more contested world. As such, the concern that both countries share about upgrading their economic infrastructure constitutes the structural background to a vibrant bilateral relationship. Such a debate is not meant to be exclusively

limited to both countries, but rather to provide a laboratory for expressing ideas. The aim is to identify common concerns whilst pursuing European solutions and working towards crucial objectives such as the completion of the Energy Union and the digital single market

This European Policy Brief will review the three major themes that were discussed at the fifth Belgo-German conference, which all have to do with preparing the two countries for the future.³ Firstly, both countries are operationalizing the major shifts that have been decided upon in terms of their respective energy policies. The step-by-step process of connecting the Belgian and German electricity grids constitutes a major flagship in this regard. Secondly, novel approaches to mobility are needed to maintain traffic congestion at acceptable levels and allow for sustainable and qualitative growth. This encompasses not only the trend towards having ever more electric cars on the road, but also the upgrading of railway and inland shipping networks, making full use of digitalisation, automation and other new technologies. Linking Belgian ports to the German Ruhr Area and beyond is of critical importance to all regions involved. Thirdly, both the German and Belgian economies are in the process of adapting to the digital transformation. This brings about economic opportunities and regulatory challenges alike, in which the management of human capital will be key. As all three themes relate to connectivity across geographical and sector-specific boundaries, the notion of increasing European economic interdependence constitutes a red thread throughout the discussion.

SUPPLYING SECURE AND SUSTAINABLE ENERGY NEEDS

In 2018, construction works began for connecting the Belgian and German electricity grids. The so-called ALEGrO project, enabling

the transmission of 1000 MW through two subterranean cables laid across a distance of 90 kilometres and 14 different communes, serves to better integrate renewable energy production capacity, enable the convergence of electricity prices and ensure a greater security of supply.⁴ As such, it symbolizes many of the challenges Germany and Belgium encounter on their respective paths towards energy transformation (*Energiewende*). These range from jointly managing major change to the energy mix, connecting and at the same time decentralizing grid structures, and striving towards greater European consistency in terms of standards and licensing.

Both Germany and Belgium are pursuing a gradual phasing out of nuclear energy whilst simultaneously decarbonizing their economies. To this purpose, renewable energy production capacity is being increased and electricity grids are being reconfigured to transport energy from producers to consumers wherever these are located. For both countries, this effectively amounts to a generational change, producing challenges that are similar in nature but asymmetric in their impact. Germany today obtains about 12% of its electricity from nuclear reactors and 40% from coal. Belgium, in turn, obtains over 50% of its electricity from nuclear plants and 26% from natural gas, imported through the North Sea network and the LNG terminals in Zeebrugge. As a result, switching to rely primarily on gas power plants represents a partial step towards decarbonisation for Germany – albeit at the cost of increasing its dependence on imports – whilst a similar step would actually increase carbon emissions for Belgium. It can therefore be expected that Belgium's nuclear phase-out will take place over a longer time horizon in order to ensure the security of supply, in full respect of the highest safety standards. Through its MYRRHA research installation, furthermore, Belgium leads the way in developing technologies for nuclear waste processing through transmutation and

developing advanced reactors cooled by lead-bismuth.⁵ These are areas of potential interest to Germany as well.

As the relative shares of wind and solar energy increase, Belgium and Germany need to connect their electricity grids for enhancing network stability. Offshore wind farms in the North and Baltic Seas are coming to play an important part in the energy mix, but the electricity they produce needs to be transported to the industrial centres – all the way into southern Germany. This necessitates building more transnational connectors similar to ALEGrO, not only between Belgium and Germany, but also involving other neighbours and the Scandinavian countries. In addition, Germany and Belgium have a common interest in developing future battery technologies for storage as well as mobility purposes. Enhancing private sector expertise in battery technologies is of key importance to avoid the growing battery market becoming dominated by Chinese exports. Furthermore, increasing electricity storage capacity will provide for an additional layer of network stability when moving toward more decentralized electricity grids, arguably one of the coming megatrends.

Changes to a country's energy infrastructure necessarily unfold over a long timeframe. The ALEGrO experience offers a good illustration: the first phase was already initiated in 2013 and the project is set to be completed 2020. The process of obtaining the necessary licenses and overcoming the 'not in my backyard' phenomenon takes time. This offers a useful reminder that the European-level harmonization of licensing procedures would be a welcome step in overcoming the largely invisible fragmentation of the European single market. After all, conducting multiple licensing procedures in parallel takes time as well as resources, implying a major competitive disadvantage compared with infrastructure projects in China. In this regard,

the European Commission could propose new legislation setting higher and transnational licensing standards, Europeanising mindsets and removing administrative bottlenecks.

JOINTLY MANAGING THE MOBILITY FLOWS OF THE 21ST CENTURY ECONOMY

Mobility is at the very core of the European project. Without the freedom to travel and trade across European borders, there effectively exists no Union. The Benelux countries, France, Germany pioneered these ideas through the customs union (including Italy) and the Schengen Agreement. This most densely populated, urbanized and industrialized geographical fulcrum of the European continent is now encountering structural constraints imposed by the present-day transportation infrastructure: congested roads, railways, canals and airspace. Upgrading such infrastructure for accommodating still higher transport volumes, jointly managing transnational traffic flows and completing the associated transitions in city design and lifestyle, constitutes a joint set of challenges for Belgium, Germany and other neighbouring states alike.

On 18 January 2019, the regions of North Rhine-Westphalia and Flanders signed a declaration of intent about mobility and traffic.⁶ Given that the seaport of Antwerp constitutes one of the principal doorways to the industrial heartland of Germany, this is hardly a cause for surprise. The associated cargo volumes continue to increase: freight traffic from Antwerp to Germany is expected to grow from 64 to 90 million metric tons between now and 2030. About half of this prospective increase is set to be transported by barge. Inland shipping systems therefore need to become increasingly automated and enabled by digitized transport documentation in order to avoid clogging the available waterways. Yet as lorry traffic is already at very high levels (over 30 million metric tons today), there exists no viable

alternative but to diversify away from the road to inland shipping and rail transport.

The so-called ‘Iron Rhine’ railway constitutes an old debate between Belgium, Germany and the Netherlands.⁷ This rail link between Antwerp and Mönchengladbach, traversing the Dutch province of Limburg, offers the shortest route for transporting cargo, yet has been out of use since 1991. The ongoing debate about weighing environmental considerations (voiced by the Netherlands) vs the mobility concerns (with strategic implications for Belgium) has caused gridlock for too long. A study co-financed by the European Commission exploring a compromise solution, the so-called “3RX” Rhein-Ruhr-Rail Connection, was completed in 2017.⁸ Both Belgium and Germany are now committed to seeing the 3RX trajectory being opened and are seeking to secure broad societal support as well as EU co-funding.

The gradual electrification of road traffic represents the third leg of the ongoing mobility transformation. The German car manufacturing industry is now focused on making electric cars a customer-driven success by developing products that offer comfort at home as well as flexibility on the road. Most importantly, electric cars need to be hassle-free from day one. This will naturally result in a significant increase in electricity consumption. Germany is eyeing to have ten million electric vehicles on the road by 2030, an objective to which the Audi e-mobility factory in Brussels will contribute its fair share. While such an increase is manageable from a production perspective, it also requires developing the necessary infrastructure for distribution. At the port of Zeebrugge a large-scale charging island has already been constructed, and the *Ionity* network – a joint venture of BMW Group, Daimler AG, Ford Motor Company, and Volkswagen Group with Audi and Porsche – aims to build a high-power charging network for electric vehicles along major highways in Europe.

Again, such infrastructure initiatives are contingent on European-level standardisation in order to become a success. Such standardisation relates not just to technical specifications, but also to the data privacy issues that the digitalisation of mobility entails. The Benelux pilot project relating to digital documentation for lorry transportation constitutes a case in point, dramatically reducing the administrative burden on transnational transporters.⁹ Managing mobility in the 21st century will be all about the digital transformation, networking the system based on available data flows.

HARNESSING THE DIGITAL REVOLUTION THROUGH DATA SCIENCE AND SKILLS

The digitalisation of their economies represents the most amorphous challenge Belgium and Germany face today. Markets may have gone largely digital already, yet the existing regulatory frameworks predate the digital era. Despite having highly educated workforces and advanced industries, neither country qualifies as a leader in digital technologies – not unlike other EU member states. Today, the top twenty digital companies are all American or Chinese. The principal challenge is to understand the full range of technological possibilities and risks, whilst recognising the urgent need to join forces at the European level. The connecting of data science research hubs across EU member states stands out as the most important deliverable with respect to the building of a digital ecosystem.

Recognising the technological possibilities of the digital revolution is central to the new wave of economic innovation. Whereas the development of digital hardware used to capture the limelight, it is now the combination of hardware, software and data algorithms that is propelling new technologies forward. Although many EU member states already have a national approach in place for unlocking artificial intelligence – Belgium and Germany are no exception – they

individually lack critical mass. This is why a common European approach towards artificial intelligence is needed, linking up with the Commission's digital Europe programme and focussing on what the respective member states are good at. In the Belgo-German case, this means concentrating efforts on digitising industrialised processes, industrial data analysis and systems technologies.

An overarching concern for Europe is to avoid getting caught in a binary choice between two distinct techno-spheres, China vs America. This speaks to geopolitical concerns as well as to commercial interests. The recent discussion about 5G licencing is illustrative enough: if Europeans are not in a position to protect their own priorities with respect to research and technology, they will find themselves in a position of increasing dependence that no regulatory initiative will be able to offset. The next EU Multiannual Financial Framework should set the budgetary priorities accordingly, making collaborative research into digital technologies a prime concern.

In the digital transformation, the management of human talent and knowledge will constitute a bottleneck. In times of rapid technological change, it is only natural that many citizens feel concerned about the impact of widespread automation. Yet curtailing technologies by over-regulating them could backfire spectacularly. Innovation thrives on letting new ventures explore the realm of what is becoming possible. Closing the digital skills gap and widening the pool of human talent will require continuous training and educational efforts, but such an investment will repay itself over the medium term.

CONCLUSION

Without connectivity there can be no single market. The completion of the single market in the realms of energy, mobility and digitalisation

remains a policy priority for Belgium and Germany alike. Yet the European single market constitutes not an end in itself. If there is anything that keeps the European continent together, it is the commitment to democracy and the rule of law. Common economic and security interests are real enough, but these may not suffice to capture the imagination of European citizens. At a time when the siren song of national sovereignty – of 'taking back control' – is threatening to unravel the European construction, Belgium and Germany are steadfast partners in defending the European rules-based system. As current (non-permanent) members of the UN Security Council, they resolutely advocate greater Europeanisation as a means to increase the ability of all European citizens to influence their common destiny.

The joint proposal made by Belgium, Germany and other partners to establish a peer review mechanism evaluating the rule of law in all EU member states on an equal basis is key. "Our countries have chosen, when becoming a member of the European Union, to respect the rule of law and fundamental rights", emphasised Belgian Foreign Minister Didier Reynders.¹⁰ How can the EU maintain credibility in promoting its values and interests abroad, if these are not respected at home? The present geo-economic position of the European Union urgently needs a geopolitical translation. This cannot be driven by the European institutions alone: it requires the constant involvement and support of the member states. The Aachen Treaty dynamic of revitalising bilateral relationships can help endow the European construction with a new sense of ambition, provided it remains open to all member states wishing to participate.¹¹ It is in this sense that these recent discussions about Belgo-German economic connectivity sought to make a contribution to the wider debate about the future of the European project.

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This European Policy Brief does not seek to summarize the conference proceedings comprehensively, nor to bind any of the participants to what was said under the Chatham House rule. Its sole aim is to illuminate the major topics discussed at the conference and share these with a wider audience. Any errors are the Rapporteur's responsibility alone.

ENDNOTES

¹ Cf. Thomas Bagger, 'The World According to Germany: Reassessing 1989', *The Washington Quarterly*, 2019, 41 (4), pp. 53–63, from https://twq.elliott.gwu.edu/sites/g/files/zaxdzs2121/f/downloads/Winter%202019_Bagger.pdf.

² Rede von Außenminister Heiko Maas anlässlich der fünften Deutsch-Belgischen Konferenz, Brussels, 18 March 2019, available from <https://bruessel.diplo.de/be-de/maas-deutsch-belgische-konferenz/2200432>.

³ This conference built on earlier editions in 2009, 2011, 2012 and 2014, in Brussels and in Berlin on an alternating basis. For more information on the 2012 Brussels edition, please visit <http://www.egmontinstitute.be/events/dialogue-in-difficult-times-labour-markets-education-social-partnership/>. The sixth Belgo-German conference will take place in Germany, probably not before the end of its EU presidency in the second semester 2020. Its future topics will be decided by both governments.

⁴ For more information, please visit <http://www.elia.be/nl/projecten/netprojecten/ALEGrO>.

⁵ For more information, please visit https://sckcen.be/en/Technology_future/MYRRHA.

⁶ 'Intentieverklaring over samenwerking op het gebied van mobiliteit en verkeer/Gemeinsame Absichtserklärung über die Zusammenarbeit im Bereich Mobilität und Verkehr', Vlaamse Overheid & Ministerium für Verkehr des Landes Nordrhein-Westfalen, 18 January 2019, available from: https://www.fdfa.be/sites/default/files/atoms/files/1218_Ondertekende%20akte%20in%20het%20Nederlands%20en%20het%20Duits.pdf.

⁷ For historical background, see Frank Witlox, 'The Iron Rhine Railway Link: a Chronicle of Dutch-Flemish Geo-politics Based on Contextual History', *Journal of European Economic History*, 2016, 35 (1), pp. 149–173.

⁸ Wim Spit et al., '3RX Feasibility study alternative Rhein – Ruhr Rail Connection', study commissioned by the Flemish Government and the EU's Connecting Europe Facility, December 2017, available from: https://www.mobielvlaanderen.be/docs/ijzerenrijn2018-01/20171215_3rx_end_report_final_appendix.pdf.

⁹ 'Benelux start proef met digitale vrachtbrief', 5 March 2018, available from: <http://www.benelux.int/nl/nieuws/benelux-start-proef-met-digitale-vrachtbrief>.

¹⁰ Discours du Ministre D. Reynders lors de la 5^{ème} Conférence belgo-allemand, Brussels, 18 March 2019, available from: https://diplomatie.belgium.be/sites/default/files/downloads/discours_deboko_20190318.pdf.

¹¹ For a more extensive discussion, see Alexander Mattelaer, *The resurgence of bilateral diplomacy in Europe*, Brussels: Egmont Institute (Egmont Paper 104), January 2019, available from: <http://www.egmontinstitute.be/the-resurgence-of-bilateral-diplomacy-in-europe/>.



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