Opinion of the European Economic and Social Committee on 'Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions — A New Industrial Strategy for Europe'

(COM(2020) 102 final)

(2020/C 364/15)

Rapporteur: **Mihai IVAȘCU**

Co-rapporteur: **Dirk BERGRATH**

Referral	Commission, 22.4.2020
Legal basis	Article 304 of the Treaty on the Functioning of the European Union
Section responsible	Section for the Single Market, Production and Consumption
Adopted in section	25.6.2020
Adopted at plenary	16.7.2020
Plenary session No	553
Outcome of vote (for/against/abstentions)	207/4/7

1. Conclusions and recommendations

1.1. The European Union and its Member States must stand united to protect their sovereignty. The EESC firmly believes that if Europe is to maintain its leading role in the world, it needs a strong, competitive industrial base.

1.2. The EESC recognises the crucial importance of shifting to a carbon-neutral economy and of reversing the current curve of biodiversity collapse. Without a green industrial strategy as a cornerstone of the Green Deal, the EU will never succeed in reaching a carbon-neutral economy within one generation.

1.3. The new industrial strategy must ensure the right balance between supporting European businesses, respecting our 2050 climate neutrality objective and providing consumers with incentives to shift consumption to sustainable goods and services.

1.4. The EESC acknowledges the importance that the Commission has attached to social partners and civil society organisations when designing the future of European industry. The EESC is convinced that a constructive social and civic dialogue at all levels will contribute to a successful implementation of the strategy.

1.5. The circular economy is key for developing Europe's future economic model. It must explore viable and economic alternatives to fossil fuel and give weight to decentralised and cooperative clean energy solutions. The circular economy will also greatly improve the resource-efficiency of economic activities as well as reduce our dependence on imports of critical raw materials.

1.6. The EESC strongly believes that the industrial policy must go hand in hand with a firm trade and foreign policy that in turn must develop strategies to secure access to raw materials.

1.7. The EESC believes it is crucial that Europe closes the gap with the USA, China and others in certain technologies. Building on our competitive advantages while financing R&D is key for becoming a world leader. Building a unified European capital market, including a European market for venture capital, is vital.

1.8. Europe's industry will be digitalised or it will cease to exist. Investment in ICT sectors such as the data economy, the Internet of Things, cloud computing, artificial intelligence and advanced manufacturing must reach all regions and Member States.

1.9. The internal market represents the foundation for our global competitiveness. The FDI screening Regulation should be applied by all Member States, if necessary, reinforced and updated. Whoever wants to be a part of the single market should comply with its rules, including climate-neutral principles.

1.10. To restore jobs, growth and confidence, more entrepreneurship is needed in the European Union. The EU should promote and finance education programmes designed to boost the creation of new sustainable economic and social environment.

1.11. Industrial policy should have a strong social dimension. Quality jobs, social protection and well-functioning public services create the right ambient environment for thriving industrial activities. The European Pillar of Social Rights is in this respect an important driver for an inclusive economic growth.

1.12. The EESC calls for the rapid implementation of the European Unitary Patent. It could allow industries to develop, innovate and protect their know-how at European and international level at a reasonable cost.

1.13. In order to deal with international differences in carbon prices, the EESC considers the following are necessary: the introduction of border adjustment measures, environmental standards that importers have to comply with, subsidies for low-carbon exports, robust use of trade defence instruments and steps to address carbon pricing differences in free trade agreements. The ultimate objective should be to set a global price for carbon.

1.14. The EESC believes that EMU must be completed in order to ensure that all economic tools are available to counter the adverse economic shock created by the COVID-19 health crisis.

1.15. The EESC signals that the only possibility for Member States to overcome this crisis is by acting in a coordinated manner, leaving no one behind and restoring the capacity of companies to generate added value, to invest in a sustainable future and to maintain/create quality jobs. The EU Recovery Plan, the Green Deal and the new industrial strategy, deployed in an integrated way, provide a bold and ambitious policy package for exiting the pandemic crisis and preparing our common future.

1.16. SMEs will probably be the hardest hit by this crisis. The EESC endorses the intention to help SMEs scale up, develop new business models and attract a qualified workforce, for example through the introduction of stock options for employees.

1.17. Intermediate structures such as SME networks, regional development agencies and clusters must support and reinforce strategic value chains and bring together all dynamic forces to strengthen economic ecosystems.

2. **General comments**

2.1. The EESC welcomes this communication on a new industrial strategy for Europe, but regrets that it only sets out a list of future projects and measures instead of presenting a clear short-, medium- and long-term concrete and comprehensive strategy for European industry. The EESC therefore urges the Commission to issue a concrete action plan with clear yearly targets and monitoring procedures, involving close cooperation with all the relevant stakeholders.

2.2. However, the EESC does note a number of differences in comparison to previous communications:

— it has a strategic approach as it places much greater emphasis on the 'twin' transitions in the digital and carbon-neutral domains,

— it advocates a more cooperative approach to industrial policy, e.g. by stressing the need for building strong industrial ecosystems or the promotion of industrial alliances,

— it tends to allow for more state funding for strategic industrial projects by relaxing normal EU subsidy laws or by setting up major projects of common European interest,

— it adopts a firmer stance on external relations, as it proposes to use the EU's regulatory power to defend Europe's strategic autonomy,

— it focuses on the decarbonisation of Europe's energy-intensive industries.

2.3. In this turbulent international environment, the European Union and its Member States must stand united to protect their sovereignty. The EESC firmly believes that if Europe is to maintain its leading role in the world, it needs a competitive, strong industrial base that contributes to the EU's efforts to achieve the sustainable development goals, to comply with the Paris Agreement, and to return to an ecological footprint ([1]) of less than one earth per year as soon as possible and no later than 2040.

2.4. The EESC recognises the crucial importance of shifting to a carbon-neutral economy and of reversing the current curve of biodiversity collapse. A common industrial strategy can only succeed through the involvement of and cooperation among all Member States and stakeholders and through integrated strategic planning, pooling the resources of European players, regional and local institutions, industrial clusters, companies, social partners, social economy enterprises, universities and research groups, and civil society organisations.

2.5. The new industrial strategy must ensure the right balance between supporting European businesses so they develop in an environmentally friendly way, respecting our 2050 climate neutrality objective and providing consumers with incentives to shift consumption to sustainable goods and services. To this end, we need to further develop the toolbox for a sustainable industrial policy, taking into account the specificities of SMEs.

2.6. Furthermore, the EESC is convinced that a well-managed transition to a digital and climate-neutral economy has the potential to reinvigorate Europe's industry and create new quality jobs in new sustainable value chains. The proposed governance structure should therefore strengthen ownership of the industrial strategy at all levels and involve all relevant stakeholders.

2.7. The development of European industry can only be achieved by promoting a large programme of private and public investment. A new European industrial strategy, responding to the new needs of Europeans, raising GDP growth, promoting interregional cohesion, decreasing income disparities and improving quality of life through investment and innovation, can help create a common European identity, stimulate solidarity, strengthen European institutions and thus represent 'European added value'.

2.8. The EESC acknowledges the importance that the Commission has attached to civil society organisations when designing the future of European industry. The EESC believes that only joint cooperation between Member States, European institutions, social partners and representative civil society organisations can create the proper environment for European industry to grow. In this respect a constructive social and civic dialogue at all levels is an important guarantee for a successful implementation of the strategy.

2.9. The EESC has long recognised that 'there are leaders within the business community on integration of sustainability. Many businesses are actually ahead of the policies. Policy needs to create the stable environment and certainty to ensure best practice becomes common practice. This will make business capable of delivering sustainable solutions' and it urges the Commission to take these into consideration when drafting future policies ([2]). It has to be noted that the social economy has a longstanding tradition in sustainability.

2.10. In 2019, industrial production was finally back at pre-crisis (pre-2007) levels. Industry is still the backbone of our economy, and has to provide the solutions for the many challenges our society is facing. Industry also has an important social role to play due to its high added value activities, quality jobs and the creation of indirect employment in related

([1]) As defined by the *Global Footprint Network* (https://www.footprintnetwork.org/).
([2]) OJ C 14, 15.1.2020, p. 95.

services. Therefore, the EESC welcomes the comprehensive set of proposals set out in the communication and hopes they will be swiftly designed and implemented. However, the dramatic decline of industrial production due to the coronavirus crisis requires that the emergency measures taken by governments and supported by the Commission to keep viable companies afloat and to protect employees' income have to be continued as long as they are needed.

2.11. The EESC has long recognised the importance of starts-up and scale-ups for building a competitive and innovative industrial sector. Therefore it continues to call 'for a coordinated policy approach for start-ups and scale-ups which takes into account the diversity of enterprise models, and welcomes the specific actions for social economy enterprises' ([3]).

2.12. The EESC welcomes the proposal announced for improving working conditions for platform workers. However, the EESC regrets that the much broader challenge of an inclusive and fair transition is not directly addressed in the communication. It insists on the need for an ambitious action plan to encourage the Member States to follow through on their promises regarding the proclamation of the European Pillar of Social Rights.

3. **Green Europe**

3.1. Europe needs a sustainable industrial policy promoting a fair transition to a low-carbon economy. This requires a strong multiannual financial framework, with a vital role for financing such a transition to be played by the European Investment Bank. Investment should support both environmental quality and improved quality of life for Europeans.

3.2. Many of the goals we have set ourselves for 2030 can be scaled up to 2050 and our transition to a carbon-free continent. Therefore, the EESC believes that the industrial strategy, like the Sustainable Development Strategy, should 'encompass both EU internal and external action and promote maximum coherence between them. […]. Cornerstones of the implementation should be innovation, sustainability-oriented international cooperation and trade agreements, and mobilisation of business and civil society' ([4]).

3.3. Both traditional and emerging industrial sectors will need to develop a proactive approach, anticipating, adapting and managing change with new sustainable technologies, jobs and re-skilling matching the challenges of the future in line with the European Semester's Social Scoreboard. New policies on skills should be designed with the involvement of civil society organisations and the social partners in order to speed up the adaptation of education and training systems to match the demand for new jobs.

3.4. The EU should become the world leader in the circular economy and clean technologies. It will work to decarbonise energy-intensive industries. The circular economy is key for developing Europe's future economic model. The EESC believes that 'products or services which adhere to the principles of circularity should be differentiated in price in a clear way' and that 'reduced rates or exemption on VAT for recycled products as well as reuse and repair activities can incentivise entrepreneurs to be active in this space, and offer consumers a competitively priced product […]' ([5]).

3.5. Transitioning to a carbon-neutral economy requires secure clean energy sources. Reformed energy regulation and Europe-wide cooperation on prosumers and further grid interconnection are paramount. Furthermore, we must explore viable and economic alternatives to fossil fuel and give weight to decentralised and cooperative clean energy solutions, such as renewable energy cooperatives, prosumers and smart grids.

3.6. The launch of an Energy Union 2.0 has to be considered the basis of a programme that invests in a large increase in the supply of (low-carbon) energy (hydrogen included), integrates the different energy carriers, creates a Europe-wide electricity grid to address the intermittent character of wind and solar energy and develops technologies for energy storage.

3.7. Without a green industrial strategy as a cornerstone of the Green Deal, the EU will never succeed in reaching a carbon-neutral economy within one generation. The Green Deal will define and shape industrial policymaking not only during the term of office of the Commission that has just begun, but also for a long time thereafter.

(3) OJ C 288, 31.8.2017, p. 20.
(4) OJ C 14, 15.1.2020, p. 95.
(5) OJ C 264, 20.7.2016, p. 98.

3.8. Solar panels, wind farms and batteries are crucial for our new industrial paradigm. However, they also require raw materials that are controlled by our peer competitors in the international arena. Industrial policy must go hand in hand with a firm trade and foreign policy that in turn must secure access to these resources.

3.9. To achieve the right level of investment needed to finance the Green Deal, a review of state aid rules for investment in low-carbon products and processes should also be envisaged. Furthermore, the newly created Innovation and Modernisation Funds, as well as the ETS auctioning revenues, (could) provide additional resources to support a sustainable industrial policy and deal with the social impact of the transition.

4. **Digital Europe**

4.1. New technologies are changing the way we live, consume and do business. We are talking about a strategy for 5G networks, while other economic powers are investing in 6G technologies. Building on our competitive advantages while financing R&D is key for becoming a world leader. To date we have been lagging behind the USA, China and others in certain technologies. This digital technology is the cornerstone of any move towards Industry 4.0. The EESC believes it is crucial that Europe close the gap. This must be done in such a way as to balance security concerns with economic needs.

4.2. Investing in artificial intelligence and the smart use of data, while protecting the privacy of European businesses and consumers is key, and this can only be achieved by channelling European funds for innovation into new digital technologies. The SMEs play a vital role in the process, and ensuring proper financing for them to grow and innovate is vital. The EESC has already mentioned that 'the Commission should analyse and complement (but not replace) private initiatives for the exchange of good practice and experience between innovators' and that 'the EU must put in place a political, fiscal and regulatory framework that supports the large-scale deployment of these new sustainable models' ([6]).

4.3. Technologies developed in Europe are far too often commercialised elsewhere. The EU has not been able to create tech giants. Too few young leading innovative companies grow to be large R&D-intensive firms. To bridge the final step from start up to full scale company it is important to finish the creation of a unified European capital market, including a European market for venture capital.

4.4. Europe's industry will be digitalised or it will cease to exist, overtaken by more efficient and speedier competitors. This will also require stepping up investment to increase the growth power of new ICT sectors like the data economy, the Internet of Things, cloud computing, artificial intelligence and advanced manufacturing. Investment in digital infrastructure must reach all regions and Member States.

4.5. Equipping the European labour force with digital skills for the new phase of industrialisation is vital. Embracing the digital era can only be achieved with a skilled and well-prepared workforce. The EESC has already stated that 'European workers must be provided with training, re-skilling, up-skilling and life-long learning programmes, in order to fully benefit from technological change' ([7]). This requires active labour market instruments as well as effective social security systems based on solidarity, preserving the European social model.

4.6. The data strategy of the Commission needs to be complemented by a regulation on fair competition in the digital economy, monitored by a digital competition authority. In this respect the data spaces for strategic sectors proposed by the Commission will also require regulations on access, the free flow and protection of data and the usage of specific algorithms, organising access to industrial data under FRAND (fair, reasonable and non-discriminatory) conditions. Furthermore, advancements in digitalisation of datasets and innovative technologies must fully comply with the GDPR and PSI Directive.

([6]) OJ C 81, 2.3.2018, p. 57.
([7]) OJ C 228, 5.7.2019, p. 58.

5. **A globally competitive EU**

5.1. The future competitiveness of European industry is paramount for the European economy to make progress in an increasingly multipolar global economy with rising geopolitical tensions. Deepening the single market is the way forward, with a more level playing field in relation to third countries' firms. A functional internal market must be aided by a strong commercial policy to counter international barriers and non-competitive practices. The FDI screening Regulation [8], entering into force in October 2020, is an important step to protect key EU assets, but the EESC would point out that it is essential that it be constantly monitored and, if necessary, updated and modified.

5.2. The internal market provides Europe's competitive advantage and is the centre of our cooperation. It represents the foundation for our global competitiveness. Protecting and developing the internal market must be at the heart of the new industrial policy, implementing measures that improve its development and efficiency and that of the four freedoms.

5.3. The EESC maintains its view that 'administrative burdens and red tape continue to be a key barrier for start-ups and scale-ups'. Therefore it urges the European Commission to avoid increasing this administrative burden through over-regulation and to look at ways of streamlining and reducing it [9], exclusively in cases where this does not undermine social and environmental rights.

5.4. Regarding research and development, the EESC calls on the Commission to:

— maintain and deliver on the ambition to invest 3 % of the EU's GDP in R&D in order to close the gap with our main competitors such as the US and Japan,

— further build a Europe-wide market for venture capital that will improve funding for innovative, high-risk, high-potential projects,

— ensure that the first industrial application of publicly-funded R&D takes place inside the European Union,

— strengthen innovation systems in regions in the periphery or in those that are facing structural change.

5.5. To restore jobs, growth and confidence, more entrepreneurship is needed in the European Union. The EU should promote and finance education programmes designed to boost the creation of new businesses in the future. Education is the way forward and teaching entrepreneurship to younger generations could mean more businesses and a much more sustainable economic and social environment.

5.6. When looking to bolster innovation, Member States and the Commission must aim to recreate the environment of successful innovation clusters like Silicon Valley. Favourable regulation, tax incentives, a qualified workforce and easy access to finance will allow European innovators to remain in Europe and scale up their ideas.

5.7. The EU cannot maintain its lead in innovation without smart intellectual propriety policies. We need to make sure that European innovation and patents are well protected from hostile intentions and economic espionage. The implementation of the European Unitary Patent is thus a must!

5.8. Europe must not remain naive in the face of unfair competition. Protecting European consumers, businesses and the single market is key for our economy to thrive. Whoever wants to be a part of the single market should comply with these rules and respect them fully, including climate-neutral principles.

5.9. The EESC urges the Commission to speed up adoption of the White Paper on an Instrument on Foreign Subsidies, which will address distortive effects caused by foreign subsidies within the single market.

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(8) Regulation (EU) 2019/452, OJ L 79 I , 21.3.2019, p. 1.
(9) OJ C 288, 31.8.2017, p. 20.

5.10. The EESC has already called for 'a use-value oriented industrial policy for Europe, spatially adjusted according to local characteristics and promoting clusters and cooperation, whereby preserving variety matches scale benefits following the principles of industrial symbiosis and circular economy' ([10]).

5.11. The much-heralded reform of the competition framework is greatly needed. However, the EESC is disappointed that the overhaul of the EU's competition rules has been postponed until 2021. There is no room for political manoeuvres when designing the reform; the approach should be based on global developments and not only on the single market, as has been the case so far.

5.12. Moreover, cooperation and interaction between the various levels of local and national government and the European Union should increase. The EESC has repeatedly called for greater synergies, while 'communication and cooperation platforms should be promoted and should include all Member States. What works in one Member State may work in another, and what one Member State has researched can be used or enhanced by another. […] No Member State can play a prominent role on the world scene by itself' ([11]).

5.13. In order to deal with international differences in carbon prices, a number of measures need to be considered: the introduction of border adjustment measures, environmental standards that importers have to comply with, subsidies for low-carbon exports, use of trade defence instruments and steps to address carbon pricing differences in free trade agreements. The ultimate goal should be to set a global price for carbon.

5.14. Unleashing the power of the European capital markets is crucial. Completing the Capital Markets Union and creating the right market conditions for firms to finance themselves through the markets will allow our firms to have access to the right instruments to finance each stage of their development.

5.15. The EESC regrets the fact that the regional dimension of the twin transition has been largely overlooked in the communication. However, it welcomes the proposal (as part of the EU Recovery Plan) to strongly increase the resources for the Just Transition Fund from EUR 7,5 bn to EUR 40 bn. The EESC hopes that this will cover the needs of all regions faced with deep industrial transformation.

5.16. A better integration and coordination of the toolbox for industrial policy together with proper governance structures should ensure that Europe delivers on its ambitions of becoming a green, digital and circular economy, while at the same time increasing its strategic autonomy and economic resilience.

5.17. Intermediate structures such as SME networks, regional development agencies, clusters, industrial alliances and public-private partnerships must support and reinforce strategic value chains and bring together all dynamic forces (innovative SMEs, big companies, research institutes, social economy enterprises and public authorities) to strengthen economic ecosystems.

6. **Coronavirus**

6.1. The COVID-19 pandemic has created a massive economic recession (the ECB forecasts an economic contraction of 8,7 % for this year! ([12])) that, unlike other crises in the past, involves both supply and demand shocks. All means must be used to avoid the temporary loss of industrial production becoming a permanent one and/or a liquidity problem becoming a solvency crisis.

6.2. Therefore, the EESC welcomes the Commission proposal on a EU Recovery Plan (including the Next Generation EU recovery fund). Indeed this plan:

— will give a boost to the new industrial strategy through the doubling down of InvestEU, the creation of a Strategic Investment Facility and the new Solvency Support,

([10]) OJ C 97, 24.3.2020, p. 31.
([11]) OJ C 228, 5.7.2019, p. 67.
([12]) https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts/spring-2020-economic-forecast-deep-and-uneven-recession-uncertain-recovery_ro

— provides a truly European answer to the pandemic crisis that is ambitious and will have a significant macroeconomic impact. It will help avoid further destruction of capital (including human), restore confidence and generate important multiplier effects,

— contributes to avoiding an asymmetric recovery and strengthens internal cohesion and solidarity,

— substantially increases the resources of the Just Transition Fund,

— advances our shared societal and economic priorities: bringing industry back to normal, promoting public and private investments in the twin digital and green transition, developing common programmes for industrial reconstruction, supporting employment in future-oriented activities.

6.3. The EESC urges the institutions to achieve a swift agreement in order to start the implementation of the plan as soon as possible. The combination of the Green Deal, the Recovery Plan and the new industrial strategy provide a powerful and coherent toolbox for fighting the recession and preparing our common future.

6.4. With so many industrial sectors in lockdown, the EESC deems it is:

— urgent to map out how deep the impact of the COVID-19 crisis is on industrial sectors and value chains in order to identify and address the specific needs of each sector with a view to restoring production/employment,

— necessary to (re-)build integrated industrial value chains inside the EU in order to boost Europe's strategic autonomy and economic resilience; reshoring of strategic activities must be supported and security of supply must be guaranteed in sectors such as energy, healthcare and active pharmaceutical ingredients.

6.5. It is very clear that the European Union must show its strength and power in these difficult times. The EESC signals that the only possibility for Member States to overcome this crisis is by acting in a coordinated manner, leaving no one behind. There is no room for populist ideas and national planning. Solidarity, cooperation and respect for one another are essential for a speedy recovery, which, if it is to be sustainable, must learn all the lessons to be drawn from the past lack of respect for ecosystems.

6.6. The relaxation of fiscal rules will only support productive investment if one of the goals is upward convergence of the lower-income Member States. It is time to propose concrete measures to prove that European solidarity actually exists in deeds and not just in words.

6.7. SMEs will probably be the hardest hit by this crisis, as they are usually dependent on large companies and lack liquidity. Finding the right tool to support all Europe's SMEs is of paramount importance and the EESC endorses the intention to help SMEs scale up and attract a qualified workforce e.g. through the introduction of stock options for employees ([13]).

6.8. Key industries and sectors must be identified and supported, from human resources to research, resulting in a European industrial policy that protects these strategic sectors from the market and ensures security of supply of key elements, such as respirators, masks and other things. This must mean supporting corporations which relocate production capacity to Europe, allowing the EU to regain control over production and ensuring autonomy vis-à-vis the world market, always in line with a just ecological transition. The EU's growing dependency on imports of medicines and active pharmaceutical ingredients may pose systemic problems by creating medicine shortages and health risks. This poses serious concerns to the UE's strategic autonomy.

Brussels, 16 July 2020.

The President
of the European Economic and Social Committee
Luca JAHIER

([13]) COM/2020/103 final.