

Joint statement by

France, Austria, Croatia, Czech Republic, Estonia, Finland, Germany, Greece, Hungary, Italy, Latvia, Luxembourg, Malta, Netherlands, Poland, Romania, Slovakia, Spain

Industry is a key driver for growth. It forms the backbone of the European economy and its long-term competitiveness. It employs around 32 million people in Europe and an additional 30 million in industry-related sectors.

Our industry is facing increasing fierce competition from other major economic blocks, which are developing their own proactive industrial strategies. Global trade environment is currently undergoing important trouble and European industry tends to suffer from increasingly protectionist trade measures from third countries.

European industry is, in fact, at a crossroads. We must act quickly to maintain its competitiveness, while taking into account the energy transition to a safe, sustainable and low-carbon and circular economy and the digital transformation of the industry.

1/ We call for a new political impetus in favour of industry at European level to face these challenges

As stated in the Competitiveness Council Conclusions adopted under the Austrian Presidency, the European Union (EU) must adopt a comprehensive vision for its industrial policy, in order to strengthen its strategic autonomy and meet the major challenges ahead, such as the transition to a digital and safe, sustainable, low-carbon and circular economy in accordance with the Paris Agreement under the United Nations Framework Convention on Climate Change, strategic access to raw materials as well as feedstocks, and affordable energy prices.

The industrial strategy should take into account the need for reindustrialisation and the differences in the industrial base development among Member States. It should therefore offer instruments tailored to the needs of industries and regions concerned, thus improving the competitiveness of the entire Union.

Identifying the strategic value chains of the EU is an important first step towards the setting of conditions favourable to innovation, investment and to the development of a European industrial leadership among the global value chains.

2/ Our ambition for an assertive industrial policy is articulated around four objectives

- ***Objective 1:*** Obtain that the new European Commission, as soon as it is in place, propose an ambitious and comprehensive industrial strategy based on priority objectives to be reached by 2030 as a part of EU long-term strategy. Such strategy shall mobilise all European policies and all departments of the European Commission in order to contribute to reducing the regulatory burden on European industry, in particular for SMEs and small mid-caps, and

improving its competitiveness. **Such industrial strategy should include an indicator-based monitoring mechanism.**

- **Objective 2: Identify by early 2019 European strategic value chains**, within the work of the Strategic Forum for Important Projects of Common European Interest, prioritizing those most directly linked to improving global productivity, fighting climate change, and enhancing technological development including : electric batteries, connected and autonomous vehicles, semiconductors, cyber security, supercomputers, robotics, low carbon steel-making, low carbon industrial processes, net zero energy building renovation and construction, maritime industry and space.

- **Objective 3: Mobilise all European policies** contributing to industrial competitiveness, and develop **dedicated action plans on each of the identified strategic value chains**. Such action plans, which could be designed as industrial programmes (such as the European Defence Industrial Development Programme or the draft of the Digital Europe Programme), should incorporate :
 - **policies** in the areas of competition, research and innovation, digital, defence, the Single Market, the elaboration as well as the promotion of European norms and standards, regional development, international trade, energy and sustainable development, taxation and skills ;
 - **financial tools and provisions** such as the next Multiannual Financial Framework, particularly the financing of R&D&I, Important Project of Common European Interest (IPCEIs) framework, InvestEU programme, structural funds ;

- **Objective 4: Strengthen the horizontal role of the Competitiveness Council to make it a truly transversal body dedicated to steering European policies contributing to industry**, by mainstreaming industrial competitiveness across all Council formations. Such reinforcement of the governance should be achieved by defining precise competences for this Council and by setting up an appropriate preparation process, involving the High Level Group for Competitiveness and Growth.

3/ We are committed to contributing to concrete proposals for the future European Commission to achieve these strategic objectives

Our proposals will deal in particular with the following topics:

- **Competition and state aid** : identification of possible evolutions of the European rules applicable to competition and state aid :
 - i. review the state aid framework to better integrate market failures and generate positive externalities (innovation, environment) to promote the competitiveness of European industry at international level ;
 - ii. adapt the IPCEI framework to industrial reality, for example by a/ specifying in the ICPEI guidelines the eligibility of costs corresponding to the first industrial deployment phase ;
b/ simplifying and accelerating authorisation procedures ;

- **Competition and antitrust** : identification of possible evolutions of the antitrust rules to better take into account international markets and competition in merger analysis ;

- **Disruptive innovation** : within the framework of the European Innovation Council, elaborate proposals on the financing and the governance of projects at European level in articulation with the initiatives carried out at national level in all industrial sectors ;

- **Electric vehicle:** review the conditions for the development of the European added-value within the global electric vehicle market ;
- **Artificial Intelligence:** strengthen European R&D&I in this field, in order to face accelerated competition on global market ;
- **Key technologies:** integrate within the industrial strategy, additionally to the strategic value chains approach, a strong key enabling technologies dimension, as they are “game changers” with large impacts on industrial processes and consumer behaviour.

Annex : main industrial issues of European policies

a) The European Union must develop its capacity to foster research, development and innovation within the context of the next Multiannual Financial Framework

In the context of accelerated competition, particularly from Asia and the United States, the next European budget should be geared towards an overall objective of strengthening the competitiveness of its industry. Innovation must be a clear priority of the EU's new financial framework, with a European budget for R&D&I and a focus on breakthrough innovation, through an initiative to support Deep Tech projects, which will provide European value chains with competitive advantages.

- Implement the European Innovation Council, in application of the European Council's conclusions of 28 June 2018. It should provide European support for disruptive innovation, through proactive and agile project selection and management methods in a "project portfolio" approach, such as artificial intelligence (AI), cybersecurity, batteries, microelectronics, distributed ledger technologies and industry 4.0. These principles will have to be tested in 2019 as part of the pilot project that has been set up.
- Include a strong industrial dimension in the Horizon Europe programme by focusing financing on industrial deployments, industrial sustainability, and Key Enabling Technologies.
- Support the growth of startups and improve SMEs' access to the Horizon Europe Programme and to all European innovation programmes by earmarking funds towards SMEs simplifying the operating rules for European calls for projects and strengthening local support for SMEs through European networks.
- Ensure reciprocity in access to foreign public research programmes, in order to allow European companies' access to these programmes, in the same way as European R&D&I funding programmes allow access to non-European actors.
- Maintain support of the European Regional Development Fund, the Cohesion Fund and the European Social Fund+ to all types of entrepreneurs and to areas such as innovation, data infrastructure, connectivity, industrial transformation, transition to clean energy, climate action, green jobs and digital skills. In this context, the concept of smart specialization strategies should be further implemented.

b) Competition policy must foster the emergence of strategic value chains.

The European Union must build a European industrial policy that encourages the creation of major economic players capable of facing global competition on equal terms while protecting European consumers. While the major powers do not hesitate to defend their national champions, Europe must take account, in its competition policy, the evolution of the global competitive environment in terms of investment, trade and industry.

- Facilitate the financing of value chains identified by the Strategic Forum for Important Projects of Common European Interest by reforming, as of 2020, the implementation of important projects of

common European interest (IPCEIs) which is a useful instrument to support industrial value chains and strengthen the EU strategic autonomy. To that end the existing IPCEI framework may be examined with a view to increasing the efficiency of proceedings, especially with regards to co-financing from EU instruments, approval time frames, notification procedures, notification provisions for benchmark amounts.

- The opportunity to carry out IPCEIs in the following areas should be examined: efficient, connected and safe mobility, electric equipment, low carbon steel-making, low carbon industrial processes, net zero energy building renovation and construction, mechanicals and mecatronics, microelectronics, sustainable hydrogen, bio-based industry, additive manufacturing, building renovation for energy performance improvements, sustainable and renewable energy production and storage, space industry, maritime industry, healthcare, data economy and cyber security.
- Carry out by the first half of 2020 a comparative assessment of competition policies and State aids control mechanisms of third countries with a view to:
 - i. Explore the adaptations to be made to European competition policy so that it allows European players of international scale to emerge;
 - ii. Strengthen rules in free trade agreements with the aim to limit subsidies and anti-competitive practices by third countries, which can be harmful to European companies.

c) The European Union must adapt its trade policy to defend its strategic autonomy

The European Union must continue to defend a rule-based, open and mutually beneficial trade, while strengthening tools at its disposal to ensure a level playing field between European companies and their competitors from third countries and to protect its strategic industries.

- Support the modernization of the WTO, to strengthen the rules-based multilateral trading system, and improve transparency, predictability and stability in trade relations while combating distorting trade practices and taking into account the legitimate needs of developing countries, in particular least developed countries;
- Step up its efforts to strengthen the implementation of the trade rules negotiated by the European Union and the level playing field in trade relations, and promote benefits stemming from free trade agreements for European companies by domestic measures;
- Obtain the adoption by the Council and the European Parliament by mid-2019 of the proposed regulation to better monitor foreign direct investment in Europe for reasons of security and public order;
- Further examine the legislative proposal in the field of public procurement, in accordance with the conclusions of the European Council of 22 March 2018.

d) The European Union must adapt its energy policy to support the transition of industry towards a safe, sustainable, energy efficient and low-carbon economy

The European Union is at the forefront of the regulation in matter of energy and climate which has an important impact on European industry. In parallel, European industry plays a key role in the energy transition. The energy transition towards a safe, sustainable, energy efficient and low-carbon economy is both a challenge and an opportunity for the future competitiveness and innovativeness of Europe. Europe should use the energy transition as a lever of industrial performance.

- Develop by the first half of 2019 an action plan to support energy-intensive industries with a view to ensuring their transition towards a safe, sustainable and low-carbon economy and their positioning within a global competitive context, while providing a level playing field for energy prices and ensuring the necessary coordination of national energy policies.
- Scale up research and innovation efforts into new technologies significant for reducing emissions from industrial processes such as cement and steel, including carbon capture, utilisation and storage as well as new sustainable alternative materials.
- Examine the economic feasibility of different carbon inclusion mechanisms which are aiming at establishing a level playing field at global scale in terms of costs and regulatory constraints related to carbon emissions ;
- Elaborate state aid guidelines allowing a sufficient compensation at national level of indirect costs related to the EU emission trading system. Taking into account that the European legislator requested Member States to adopt such measures in order to avoid carbon leakage, it is also important to examine, under a possible review as foreseen in the ETS directive, the opportunity to further harmonise national regimes for compensating indirect costs in order to avoid distortions of competition within the European market. Furthermore, sudden increases of cost of economic activity, as well as mechanisms preventing excessive fluctuations of the prices of ETS allowances should be explored;
- Support the provisions facilitating the conclusion of long-term contracts between producers and industrial consumers of electricity in the context of the negotiations on the draft electricity regulation of the Clean Energy Package, with a view to ensuring competitive and predictable access to electricity for industry.

e) The European Union must speed up the development of a European digital offer and its appropriation by businesses, in particular SMEs.

The European Union must ensure its technological autonomy by supporting the development of a digital offer and create global reference players. At the same time, it must accompany the digital transformation of industrial production methods, targeting in particular SMEs, via a financing programme dedicated to their digital transformation.

- Implement swiftly the European strategy on artificial intelligence, which will have to be coordinated with national strategies and provide for:
 - i. Significant investments, including Horizon Europe and Digital Europe ;
 - ii. An open public and private data policy that promotes innovation.
- Steer the Digital Europe programme, in particular with regard to the framework of Horizon Europe, so that it gives priority to supporting the acquisition of solutions developed by European industries, such as supercomputers and robotics.
- Make the digital transformation of SMEs a priority objective of the post-2020 European financing programmes (cohesion policy funds, COSME, Horizon Europe, Invest EU, Digital Europe).

- Support state aid exemptions for the digitalisation of SMEs during the revision of the General Block Exemption Regulation in compliance with state aid rules.

f) The European dimension of policies to develop the skills needed by the industry of the future must be strengthened.

Europe has a skilled workforce which is a competitive advantage over other global economic areas. Today, it is confronted with the dual challenge of keeping its talents on its territory and maintaining a level of skills adapted to the evolution of the European industry with the emergence of AI and new emerging technologies. In this context, the European approach for skills must be strengthened.

- Advocate stronger for the use of the European Social Fund as a source of finance for the development of digital skills.
- Strengthen the Erasmus programme and, within it, the apprenticeship component.
- Foster lifelong learning by developing measures for improvement of further training along the lifecycle in cooperation with the private sector, the qualification of professors and teaching personnel as well as the equipment of vocational schools.

g) The focus on SMEs must be reinforced through a dedicated European SME policy agenda including measures such as :

- Facilitating the participation of SME in global markets and global value chains.
- Promoting the growth of SMEs to increase significantly the number of small mid-caps in Europe.
- Reviewing and improving the regulatory aspects regarding SMEs, evaluating the impact of European and national regulations, and deepening the knowledge of foreign regulatory frameworks.
- Taking actions to guarantee appropriate information and easy access to finance for SMEs.
- Developing a European SME internationalisation policy coordinated with the Member States in order to increase the SME export capacity and the number of exporting SMEs.
