

# Joint Warsaw Declaration by

Austria, Croatia, Czech Republic, France, Germany, Hungary, Italy, Latvia, Lithuania, Luxembourg, Malta, Poland, Portugal, Romania, Slovenia, Spain

on the occasion of

## 4<sup>th</sup> Ministerial Conference of Friends of Industry Warsaw, 22 April 2016

In the light of the previous European Ministerial Conferences of Friends of Industry, which were a manifestation of support to rebuilding a strong industrial base in Europe, we continue drawing the attention of Member States and the EU institutions, including the Council, the European Commission and the European Parliament, on necessary policy changes to strengthen the competitiveness of European industry. We also have in mind contemporary challenges connected with innovations through digitalization leading to changes of industrial production chains and business models.

Reindustrialization of Europe has been identified as a priority for the EC President J. C. Juncker, with the objective of increasing the share of industry in European GDP to 20 percent by 2020. We encourage the current Commission to further develop its approach of including the competitiveness of industry in other EU policies. In this respect, an analysis of the consequences of the proposed legislative initiatives concerning energy, environmental and climate requirements for the industrial competitiveness, particularly of energy intensive sectors would be welcomed.

We stress again that the situation among sectors in the EU is diverse, which leads to the conclusion that general horizontal solutions alone do not always fit for all specific sectors, as well. For example, it is hardly possible to adopt a uniform approach to energy- or resource-intensive industries, because of the very nature of the production processes in these sectors, as confronted with other industries, which has to be taken into account for example when reforming the EU Emissions Trading Scheme (ETS).

The recommended course of action is a hybrid approach. This means a combination of horizontal policies affecting the efficiency of functioning of all or most of the sectors and at the same time the inclusion of specific policies for selected sectors of industry and branches of economy. In addition, it is advisable that the Commission publishes a Communication dedicated specifically to the industry, that assesses the current situation of European industry as a whole, a Communication that explains the measures put in place from 2014 up to now. This Communication should have an Action Plan to tackle the challenges that the industrial sectors are facing. Only such a comprehensive approach can lead to the strengthening of the production base of the EU economy.

We believe that State-of-the-art EU industrial policy should take into account the differences in the industrial base in Member States and offer instruments tailored to the needs of industries and regions concerned thus improving the competitiveness of the entire Union. It should be, furthermore, in line with contemporary developments of industrial organization (e.g. off- and next-shoring, outsourcing, servitisation). In addition, its objectives should be of equal standing with the objectives of consumer protection, social issues, environment and climate change and energy policy. In particular, technological viability of emission reduction goals must be provided in order to avoid carbon and investment leakages. We also have to make sure that all policies and regulations contribute to promoting or supporting innovations.

During our discussion the following groups of problems of particular concern were identified. First, over-regulation in some sectors, including automotive, cosmetics, chemical, pharmaceutical sectors, reduces their ability to compete globally. Second, the energy costs for energy-intensive industries (including the chemical and steel industry) significantly inhibit new investments and weaken their external competitiveness. And third, issues related to current EU trade policy, i.e. need for quicker and more effective use of the trade defense instruments against unfair trade practices (especially in steel, chemicals, construction materials, paper, cement, wood, automobile, textile industries). Despite the fact that

Cumulative Cost Assessments have been made for some sectors, special groups are established and we have the whole architecture of instruments our industry is still losing its competitiveness. **Therefore we recommend the Commission to carry out a deepened analysis of a few sectors, going beyond the CCA: besides steel and automotive, to focus for example on chemicals, railway, cement, renewable energies (offshore wind), pharmaceuticals in order to indentify the difficulties they are facing and to consider all relevant instruments to increase their competitiveness**, including simplification or removal of regulations.

It is worth stressing that a functioning internal market is a prerequisite for competitive industry and its further development. Servitisation of industry allows business to conduct more efficiently R&D programmes and distribute their products within EU. Therefore Member States have welcomed the Single Market Strategy. We are looking forward to its smooth implementation.

Taking into account that the fourth industrial revolution is going to completely transform the manufacturing sector we highlight the need for rapid and effective action to meet coming challenges. The top priority for the European digital single market should be the development of a strong industrial base, ICTs standards, data storage and high-speed broadband infrastructure, along with cybersecurity, data protection and trusted IT services.

To tackle necessary adaptations, specific “socio-educational revolution” shall be implemented. It should allow employees to acquire new skills and demonstrate its usefulness in new jobs. A skilled workforce will become crucial for the progress of digitisation of the industry. Wider introduction of ICT into education programs will be necessary as well as development of vocational education matched to market needs. This also refers to complementary education for adult workers. While possessing basic skills they should be in a situation to take advantage of modern ICT solutions on their posts.

We welcome the „Digitising European Industry” initiative launched by the Commission. **In order to stimulate the digitalisation of the European industry we propose the following actions:**

- European legal framework should be based on European or international standards and avoid de facto standards forced by extra-European companies. It should support European initiatives of industry to represent European interest in international standardisation;
- creation of an European forum to share information about best practices on national initiatives on the topic of digitalisation of industry;
- Key Enabling Technologies and skills must be developed and promoted in Europe.
- data storage and processing technologies and capabilities should be strengthened on EU territory to ensure an ambitious view of cybersecurity, data protection and trusted IT services;
- the European investment plan should support this transformation, in particular through helping medium sized companies to overcome financial obstacles and foster investment in digitisation of business process. It should provide clarity and ease of access to instruments available on the EU level. It should also support the development of production lines in key technologies such as advanced manufacturing;
- support for creation of innovation hubs throughout the EU must be ensured, in order to strengthen the innovation ecosystem.

To sum up it is essential to underline an urgent need to ensure that all EU regulations are transparent, simple and achieved at minimum cost, while fostering competitiveness, growth and jobs. To this end it is necessary to promote the most efficient regulatory and non-regulatory tools, such as harmonization and mutual recognition, to avoid business having to face the costs of the existence of 28 national markets.