



## Position Paper

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### EUROCHAMBRES' Recommendations for the new Industrial Strategy for Europe

**In the European Union, the manufacturing sector is made up of more than 2 million companies with more than 30 million direct employees and another 20 million employees benefitting indirectly. The large majority of these companies are SMEs. Industry is at the centre of European wealth, global competitiveness, innovation capacity and productivity. In light of the current economic, social and environmental challenges, EUROCHAMBRES, the Association of European Chambers of Commerce and Industry call for political and economic solutions for the European industry.**

Climate change, digitalisation, skills shortage, global competition and other issues need to be addressed. In its conclusions adopted in March 2019, the European Council called on the Commission to come forward with an Industrial Strategy by the end of 2019, which was echoed by the Competition Council in late May 2019. The new Commission under President Ursula von der Leyen has announced to adopt a comprehensive strategy for the European Industry in March 2020.

In EUROCHAMBRES' point of view, European industrial policy, while carefully considering the constraints related to the decarbonisation process, should aim to reduce barriers in the single market, support the building of necessary infrastructure, strive to create open markets worldwide and promote innovation and excellence in research. Where useful and taking into account the subsidiarity principle, cross-border cooperation and coordination between member states must be facilitated and encouraged.

The strategy will have large impacts on SMEs as well, especially in the manufacturing sectors, which is why its design is equally important to support and effectively integrate them into value chains and innovation processes. In order to ensure coherence and clarity, it will be important to align the Industrial Strategy with the Green Deal and the SME Strategy.

Building on the priorities EUROCHAMBRES President Christoph Leitl announced for his [new mandate in October 2019](#), the European Chambers of Commerce and Industry have elaborated a number of recommendations in order to contribute to a globally competitive European industry.

#### **1. Free and fair trade in a developed single market, but with extending international trade agreements to all parts of the globe.**

##### **Single market**

##### ***Reduce bureaucratic burden***

The aim should be to support companies, reduce bureaucratic requirements and reduce discrimination and restrictions on the free movement of goods and services. With regard to goods, it is important that technical standards are harmonised as far as possible across the EU where this is not yet the case. In addition, administrative procedures should be digitalised and existing legislation better implemented, applied consistently

and effectively enforced in order to ensure a level playing field for all European companies. 91.2% of companies replying to the [EUROCHAMBRES Business Survey on Single Market Barriers](#) are in favour of measures aimed at cutting red tape e.g. extensive reporting, information or documentation obligations.

The effects of regulations on innovation and competitiveness and alternative regulation options need to be examined. Information, reporting and documentation obligations need to be limited to what is necessary with regards to the objective. The entire regulatory environment for companies in industry, particularly for SMEs along the industrial supply chains, can thereby be simplified, more practical and more transparent. The Better Regulation agenda with its instruments, such as the REFIT platform, needs to be continued.

### ***Improve implementation & enhance enforcement of EU legislation***

The implementation, application and enforcement of the existing rules should be considered as a key priority and take centre-stage at EU level in order to foster trust among business in the different member states. According to the [EUROCHAMBRES Business Survey on Single Market Barriers](#) 83% of the surveyed enterprises ask for an improved implementation of EU law, among others via more cooperation between Member States and EU Commission on enforcement. 60.8% would support a training and cooperation mechanism for public authorities.

Legal protection must be improved in case of violations of EU law. Administrative bodies and courts must be trained in EU law and independent from protectionist policy developments. Administrative and court proceedings must be fast and (cost-)efficient.

### ***Ensure fair competition***

Competition policy and state aid law do not aim to compensate for the lack of regulation, but to ensure fair competition and prevent distortions of competition. In addition to the EU internal market, changes in global competition must also be taken into account. In order for European companies to survive in the global market, it is necessary to review the previous rules of competition law and to orient them towards equal and fair competitive conditions in the global market. It is always important to protect competition - not individual competitors.

### ***Optimise potential of cross-border initiatives***

Measures to strengthen cross-state value chains such as securing access to critical raw materials, extensive support for innovation and research, developing the necessary specialist potential and removing regulatory hurdles are welcome. Further measures, such as a market intervention by subsidising the construction of factories, should only be used in well-grounded exceptional cases. It has to be clear from the start in what way such initiatives remedy a shortfall of private investment or failure of private sector engagement.

If several EU member states opt for a vertical industrial policy and specifically for the promotion of individual "strategic value chains", coordination at EU level and cross-border pooling of resources are preferable to redundant funding projects in several individual member states. In particular, these initiatives should enable the support for technologies at the critical stage from lab to commercialisation as well as mapping and developing the specific skills needed along the value chain. The Commission shall support and provide advisory for SMEs to enable them to redefine their value chain positioning, absorb advanced technologies and master innovation management.

The instrument of the "Important Projects of Common European Interest (IPCEI)" can bundle and tighten the approval procedures for subsidies planned by member states. For IPCEIs, however, this will require faster and more efficient procedures and therefore tighter approval procedures.

## **External Action**

In line with EUROCHAMBRES' international priorities for the new geopolitical Commission, the EU should centre its focus on the 4 main themes of action: maintaining an open, fair and predictable environment for EU companies abroad, standing up for multilateralism and ambitious WTO reform, pushing for a European way to globalization, and strengthening the European brand on the global stage.

Central to this must be an ambitious EU trade and investment agenda and an effective European Economic Diplomacy with the EU's main partners that delivers for all, especially for Europe's SMEs. Next to a focus on the ratification and implementation of concluded agreements and a continued expansion of our web of trade agreements across the world's key growth centres is also the need for a comprehensive strategy for Africa and in achieving ambitious deep and flexible economic partnership with the United Kingdom. With regards to the WTO it is important to strive for a comprehensive reform in order to make the rules fit for the needs of business in the 21<sup>st</sup> century. Electronic commerce or reigning in the negative and competitive distorting impacts of subsidies are cases in point. Finally, it is important that the WTO continues to work on an agenda for SMEs in order to boost their participation in international trade.

For the future, external agreements should continue to be based on free and fair trade and conditions of reciprocity with our commercial partners, while maintaining the global competitiveness of EU companies in view of the strong requirements induced by the green deal. Keeping a well-balanced level playing field is of utmost importance by avoiding dumping and harmful distortions of competition that could jeopardize many industrial sectors in Europe.

## **2. A better regulatory framework with less bureaucracy, access to skilled staff and help in digital transformation.**

### **Digitalisation**

#### ***Making Europe a world leader in digitalisation***

European companies are world leading in a number of areas, such as manufacturing, automotive, aeronautics, logistics, health care or energy. In many of these, already today, digitalisation and new technologies, such as artificial intelligence are driving the development of new products and applications. Whereas European companies are less present in digital consumer platforms, they managed to maintain a lead in these industries. Based on their success, Europe can develop into the world leader for industrial digital applications. This requires an enabling and innovation friendly legal framework that supports the creation of corresponding clusters and encourages SMEs to pick these new technologies up for example through digital innovation hubs. EUROCHAMBRES actively participate in shaping and implementing the European Data Strategy.

#### ***Ensure an adequate infrastructure***

An innovative industry that expands its products with digital services requires a powerful digital infrastructure, both fixed and mobile networks. It is important that the policies, measures, regulation, frequency policy and financial support are consistently geared towards the Union-wide coverage of fibre optic and high-performance mobile communications infrastructures. In particular, the different starting points among EU member states have to be taken into consideration, as for some of them this will require a more substantial infrastructure upgrade than for others. Failure to do so will result in disparities among members states and undermine the functionality of 5G networks across the EU. Harmonisation processes for a rapid implementation of the 5G standard should be vigorously pursued and research in the field of mobile communications should be given greater support.

#### ***Ensure digital security***

An overall strategy is required that involves politics, manufacturers, IT security providers and users. "Security by design" should be a mandatory part of the standardization processes for tools, production or software components. Common standardization activities as well as a continuous monitoring system must be pursued with more emphasis by politicians and industry for secure IT-based products. The funding of research projects should be promoted at the European level and designed to be application-oriented, so that rapid diffusion in standardization committees is ensured in this fast-moving environment.

#### ***Take due account of concerns related to open data***

Chambers fully recognise the potential of using open data to innovate, nonetheless we signal a growing concern for the privacy and safety of SMEs where data of companies and company ownership is concerned. Given potentially unintended consequences for the privacy of entrepreneurs, administrators and managers, EUROCHAMBRES emphasize that for the usage in artificial intelligence and big data applications, datasets must fully comply with the GDPR and PSI Directive.

#### ***Clarify usage of data***

The economy as a whole needs a reliable framework for the basis on which data generated and contributed to can be used. Especially with machine-generated data, there are inevitable asymmetrical market positions of large companies and SMEs. In order not to prevent developments that are more open to the future, a data access regime that enables smaller companies to participate in the data economy may be necessary. In addition, it must be clarified how machine-generated data is shared on platforms with several participants, if these are perhaps in direct competition. It is important that the incentive for companies to generate data themselves and to use them for innovations in products, processes and business models is retained. These efforts must also be coordinated with the competent authorities in charge of intellectual property, trademarks, copyrights and patents, as these areas may be impacted as well.

#### ***Guarantee access for all market participants***

Initiatives for the improved provision of open data, for example from public administration or earth observation, as well as the establishment of appropriate cloud and data infrastructures for secure, trustworthy exchange, sharing and pooling point in the right direction, but must be designed to be compatible with the needs of SMEs.

European cloud and security infrastructure must be accessible also for SMEs in order for them to develop digital solutions and services. With a view to the hardware required for AI applications, new, specialized computing platforms should be taken into account and the relevant competencies developed and expanded. Building an efficient ecosystem in the area of high performance computing is an important step.

### ***Support the industry to enhance their digital capacities***

The industry should be supported in the adaptation of digital technologies, for example by setting up or appropriately aligning and equipping test fields and real laboratories where relevant and beneficial for the overall economic development. The aim is to build on existing structures and, for example, equip the digital innovation hubs with AI trainers for SMEs. For Europe to play a leading role in the field of AI, technology transfer should be improved through the networking between business and science with the help of regional clusters and hubs of research institutions, universities, chambers and local entrepreneurship.

## **Skills**

### ***Guarantee skilled labour force***

The Europe-wide strengthening of company / dual training models is a right and necessary step and should continue to be driven by the EU and also promoted by the European Social Fund. This makes it easier to hire well-trained professionals with comparable vocational qualifications across the EU. In addition, youth unemployment, which is still high in the EU, is being tackled effectively and sustainably. In order to strengthen the professional orientation and the imparting of competences necessary for future jobs, practical teacher training and further education, a stronger focus on mathematics, natural sciences, basic economic education and a closer exchange with the economy in general are necessary. The role of Chambers of Commerce and Industry is crucial in adapting these efforts to the corresponding national systems and in assisting businesses in planning and monitoring their needs.

## **Innovation**

### ***Increase output of marketable products and services***

In contrast to basic research, the EU is lagging behind other regions in transforming research results into marketable products. The "Accelerator" funding instrument in the European Innovation Council should serve as a model. It brings together scarce financial resources to promote the best innovations in the EU to market maturity and the accelerated growth of companies in the internal market instead of promoting the best national solution in 27 Member States. The innovative strength of SMEs can be consolidated if the EU innovation funding is also designed to be SME-friendly. These include open-ended tenders, low-bureaucratic applications, two-stage selection procedures to reduce the high oversubscription and short deadlines from the application to the funding notification. An emphasis on the marketability of innovative solutions that result directly from EU-funded projects must also be given.

### ***Ensure adequate funding of innovation***

The important role of the manufacturing sector and its contribution to productivity growth through innovation has to be duly reflected in the post 2020 Multiannual Financial Framework. In particular the transition towards a more sustainable economy needs adequate funding. Especially the sufficient funding of Horizon Europe's second pillar "Global Challenges and Industrial Competitiveness" must therefore be a priority for the European Commission. Sufficient funding to raise innovations to the level of final products has to be ensured.

### ***Apply a wide definition of innovation***

Support for companies, especially SMEs along industrial value chains, is essential to cope with future economic and social changes: climate change and energy transition, digitalisation, skills, transition to a low-carbon, circular economy among others. This requires a wide definition of the notion of innovation, that cannot be reduced to technology, but rather include all types of innovation, reflecting the fact that small existing companies are not necessarily innovative start-ups. More "traditional" SMEs still need to be supported in embracing change, mainly in terms of management.

### ***Boost European innovations by realising the Unitary Patent***

In terms of industrial property, we call for the rapid implementation of the European Unitary Patent, theoretically applicable since 01/01/2014, and which has still not seen the light of day. Adding to legal certainty and administrative simplification, the Unitary Patent would make it possible, at a reasonable cost for SMEs, to develop and protect their know-how at European and international level. The challenge is also to boost European

innovations, the exploitation of which is hampered by the current complex and very expensive European patent system.

### **3. Europe as an innovative pioneer in addressing climate and environment challenges and a leader in implementing circular economy.**

#### ***Ensure achievements of “Clean energies for all Europeans” Package objectives***

In order to drive the decarbonisation of industry an ambitious implementation of the provisions of the “Clean energy for all Europeans” Package has to be a top priority, rather than a renewed debate about objectives and targets. It must be ensured that renewable energy is supplied at globally competitive costs, including production, storage and infrastructure, by coherent and market-based incentives and by negotiating and implementing international energy supply strategies and partnerships. This includes the removal of obstacles preventing many industrial companies from access to renewable energy.

A special focus must be put on energy efficiency. Improving energy efficiency is one of the key environmental and energy policy challenges. Industry can contribute towards reaching goals but also with the development of new technologies. Any future discussion about adapting the target must be done with moderation and a sense of proportion.

#### ***Ensure fit-for-purpose infrastructure and legislation***

The energy system of the future, allowing for a decarbonised industrial production in Europe needs an enabling, fit-for-purpose infrastructure and must start with mapping the key needs for electricity, gas, hydrogen and CO<sub>2</sub> and the revision of TEN-E and TEN-T instruments. Both the EU gas package as well as the sector integration strategy have to set incentives for a cost-efficient gas supply and the effective utilisation of green gases for industrial processes, including an EU-wide strategic approach on green and blue hydrogen and other low-carbon technologies. In addition, and in line with all scenarios of the “Clean Planet for All”-vision of the Commission, standards and principles for the implementation of carbon capture, utilisation and storage technologies have to be developed.

#### ***Ensure a fully functioning market for secondary raw materials & access to critical raw materials***

Important barriers to the cross-border trade of secondary raw materials still persist. Yet, a functioning single market for recycled material and refurbished, remanufactured and repaired goods is a key element of sustainable industrial value chains. The Commission shall continue to work on quality standards for secondary raw materials in order to enable their large scale uptake. It will be equally important to ensure trust along the entire supply chain. Data protection, liability and due diligence duties must be clear and transparent from the beginning.

In addition to ensuring a full-fledged market for secondary raw materials it is essential to guarantee a sustainable access to critical raw materials for European industries including support for the materials recovery and recycling sector. This is not only crucial for industrial manufacturing but also for the renewables sector and low carbon mobility. Compliance with the Paris Agreement will see a strong rise in demand for critical raw materials.

#### ***Ensure an enabling financial framework for the sustainable transition***

Modernisation and decarbonisation of the European economy needs substantial additional investment. Private investment has to be incentivised and technology-neutral, equal access to finance has to be ensured. Otherwise there is a risk that sectors in transition face increasingly unfavourable financing conditions. Chambers underline their support for an enabling financial framework as opposed to a penalising one. In addition, we underline that especially for SMEs the additional administrative burden must be kept at a minimum and that proportionality of measures is ensured. It is paramount that businesses from all different manufacturing sectors have to be well represented in the platform elaborating the technical criteria of the Sustainable Finance Taxonomy.

#### ***Ensure an effective carbon leakage protection***

Protection against carbon leakage must remain a central pillar of European climate policy. Despite the Paris Agreement, Europe's competitors rarely implement similarly ambitious climate protection policies. Consequently, the significance of effective carbon leakage protection for companies, is expected to increase in the light of continuously ambitious targets and policies in Europe. Carbon leakage prevention mechanisms in the EU emission trading system need to be maintained and potentially even strengthened, including compensation schemes. The revision of the guidelines on state aid for environmental protection and energy should also aim at strengthening the competitiveness of European companies, in particular the energy-intensive industry.

### **Ensure effective usage of ETS revenues**

ETS revenues should be earmarked to be invested into industries and technologies that contribute to the decarbonisation goal by transforming their business, especially the ETS sectors themselves. The enormous amounts spent on greenhouse gas allowance could thus be channelled to an effective use and support industries in transition and breakthrough technologies. By doing so, Europe will be able to play a strong role as driver of global innovation in decarbonisation technologies.

### **Ensure effective global carbon pricing**

Different carbon pricing methods including carbon taxes are currently being deployed across the EU member states. EUROCHAMBRES are committed to the market based instrument that is the ETS as cornerstone of industrial decarbonisation and regard a hybrid between a volume-based and price-regulated system very sceptically. The EU should strive to establish a global CO2 market to avoid any competitive disadvantage for European companies. Article 6 of the Paris Agreement should therefore be operationalised as soon as possible. A system of carbon border adjustment has to be very carefully analysed and designed in order not to degenerate into a protectionist measure.

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*EUROCHAMBRES – The Association of European Chambers of Commerce and Industry represents over 20 million enterprises in Europe – 93% of which are SMEs – through 45 members in 43 countries and a European network of 1700 regional and local Chambers.*

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