

A RENEWED STRATEGY FOR EUROPE: An Industry Action Plan for the EU

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Introduction

EPC Task Force

- Pan-European project (2018-19)

- Issues:
 - Drivers for industrial transformation + innovative responses
 - European vision + common objectives
 - Added value of coordinated action
 - Strategy with concrete measures
 - Carrots + sticks

- Multi-stakeholder: businesses, NGOs, foundations, regional and member state representations, representatives of EU institutions

- Publication: An Industry Action Plan for the EU



A new EU strategy expected by next Commission

- Current EU approach, not enough: EU's new "Industrial Policy Strategy" September 2017
- Call from Friends of Industry, Paris 18 December 2018
- 'No' to the Alstom-Siemens merger: A new German strategy and the Franco-German 'Manifesto'
- European Council 21-22 March: "the Commission is invited to present, by the end of 2019, **a long-term vision** for the EU's industrial future, with concrete measures to implement it"
- Von der Leyen's Political Guidelines: "To help drive the change we need, I will put forward my plan for a future-ready economy, our new industrial strategy".

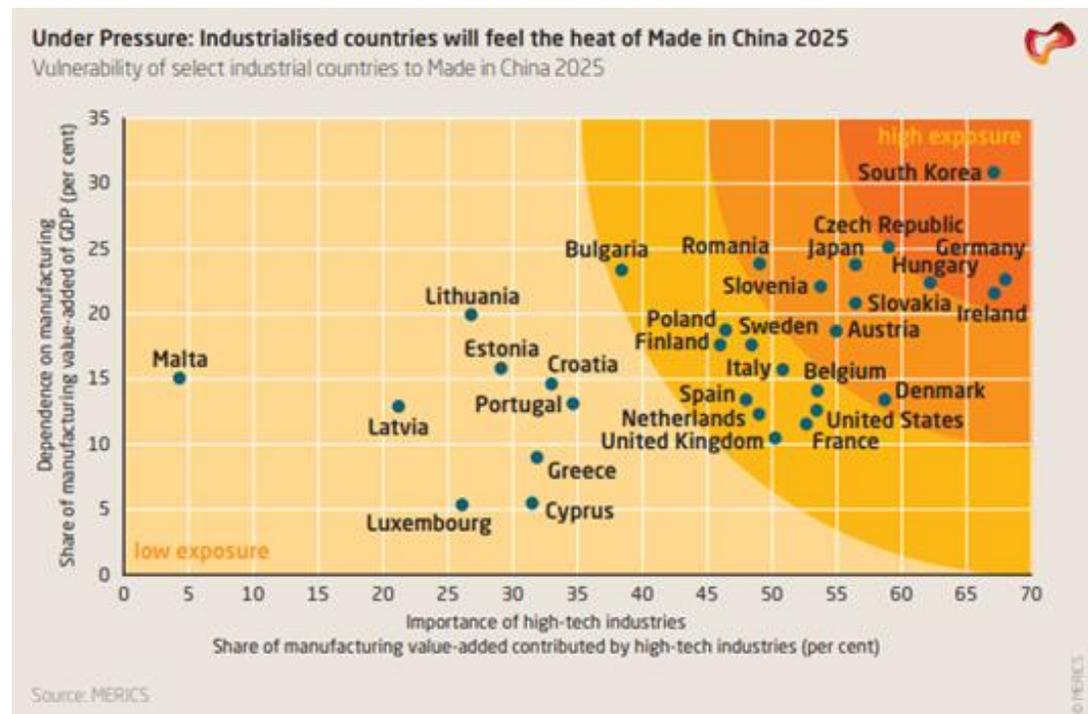


Industry is crucial for Europe

- Approximately 21 % of the EU's GDP
- One of the largest employer: 20 % and 36 million jobs directly
- And *servicification*: manufacturing creates 0.5-2 jobs in services
- Key driver for innovation, productivity, growth: reps. 65% of R&D
- Accounts for 80% of the EU's exports

But facing major challenges and megatrends (1)

- Slowdown in trade, distorted competition
 - US: tariffs impacting global growth, WTO crisis
 - Brexit
 - 'Made in China' 2025: Europe is feeling the heat, massive subsidies, forced tech transfers etc.



But facing major challenges and megatrends (2)

- Digital technologies transforming industry: Industry 4.0
 - Productivity gains: global productivity growth est. 0.8%-1.4% annually
 - Automation of 'physical' and 'predictable', but with future AI also 'managerial' and 'unpredictable'
 - Create new jobs: cybersecurity, data analysts, hardware manufacturers, and coders
- Increasingly reliant on GVCs and innovation
 - EU industry traditionally on high added value end of GVCs
 - Innovation crucial for competitive advantage
 - Infrastructure: new business models, human capital, skills, IPRs, FDIs etc.

But facing major challenges and megatrends (3)

- Need for a sustainable industry:
 - Calls for and lower emissions and climate neutrality by 2050
 - Will require massive efforts to reach Paris Agreement and UN SDGs
 - 'Industrial processes and product use' represent 8% of EU GHG emissions (9% in 1990)
 - Industry-related activities also responsible for emissions within 'fuel combustion and fugitive emissions from fuels' (54%) and transport sector (25%).
- Growing competition over human and natural resources
 - European dependence on critical raw materials from a few third-countries
 - 'Skills-shortage crisis': ICT professionals, STEM, teachers, health sector



EU-specific challenges

- Lack of European digital champions, not enough investments in AI, IoT, and advanced manufacturing, implications for ‘technological sovereignty’
- Making the Single Market work: services, enforcement, re-emergence of barriers, ‘gold-plating’, no Digital Single Market
- Need to move away from academic research to better involve/incentivise companies
- EU financial sector is ill-suited to support innovative & new firms: little risk-taking and mostly public money (vs. US)
- Need to go from a more passive (even if crucial) enforcing competition rules (Vestager I) to more actively supporting EU industry (Vestager II as EVP)



Why an EU strategy?

1. In current global context: need for more strategic thinking (strategic autonomy agenda)
 2. Role for EU coordination: danger of EUMS reacting to global pressures with 'protective' national initiatives → fragmentation
 3. Consistent response to foreign interventions and react to the 'protectionist' measures that have been adopted as part of foreign industrial policies
 4. Protect EU interests within a rules-based system (e.g. antidumping policies or investment screening)
- added value of an EU industrial strategy by complementing and coordinating national policies, not by replacing them



What can an EU Action Plan deliver?

- A vision for 2030:
 1. Sustainability
 2. Competitiveness
 3. Strategic Autonomy
- An Action Plan should create the conditions for European industry to:
 - better responding to distorted competition, leveraging market power and moving towards more technological sovereignty,
 - contribute to high-quality employment, R&D and growth, by increasing participation within highly innovative GVCs,
 - become a global leader in sustainable, smart health and industrial AI value chains,
 - become fully climate-neutral by 2050.
- Governance: the Council's High-Level Group on Competitiveness and Growth, in cooperation with the Commission

Recommendations: 5 policy aims of an Action Plan

1. Making the Single Market work, including competition policy
 - A list of reforms towards 2022: services, public procurements and standards
 - An independent competition authority, modernizing competition rules
2. Better innovation and digital policy
 - Increase funds to Digital Europe Programme, InvestEU and Connecting Europe
 - Earmark Horizon Europe funds for industrial innovation
 - Promote Important Projects of Common European Interests
3. Acting strategically and enforcing reciprocity
 - Introduce binding measures within FDI screenings
 - Adopt the International Public Procurement tool
 - Enhance Europe's economic diplomacy, secure access to raw materials
4. Ensuring a fair and inclusive industrial transition
 - A long-term territorial and place sensitive strategy, supporting vulnerable workers and regions
 - Stimulate private investments in digital skills
5. Climate-proofing industry
 - A climate neutrality roadmap for 2050
 - Create lead markets for low emission industrial products and services





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