

N O V E

THE EU'S NEW INDUSTRIAL STRATEGY

10 MARCH 2020

CONTEXT

On 10 March 2020, the European Commission released **A New Industrial Strategy for Europe**, a priority which Commission President Ursula von der Leyen outlined in her political guidelines for 2019-2024, building upon a succession of older industrial strategies, the last of which was released in 2017.¹ This note provides an overview of the strategy and highlights the main initiatives proposed by the Commission.

As a general point, it should be noted that the Strategy contains a lot of proposals that were already included in the Commission's 2020 Work Programme, and also mentions many elements without giving any detail in terms of content or even timeline. With this in mind, we have marked with *** any initiatives which are newly announced in the Strategy – even if some were included in the following day's Circular Economy Action Plan, for example - and also added some notes (in *italics*) on some proposals to indicate additional relevant information.

Some key “new” initiatives that should be noted include:

- A commitment for stronger action against industrial subsidies at WTO-level;
- An initiative on circular electronics (also included in the Circular Economy plan);
- A clear commitment to the IPCEI instrument, where the Commission clearly wishes to take a more active part;
- An Action Plan on Critical Raw Materials;
- Confirmation of an “Industrial Forum” to provide a governance framework to the Strategy.
- Although not a definition as such, the Plan makes clear that the most relevant aspect of “technological sovereignty” for the Commission is the availability of digital infrastructure.

Reactions to the Strategy have been decidedly mixed, with many noting the fact that the Strategy contains little in the way of new ideas. Moreover, DigitalEurope criticised the very idea of Europe trying to “play catch up” with other regions, while MEP Dita Charanzová (RE, CZ) warned against choosing “champions” of European industry. Meanwhile, tech associations GSMA and ETNO were more positive, noting the focus on boosting digital industries, though the latter called for Member States to meet the Strategy's ambitions with sufficient budgetary contributions.

THE STRATEGY

The document presents the vision of what the EU wants to achieve by 2030 and beyond, as well as the fundamentals that will help it realise this goal. It aims to underline a **new focus on industrial ecosystems which considers all players within a value chain**. Additionally, the need for industry to become greener and more digital - while remaining competitive – is present throughout the text.

The Strategy has three drivers:

1. A globally **competitive** and world-leading industry;
2. An industry that paves the way to **climate-neutrality**;
3. An industry shaping Europe's **digital future**.

¹ In September 2017, the European Commission outlined a renewed industrial policy strategy, bringing together all horizontal and sector-specific initiatives into a comprehensive European industrial strategy. The Commission's reflexion period culminated in June 2019, when a High-Level Expert Group published a report entitled A vision for the European Industry until 2030 which envisioned that, by 2030, European industry is to be a “global leader that will responsibly deliver value for society, the environment and the economy”.

It highlights the EU's ambition to **boost its strategic autonomy** and **reduce dependence in key strategic areas** such as technology, food, infrastructure, and critical materials, putting forward a new 'partnership approach to governance' that would promote deeper integration of European industry across its value chains and borders.

THE FUNDAMENTALS OF EUROPE'S INDUSTRIAL TRANSFORMATION

Underpinning this strategy are a set of **seven fundamentals** for Europe's industrial transformation which either renew/expand on existing approaches in R&I, investment, and standards or reflect the need for new ways of working for Europe in order to strengthen its industrial base. These seven fundamentals are:

1. A deeper Single Market
2. Global level playing field (procurement, subsidies, etc.)
3. Climate neutrality
4. A more circular economy
5. Industrial innovation
6. Skilling and reskilling
7. Investing and financing

1. A DEEPER AND MORE DIGITAL SINGLE MARKET

The Strategy aims to deepen the single market by providing a common regulatory space and scale. It also seeks to enhance tax harmonisation and boost EU competitiveness through the development of new standards and technical regulations and a re-evaluation of the existing competition framework.

- **Single Market Enforcement Action Plan** and Single Market Barriers Report, proposed on 10 March.
- ***Setting up a **Single Market Enforcement Task-Force**, composed of Member States and the Commission.
- **SME Strategy for a sustainable and digital Europe**, proposed on 10 March.
- **Evaluate, review and, if necessary, adapt EU competition rules** as of 2021, including the ongoing evaluation of merger control and fitness check of State aid guidelines.
- *****Intellectual Property Action Plan** to assess the need to upgrade the legal framework, ensure a smart use of IP, better fight IP theft.
- **Follow-up to the European Data Strategy** to develop an EU data economy, including the launch of common European data spaces in specific sectors and value chains.
- **Digital Services Act** to update and strengthen the legal framework for a single market in digital services. (*Legislative proposal expected in Q4 2020*)
- Initiative on **improving the working conditions for platform workers**.

2. UPHOLDING A GLOBAL LEVEL PLAYING FIELD

The Strategy highlights that Europe will continue to pursue a coordinated approach in securing mutually beneficial **trade agreements** that overcome any barriers to the activities of European businesses abroad. More specifically, it will explore how to best **strengthen anti-subsidies mechanisms and tools** and address market distortions in regards to **reciprocal access for European firms** to home country markets of foreign, state-owned companies and the competitive disadvantages owed to **different standards or principles**.

- **White paper on an instrument on foreign subsidies** by mid-2020, also looking at foreign access to public procurement and EU funding. *A legislative file is to be prepared in 2021, according to the Commission Work Programme.*

- *****Strengthening the global rules on industrial subsidies** in the World Trade Organization.
- Swift adoption of the **International Procurement Instrument**. *Note that this has been “on the table” since 2012, and consistently blocked by the Council.*
- **Action plan on the Customs Union** in 2020 to reinforce customs controls, including a legislative proposal for an EU Single Window to allow for fully digital clearance processes at the border.

3. SUPPORTING INDUSTRY TOWARDS CLIMATE NEUTRALITY

To lead industries’ climate neutrality transition, the Strategy recommends investments in new industrial processes and cleaner technologies. To further reduce emissions across industries, the Strategy emphasises an **‘energy efficiency first’ principle**, highlighting the importance of renewable energy industries. Finally, the transition to climate neutrality will be supported by efforts to better connect Europe’s electricity systems based on a **strategy for smart sector integration** and the promotion of **sustainable and smart mobility industries**.

- **Strategy for smart sector integration** (*non-legislative proposal in Q2 2020*).
- A **Common European Energy data space** will exploit the potential of data to enhance the innovative capacity of the energy sector. (*Note: this was already included in last month’s EU Data Strategy*)
- Launch the **Just Transition Platform** to offer technical and advisory support for carbon-intensive regions and industries.
- *****EU Strategy on Clean Steel.**
- **Chemicals Strategy for Sustainability** (*non-legislative proposal in Q3 2020*).
- Review of the **Trans-European Network Energy regulation** (*legislative proposal in Q4 2020*)
- EU Strategy on **Offshore Renewable Energy** (*non-legislative proposal in Q4 2020*)
- Comprehensive Strategy for **Sustainable and Smart Mobility** (*non-legislative proposal in Q4 2020*)
- **‘Renovation Wave’ Initiative** (*non-legislative, Q3 2020*)
- *****Strategy on the built environment** (*2021, also included in Circular Economy plan*)
- **Carbon Border Adjustment Mechanism** to reduce carbon leakage, in full compatibility with WTO rules. (*This has been on the table since the new Commission took office. It will certainly not be proposed in 2020, but in 2021, based on statements by the Commission*)

4. BUILDING A MORE CIRCULAR ECONOMY

The strategy brings European **industries at the forefront of ecological transition** by addressing products’ design and industries’ environmental impact. To ensure a more circular approach, Europe aims alleviate competition for scarce resources, reduce production costs, and **involve consumers** by providing them with the necessary information concerning products reusability, durability and repairability.

- **Circular Economy Action Plan** proposed in parallel with this strategy, including a new sustainable product policy framework. *This was proposed the following day (11 March) and shares many elements with the Strategy.*
- **New Regulatory Framework for Sustainable Batteries** (*initially proposed as a revision of the EU Battery Directive in the Commission Work Programme, this is also included in the Circular Economy plan, and a proposal – perhaps wider than the Directive – should be submitted in 2020*)
- *****EU Strategy for Textiles** (*also in Circular Economy plan, to be proposed in 2021*)
- *****Circular Electronics Initiative** (*also in Circular Economy plan, to be proposed in 2020 or 2021*)
- **Empowering consumers** to play an active role in the circular economy, through better information on products and improved consumer rights.

5. EMBEDDING A SPIRIT OF INDUSTRIAL INNOVATION

The Industrial strategy places strong emphasis on **research and innovation as a key enabler** for Europe to lead in the twin transitions. The EU aims to enable high quality research and skills through various funding tools in order to support industrial sectors in defining their own roadmaps for climate neutrality or digital leadership. Strong emphasis is given to funding opportunities through **Public Private Partnerships** and the **European Innovation Council**.

- Communication on the **Future of Research and Innovation and the European Research Area** to map out a new approach to innovation and ensure the EU budget is used with maximum impact.
- Launch **Public Private Partnerships** in the Horizon Europe programme.

6. SKILLING AND RESKILLING

Under this section, the Commission highlights that a competitive industry depends on recruiting and retaining a qualified workforce and maintaining a better balance between women and men in industry.

- An update of the **Skills Agenda for Europe in 2030**, including a recommendation on Vocational Education and Training. (*non-legislative, Q1 2020*)
- ***Launch of a **European Pact for Skills**.
- Communication on a **European Education Area Strategic Framework** (*non-legislative, Q3 2020*)
- **Digital Education Action Plan** (*update, non-legislative, Q2 2020*)
- **Implementation of the EU Gender Strategy**, adopted in March 2020

7. INVESTING AND FINANCING THE TRANSITION

Under this section, the Commission outlines the Union's need to make the best use of EU research programmes, such as Horizon Europe and Digital Europe, and to incentivise private investment. **Important Projects of Common European Interest (IPCEIs)** are underscored, as the Commission will **revise State aid rules for IPCEIs in 2021**. Incentivising investment towards competitive sustainability throughout **the financial system** are also mentioned in this section.

- Work with Parliament and Council to ensure rapid adoption and implementation of the **next long-term budget**.
- ***Consider scope for coordinated investment by Member States and industry in **the form of new IPCEIs** and on the **possible follow-up to the first IPCEIs on batteries and microelectronics**. *Note: a number of Member States are engaged in a project for an IPCEI on hydrogen. More generally, this appears to be a Commission attempt to take a more active role in using the IPCEI instrument.*
- *****Review State aid rules for IPCEIs**, including energy transition projects.
- **A renewed sustainable finance strategy** (*non-legislative, Q3 2020*)
- **A new Digital Finance Strategy** (*expected in Q3 2020, this appears to be bringing together three separate initiatives on FinTech, Crypto Assets, and operational and cyber resilience, all mentioned in the Commission Work Programme*)
- **Action Plan on the Capital Markets Union** to be proposed in Q3 2020, including measures in support of integrated capital markets and more funding opportunities for citizens and businesses.

REINFORCING EUROPE'S INDUSTRIAL AND STRATEGIC AUTONOMY

The Commission highlights that Europe's strategic autonomy should reduce dependence on others for things of utmost importance: critical materials, technologies, food, infrastructure, and security, among other strategic

areas. Seeing Europe's technological sovereignty as dependent on its **strategic digital infrastructures**, it will develop a **critical Quantum Communication Infrastructure**, designed to deploy in the next 10 years a certified secure end-to-end infrastructure based on quantum key distribution to protect key digital assets of the EU and its Member States.

Additionally, the Commission will support the development of **key enabling technologies** such as **robotics, microelectronics, high-performance computing and data cloud infrastructure**, industrial biotechnology, biomedicine, **nanotechnologies, pharmaceuticals, advanced materials and technologies**. The Commission also highlights that defence and space sectors are essential for Europe's future, highlighting that it will seek synergies between civil, space and defence industries and strengthen the role of the European Defence Fund in investing throughout European defence industrial value chains and support disruptive technologies. On raw materials, the Commission stresses the need to ensure the supply of critical raw materials, and increase recycling and the use of secondary materials.

- **Follow-up to the 5G Communication and the Recommendation on cybersecurity of 5G networks.**
- *****Action Plan on synergies between civil, defence and space industries**, including at the level of programmes, technologies, innovation and start-ups.
- **A new EU pharmaceutical strategy** in Q4 2020, including actions to secure supplies and ensure innovation for patients.
- *****An Action Plan on Critical Raw Materials**, including efforts to broaden international partnerships on access to raw materials.

A PARTNERSHIP APPROACH TO GOVERNANCE

Note: This section of the strategy is most clearly a response to recommendations made in the [report](#) by the Strategic Forum on Important Projects of Common European Interest (IPCEI), published in November 2019 and entitled "Strengthening Strategic Value Chains for a future-ready EU Industry."

The Commission stresses that Europe's industry must **integrate across value chains and borders** and increase the links between different products and services across sectors. In this regard, it will examine the opportunities and challenges faced by **industrial ecosystems**, looking at issues such as R&I skills, the role of SMEs and big companies, and external pressures. In doing this analysis, the Commission will work closely with an **Industrial Forum** consisting of representatives from industry, researchers, and institutions. This support could take the shape of **regulatory action, unlocking financing or making the most of trade defence instruments**, eventually forming a **dedicated toolbox**.

Where identified as necessary, the approach of **industrial alliances will also be examined**, as it has already shown its benefit in the area of batteries, plastics, microelectronics, and Clean Hydrogen. In this regard, the Commission will launch a new **European Clean Hydrogen Alliance**, with potential future alliances on **low-carbon industries, Industrial Clouds and Platforms** and raw materials.

- Building on the successful template of industrial alliances, **a new European Clean Hydrogen Alliance** will be launched.
- *****Alliances on low-carbon industries, Industrial Clouds and Platforms and raw materials** should follow when ready.
- *****The Commission will undertake a thorough screening and analysis of industrial needs and identify ecosystems needing a tailor-made approach.**
- *****An inclusive and open Industrial Forum** will be setup by September 2020 to support this work. *(Note: the latter is effectively the successor of the current Strategic Forum on IPCEIs).*