



Position Paper

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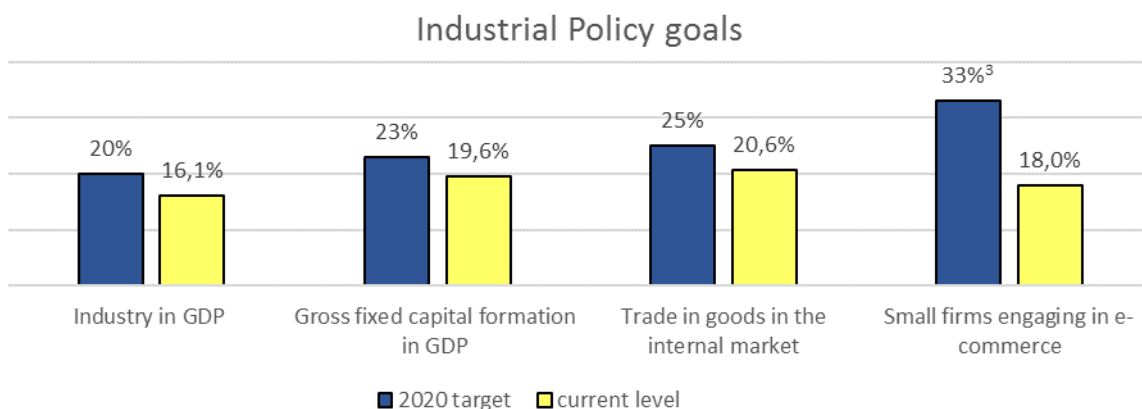
EUROCHAMBRES' reaction to the Commission's industrial policy communication¹

EUROCHAMBRES welcomes the Commission's renewed commitment to reinforce Europe's industrial leadership and considers the industrial policy communication, presented on 13 September 2017, as a valuable starting point for a focused discussion on key actions for strengthening the industrial base of the EU economy.

The communication takes stock of recent and forthcoming initiatives that will affect industries and rightly addresses many key areas that will be crucial for Europe's industrial development and competitiveness, including a fully functioning single market, an accelerated digital transformation and a global level playing field in international trade. Based on this inventory, Chambers now call on the Commission to elaborate a forward looking industrial policy vision which addresses the remaining legislative gaps, defines clear goals for 2025 and provides clear actions to tackle the most pressing barriers to industrial growth.

The EU requires a vision for industrial policy

A stronger industrial base is essential to the health of the EU economy and will create major potentials for growth, jobs and innovation. Thus, EUROCHAMBRES considers it an important signal that the Commission has re-underlined the importance of the target to bring the industry's weight in EU GDP back to 20%. Applying the same methodology as in 2012,² when the target was defined, the share of manufacturing remains well below the envisaged goal. Moreover, the EU is struggling to achieve most of the goals set in previous industrial policy communications, as shown by the following graph.



¹ COM(2017) 479 "Investing in a smart, innovative and sustainable Industry. A renewed EU Industrial Policy Strategy."

² COM(2012) 582 "A Stronger European Industry for Growth and Economic Recovery"

³ 2015 target

Against this background, chambers call on the European Commission to update its targets towards a 2025 perspective and come forward with a strategy, including concrete initiatives that will tackle barriers to industrial growth and help EU industries to gain competitiveness. This strategy should be perceived as horizontal issue rather than as a conglomerate of stand-alone actions and has to be coherent with other policy fields like competition, climate and energy policy. Moreover, the industry's important role must be reflected in the next Multiannual Financial Framework, by increasing funding in areas that are traditionally crucial for the manufacturing sector, i.e. particularly research and innovation as well as education and training. In the following, this paper briefly outlines the main challenges such a strategy must tackle.

Deepen the integration of the (digital) single market

Current intra-EU trade levels are still far from the Commission's 25% goal for 2020 and beyond. The target achievement is mainly impeded by remaining barriers to the free movement of products and services, caused by a patchwork of different national requirements, authorisation schemes, the complex procedures that accompany such rules and difficulties in accessing information.

Moreover, in 2015, only 18% of small firms were engaged in e-commerce. The EU and national legislation and administrative processes still do not appear fit for the digital era. Recent EU initiatives in this field, such as the Single Digital Gateway, are a step in the right direction but will have to prove their worth in the years ahead. As called for in the Tallinn declaration, national governments, hand in hand with the EU, should swiftly give suit to the taken political commitment to ensure high quality, user-centric digital public services for citizens and seamless cross-border public services for businesses. In particular, EUROCHAMBRES calls upon the policy-makers to integrate the once only principle as much as possible.

The Geoblocking Regulation, a prominent element of the DSM, seems in fact set to bring only limited advantages for deepening the digital single market. It preserves rather than addresses existing legal uncertainty and imposes additional obligations for businesses, SMEs in particular. As such, EUROCHAMBRES fears that the regulation will deter, rather than boost online cross-border trade. Both consumers and sellers should benefit from the harmonisation of national contract laws for online sales that are currently under discussion as part of the DSM package. EUROCHAMBRES therefore calls for balanced consumer protection rules, such as in the Sales of Consumer Goods Directive. A failure to achieve such a balance in the new proposals will reduce the mutual benefits of harmonisation for both parties.

Promote free, fair and inclusive trade

The EU is the world's largest trading bloc. It is in our utmost interest to project the strength of the single market on the global stage through a predictable framework for international trade. 30 million jobs have been created in the EU through exports, 6 million in small and medium sized enterprises (SMEs) alone. With 90% of global growth set to emanate from outside Europe in the coming years, this trend is bound to increase. In order to capitalise on these opportunities, EU trade policy must remain effective, transparent and inclusive by ensuring greater coherence with key EU objectives such as climate change, competitiveness and social inclusion. We must also work with our partners to uphold and strengthen the multilateral rules based system, achieve legal certainty and coherence of trade rules and protect European firms and citizens from the consequences of unfair trade. To this end, it is important to revive long-stalled negotiations with EU partners in key emerging markets. Chambers equally look forward to the ongoing and forthcoming modernisation of a range of EU trade agreements, as well as the start of landmark negotiations with several close EU partners and allies. Given the current vacuum in Asia left by the impasse of the Trans Pacific Partnership, and the encouraging political momentum in Latin America and Mexico, the EU should resolutely pursue stronger economic ties with these regions.

Equally, while the predominant role of SMEs in creating jobs and growth is well-documented, the fact that SMEs are an increasingly important force for European Union exports is less well known. At the same time, it must be recognised that there remains a significant scope to increase the internationalisation of the EU's +/-20 million SMEs and thus to enable them to take advantage of the opportunities that foreign markets provide. More than ever it is therefore important to put the "think small first" principle at the heart of EU trade policy and lead the way for it to become an essential part of the multilateral trade agenda as well.

Improve access to skilled and flexible labour markets

The manufacturing sector is still experiencing a demand for skilled workers that is outpacing supply with hundreds of thousands of jobs going unfilled. Despite many good initiatives launched in recent years, like the European Alliance for Apprenticeships, the New Skills Agenda, the "investing in Europe's youth" initiative), a high share of young people still do not acquire the necessary knowledge, skills or competences they need for the labour market. Further efforts are needed particularly in skills forecasting and the responsiveness of education and training systems to labour market needs. Chambers can play an active role in timely understanding employers' skills needs, in contributing to the development of curricula content, in being part of the training through the development of work-based learning, and finally in helping the matching between young people /jobseekers and the companies recruiting.

Stimulate more capital investments and improve access to finance

A big number of European businesses still struggle to grow and to scale-up their activities across the internal market and at international level due to deficiencies of the capital markets and the lack of knowledge about financial matters. The measures contained in the capital markets union action plan need to address these shortages effectively to improve SMEs' access to finance, thus strengthening the EU's industrial base.

Measures to facilitate long-term financing must not only ensure that banks facilitate greater access to affordable credit, but also open alternative equity-based forms of financing to SMEs. The EU needs to find a way to improve the capitalisation of banks so that their lending to SMEs becomes more functional. The European Investment Bank should be more involved in projects for SME access to finance, while both promotional banks and national and regional authorities should capitalise on Chamber expertise by connecting SMEs with Chamber services.

In order to improve SMEs' investment readiness, it is important, on the one hand, to provide technical and professional assistance to entrepreneurs; and, on the other hand, to develop the entrepreneurial ecosystem, including the elements of debt, equity and taxation that need to be considered.

Safeguard Europe's industrial competitiveness

In order to safeguard Europe's competitiveness, business need access to affordable and secure resources, in the form of energy and raw materials, at all times. Against this background, EUROCHAMBRES welcomes the European Commission's push for a more market-driven and coherent European response to the challenges caused by the transition of the EU energy markets. Applying market principles will help to keep costs down and ensure that the energy transition does not lead to detrimental effects for competitiveness. However, Chambers expect more ambition from the Commission on common rules for the expansion and the support of renewables in order to direct investments to those areas which have the most cost-effective RES potential. For the sake of security of supply and cost-effectiveness, it is also important to continue working towards the completion of the internal electricity market. The significant differences in electricity retail prices across Europe and the persisting isolation of power markets in certain regions prove that this goal is far from being achieved.

Apart from that, EUROCHAMBRES has repeatedly stressed the importance of achieving a fully functioning circular economy in which waste is promoted as a valuable key resource. In this context, the Commission's efforts should focus on increasing trust in secondary raw materials, which still account for only a small proportion of production materials used in the EU. There are important barriers to their take-up in the economy, for example due to the uncertainty of their quality and composition and with regard to trading them across borders. Several regulatory mechanisms still hamper the cross-border movement of municipal waste or residues of construction products. Lowering regulatory barriers to trade would deliver significant economies of scale and support the remanufacturing, repair and recycling markets. Hence, this will guarantee the supply of secondary materials for the European circular economy and strengthen the confidence of businesses to invest in circular-related activities.

Create an industry friendly 9th EU-framework programme for research and innovation

Research and innovation are the basis for a successful and competitive industry. It is therefore crucial that the entire innovation chain, including industrial businesses of all sizes, is supported by the next research and innovation framework programme. The design of Horizon 2020 was based on the finding that, even though excellent fundamental research is carried out in the EU, not enough research results are turned into innovations leading to new products and services. Ensuring that research results are effectively transformed into new marketable technologies and services will lead to jobs and growth in the EU. In order to help achieving this, the EU budget for research and innovation should be increased. The currently extremely low success rates are serving as a disincentive for businesses to benefit from Horizon 2020. The simplification of grant applications should thus be continued. Elements such as the bottom up approach, shorter applications and a shortened time to grant from business friendly funding instruments, like the current version of the SME-Instrument, should be expanded. Overall, an appropriate budget allocation must be foreseen for such business friendly funding instruments. Supporting research and innovation, with the needs of business in mind, will contribute to a globally competitive EU based industry.

Monitor the progress

EUROCHAMBRES welcomes the Commission's invitation to all relevant stakeholders to contribute to an open, inclusive and collaborative dialogue forum for the purpose of monitoring the progress of industrial policy. The annual Industry Day and the new High Level Industrial Roundtable should systematically collect the feedback from business organisations, which can contribute to evidence based policy making.

European Chambers are willing to play a key role in this process. Due to their well-established role as business community representatives and support providers, Chambers have unparalleled expertise and knowledge of the real economy and can therefore effectively contribute to defining and implementing a new industrial policy for Europe.

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

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