

Updated Industrial Strategy (Com. 2021 350 final)

EUROCHAMBRES highlights the need for a realistic industrial strategy that reflects the post-COVID-19 era. The strategy should address the remaining Single Market barriers and ensure a strong horizontal approach to SMEs, providing a clear path to green and digital transition.

On 5 May, the European Commission released an updated industrial strategy to address the vulnerabilities and dependencies of the Single Market laid bare by COVID-19. '[Updating the 2020 New Industrial Strategy](#)' sets out policy priorities in three areas: strengthening Single Market resilience, dealing with Europe's strategic dependencies, and accelerating the twin transitions.

EUROCHAMBRES welcomes this revision of the 2020 Industrial Strategy, highlights the policy areas most relevant to European businesses and proposes a set of recommendations.

- The updated Industrial Strategy should provide a roadmap to speed up industrial recovery. It is crucial that the timing and implementation of all the measures and tools underpinning the strategy are coherent.
- The strategy must reflect the fact that the crisis is not yet over; recovery will take time and businesses require continued financial support (e.g., public funding and incentives) to absorb the impact of 2020-21 and rebuild their activities, supply chains and client base.
- The Commission and Member States must ensure that the various plans for Europe's recovery are aligned, with the necessary regulatory framework and incentives for businesses.
- EUROCHAMBRES appreciates the thorough analysis of the impact of the COVID-19 pandemic based on 14 industrial ecosystems. However, these ecosystems should not be treated in isolation. Indeed, a coordinated approach will enable industrial symbiosis and further integration of the Single Market.
- The SME dimension of the Industrial Strategy is important, including opportunities to access finance and investment to enable SMEs and start-ups to embrace the twin transitions. EUROCHAMBRES calls for an update also of the March 2020 EU SME Strategy given the impact that COVID-19 has had on this vital element of the European economy.
- SMEs should be at the centre of the strategy for industrial transformation, reflecting their added value in relation to innovation and competitiveness and the need to support the scale-up of entrepreneurial initiatives and smaller, early-stage companies.
- Chambers understand the importance of the EU Green Deal goals and underline the need to assist businesses in this ambitious process. The European taxonomy and the strategy for financing the transition to a sustainable economy should encourage investments in a cleaner economy without limiting businesses access to finance or imposing undue administrative burdens.
- The introduction of mandatory corporate due diligence risks imposing disproportionate burdens on SMEs, especially those that are part of large undertakings' complex international supply chains.
- Technological development, research, and innovation should be a core priority of the digital transition. Chambers have a relevant role to play in bringing together strategic research and business and should thus participate in the development of National Common Industrial Technology Roadmaps.
- It is also important to promote digital innovation, i.e. artificial intelligence, the internet of things, robotics and advanced technologies, and to safeguard cybersecurity in infrastructure.
- Chambers play an important role in education, training, re-skilling and upskilling and equipping the European workforce with digital skills for this new phase of industrialisation is key. The Commission should accelerate the use of AI for the development of skills forecasting tools.

1. Strengthening Single Market Resilience

1.1 Road to Economic Recovery

- EUROCHAMBRES believes that the road to economic recovery will require coherent and coordinated industrial policies from the Member States, as well as deep structural changes. Enabling industries to become more digital and sustainable and allowing them to benefit fully from the Single Market are essential elements in this.
- EUROCHAMBRES calls for the Commission and the Member States to set a coordinated approach that ensures that the different **national recovery plans** support as well as respect the current regulatory framework. Additionally, in these times of uncertainty, it remains crucial that the timing and implementation of all the measures and tools underpinning the updated strategy are coherent.
- Similarly, the EU and its Member States must adopt a coordinated approach on COVID-19 restrictions. EUROCHAMBRES calls upon the establishment of mandatory common criteria in connection with travel restrictions, as well as a faster EU decision-making process as demonstrated with the Digital COVID Certificate.

1.2 Single Market Enforcement Task Force (SMET)

- EUROCHAMBRES supports the establishment of the **SMET**, designed to allow Member States to work on solutions to remove single market barriers. The business community is willing to contribute to the work of the SMET by providing feedback from the market. EUROCHAMBRES nonetheless calls for greater transparency about the SMET and its working programme.

1.3 Single Market Emergency Instrument

- EUROCHAMBRES welcomes the **Single Market Emergency Instrument** which includes reinforcement of governance tools, targeted transparency measures and tailored digital solutions. However, enforcement needs to be more ambitious.
- EUROCHAMBRES supports the **Single Market surveillance of EU and imported products**.
- The Services sector was one of the sectors hardest hit by the crisis, but also a sector which deserves more attention from policymakers. Full implementation of the **Services Directive** cannot be delayed anymore.
- The revised **Late Payment Directive** has not had the desired impact for SMEs, so EUROCHAMBRES appreciates the extra attention paid by the Commission to this issue.
- EUROCHAMBRES supports the EC's initiative to devise a common digital form across member states for the declaration of the **posting of workers**. The Commission should go much further and equip businesses with a tool that will calculate the remuneration of a posted worker.

1.4 Updated Industrial Strategy and support to SMEs

- EUROCHAMBRES welcomes the SME dimension of the Industrial Strategy including the opportunities to access finance and investment to enable SMEs and start-ups to embrace the twin transitions. Industrial SMEs are mentioned several times in the strategy. However, the twin transition and response to COVID-19 do not concern only industry. EUROCHAMBRES asks for an update of the new EU SME Strategy presented in March 2020, given the extensive implications of the COVID-19 pandemic for smaller businesses.

1.5 Monitoring the single market: Annual Single Market Report and industrial ecosystems

- EUROCHAMBRES appreciates the thorough analysis of the impact of the COVID-19 pandemic based on an assessment of 14 industrial ecosystems. However, we should not treat these ecosystems as isolated entities with different rules or regulations. EUROCHAMBRES recommends stronger coordination between ecosystems to achieve industrial symbiosis and Single Market integration.
- European Chambers are ready to play a key role in this process. As business community representatives and support providers, Chambers have unparalleled expertise and knowledge of the real economy and can therefore effectively contribute to supporting the Commission in providing fact finding data on strategic dependencies at local, regional level and abroad. Closer connectivity with business and regional policymakers, supported by more accurate regional data, will identify industries and places in which the EU has, or could have genuine comparative advantage, and develop policies to support them.
- The **Industrial Forum**, a platform on which EUROCHAMBRES is represented, should help to monitor progress on the digital and green transition in each ecosystem through long-term **Key Performance Indicators** for the implementation of the Industrial Strategy, as have been defined by the European Round Table for Industry¹.

The Commission should:

- Maintain public financial support to businesses while they still struggle with the economic and financial consequences of the lockdowns. This support should entail both liquidity and solvency measures to limit the impact on balance sheets and help mitigate job and output losses.
- Respect the ‘think small first’ principle in the preparation of legislative initiatives. Changing the regulatory environment is extremely burdensome for businesses, notably SMEs, which are still recovering from the crisis. Preparation of thorough impact assessments for substantive amendments must be a rule in all three institutions – European Commission, European Parliament and Council of the EU. Think small first principle should be the rule that guides regulation at EU level.
- Continue advancing the trade agreements in the pipeline. The access to third markets has a relevant role in supporting the economic recovery, especially for SMEs.

2. Dealing with Europe's strategic dependencies

2.1 Global trade

- The EU has the largest trade network in the world, with 45 applied trade agreements covering 77 partner countries. The EU must use this network to drive a **positive global agenda** enabling businesses to adjust their supply chains to gain resilience, helping European businesses to diversify suppliers or set up increased stockpiling for strategic reserves, as well as building international partnerships.
- **EUROCHAMBRES welcomes the Commission's efforts against the distortive effects of foreign subsidies in the internal market.** Both the **IPI (International Procurement Instrument)** and the tool for third-country subsidies should focus on reciprocity and avoid protectionism.

1 Putting the EU Industrial Strategy into action: <https://ert.eu/wp-content/uploads/2020/11/ERT-Publication-Putting-the-EU-Industrial-Strategy-into-action-Nov-2020-2.pdf>

2.2 Open strategic autonomy

- Open strategic autonomy should prevail over any kind of protectionist measure. Solutions might be found through investing in people, research, development, and innovation. Stability, efficiency and predictability in energy sector policies and regulation are vital to improving the competitiveness of energy costs borne by European industry. EUROCHAMBRES considers that it would be a positive exercise to define and explore the concept of “industrial strategic reserves”, as would be the case of the pharmaceuticals or electronics industry.

The Commission should:

- Reassess the resilience of specific supply chains, especially in areas where European industrial output has decreased e.g., semiconductors or chip-design and key technologies, such as cyber security, cloud and edge computing, data storage and components essential for the internet of things, to define and explore the concept of “industrial strategic reserves”.
- Analyse any potentially disproportionate dependence on single countries and regions, especially those experiencing volatile geopolitical and economic contexts, focusing on strengthening resilience through supporting businesses’ efforts on diversification of sources and, where necessary, establishing strategic reserves through increased stockpiling. Building up production capacities in the EU through Important Projects of Common European Interests (IPCEIs) should remain an exception and only be applied in well justified cases.
- Keep the EU open for trade, increase cooperation with likeminded trade partners and stakeholders, e.g., at WTO level, involved in the industrial transformation based on technological openness.

3. Accelerating the twin transition

3.1 Green transition

- EUROCHAMBRES understands the importance of delivering on the goals of the **EU Green Deal** and underlines the need to assist businesses in adapting to and pursuing the transition path. This must happen in a gradual, predictable way, on a global level-playing field, and with the involvement of all stakeholders, particularly those most directly impacted.
- The **EU Emissions Trading Scheme (ETS)** should remain the centre piece of European climate policy, while leaving flexibility to companies on how to reach the target and take the most cost-efficient measures. The main incentive for companies to invest in cleaner technologies should be the gradual and consistent reduction of emission allowances.
- Even with the implementation of a **CBAM**, free allowances of the EU ETS system must be maintained as a proven instrument against carbon leakage if the same level of protection cannot be guaranteed, and uncertainties regarding design, implementation and administrative burden remain.
- Businesses will require **sufficient renewable energy (including hydrogen)** to decarbonize their production processes. Improved framework conditions are required to allow for easy and unbureaucratic access to renewable energy at competitive prices, incentives for on-site use of renewables installations as well as permitting procedures to be streamlined to deliver real improvements on the ground. With respect to **e-mobility**, adequate infrastructure needs to meet the required demand of **electrical energy consumption**.
- The **European taxonomy** and the **renewed sustainable finance strategy** should encourage investments towards a cleaner economy, while ensuring that businesses’ access to finance is not limited and the administrative burden, especially for SMEs, remain proportionate. Transition activities (e.g., related to gas) will play an important role towards long-term decarbonisation and must therefore be acknowledged in the taxonomy to attract the necessary investment.

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- Chambers support the use of **IPCEIs on hydrogen**. All actors in the territories must be mobilized to launch projects. In the construction of these IPCEIs, the "industrial brick" is essential for the future: we must multiply concrete projects aiming at the development of vehicles and other equipment running on hydrogen. There is need for a public-private partnership approach to covering the high investments needed for hydrogen generation.
- Apart from that, EUROCHAMBRES acknowledges the importance of achieving a more **circular economy** in which waste is seen as a valuable key resource. Industrial regeneration, recycling, and re-manufacturing activities must also be stimulated.
- EUROCHAMBRES also highlights the risk of additional and disproportionate burdens for SMEs potentially arising from certain Commission initiatives. For example, introducing **mandatory corporate due diligence** could be onerous, especially for those SMEs that are part of complex international supply chains. The risk of potential competitive disadvantage vis-à-vis non-European companies that do not adhere to the same level of environmental, social and governance standards is also worth underlining.

The Commission should:

- Focus on ensuring a functioning secondary raw materials market, which still accounts for only a small proportion of production materials used in the EU.
- Increase efforts to find partners and push for global action. Although more countries are declaring goals on climate neutrality, this does not automatically translate into actions, whereas the EU is already pursuing implementation. Besides being a leader, Europe should ensure that others follow suit by capitalizing on formats such as G7, G20, or COP 26.
- Showcase and build on the efforts that European businesses have made to date in relation to responsible business conduct, sustainability reporting, and good governance in their internal operations and value chains.

3.2 Technological development, research, and innovation should be the priority of the digital transition.

- To remain **globally competitive**, Europe will in any case have to accelerate investments in cutting-edge technologies and critical digital infrastructures (5G and future 6G networks, data storage in the cloud, etc.). Europe must change gear and invest massively in research and development in innovative **AI projects**. The Commission's proposal to create a single market for **industrial data** is a major step forward.
- EU competition rules should be adapted to digitisation and the transition to greater sustainability. Digitalisation and sustainability standards should be identically developed. However, the interests of companies must be considered and their international competitiveness ensured. In this regard, the **Digital Markets Act** is an important tool.
- The development processes of disruptive technologies (e.g., high-performance computing; connected and autonomous mobility; hydrogen; low-carbon industrial processes; cybersecurity; the Internet of Things;) and their large-scale deployment often imply **financing needs** that cannot be covered by private actors alone. It is crucial to mobilise private investment and public funding (e.g., funding of research and innovation, taxation, development of standards, promotion of skills, etc.). to support large innovative projects.

- Equipping the European labour force with **digital skills for this new phase of industrialisation** is key. The EC should accelerate the use of AI for the development of skills forecasting tools that respond to businesses' sectorial and regional talent demands, building on existing national and regional instruments to identify skills shortages more precisely. Current educational system and curricula also need to adapt to strengthen employability amongst the younger generations by promoting the insertion of STEM and entrepreneurship subjects. Together with this, it is important to raise the number of women with STEM capabilities and skills and to foster re-skilling of the over 50s workforce.
- **Cyber security** is and will remain a fundamental issue for European companies that are heavily exposed to cyber risk. Beyond that, cybersecurity extends to all critical infrastructure and energy suppliers, which must not find themselves in a fragile position. Electricity and telecommunications networks are highly digitalised, which exposes them to the risk of malicious intent. Europe must therefore quickly develop its cyber-resilience. The same applies to the issue of data: the EU must avoid being an open-air data provider. In this respect, the GAIA X project is an essential component of industrial policy.

The Commission should:

- Put SMEs at the centre of the industrial transformation, acknowledging their innovation and competitiveness potential, and supporting the scaling-up of leading entrepreneurs and smaller, early-stage companies.
- Increase the funding for Horizon Europe 2021-2027 to reinforce the European Research Area to facilitate the twin transitions and European recovery. EUROCHAMBRES support the inclusion of chambers in developing national Common Industrial Technology Roadmaps might be a solution to link business closer to strategic research.
- Calibrate EU regulatory goals by making administrative and regulatory processes easy to navigate, swifter and up to date with science and technology to truly support business acceleration.
- Provide the right financial conditions for private sector investments, stimulated by substantial, targeted and publicly backed financial sources, to invest in high growth and emerging firms, making them ready for market leadership.
- Develop compatible industry-led standards, and promote innovation in the digital sphere, such as artificial intelligence, the internet of things, robotics, advanced technologies.
- Promote Regulatory sandboxes, testbeds for innovation under relaxed regulatory frameworks.
- Enable increased public investment in testing and validation infrastructures such as Industry 4.0 test centres, pilot factories and digital innovation hubs (DIHs). This can help companies and especially SMEs to turn innovations more quickly into market-ready products.
- Protect intellectual property needs to be at the core of the EU's industrial strategy. Work towards more harmonisation of EU's fragmented patent system by working together with Members States on the implementation of the European Unitary Patent.

EUROCHAMBRES – The Association of European Chambers of Commerce and Industry represents over 20 million enterprises in Europe – 98% of which are SMEs – through 45 members and a European network of 1700 regional and local Chambers.

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