With the recent “industrial days”, there can be no doubt that the European Commission is keen to boost European industry and has one specific goal in mind: to shape a holistic and efficient approach to the future!

The challenges ahead are of course huge and as a member of the EESC with more than 20 years’ experience working in several industrial sectors, I must recognise that a renewed EU industrial policy is a key factor in steering development and ensuring that the Member States adapt rapidly to new trends and a new economic model.

Industry in the broader meaning of the term is essential to job creation and this is one reason to have a long-term and comprehensive strategy with a global vision to address the challenges before us, as opposed to an approach based on short-term remedies that make no provision for combining these features in a tangible and sustainable way.

We believe that industry can make an important contribution to people’s wellbeing and increase Member States’ participation in the European project. Europeans must appreciate European industry and the ability to innovate and create world-wide solutions.

Everybody is talking about the new economy and almost everybody can see digitalisation in their daily lives, but not everybody gives the credit for this to the European science and innovation system.
European industry can truly benefit from a good innovation ecosystem regardless of the size or activity of the specific business. We see new services and new companies on the market and we must realise that rapidly expanding business services are already crucial for manufacturing, especially for SMEs. The right combination of business services and manufacturing activities is fundamental to achieving efficiency and competitiveness and must be part of a modern industrial policy. Start-ups must be encouraged to develop solutions that can boost industrial activities and increase competitiveness, especially if they want to be sustainable in the long term.

The target of having industry account for approximately 20% of GDP by 2020 compared with the current 15.1% must be more than a political objective; it must be a long-term priority. European policy must remain focused on this goal but must always bear in mind the different structural situation of each Member State and the need to avoid fragmentation in the single market. This should continue to be the priority for any European policy. New, reliable and measurable targets could also improve Member States’ commitment to and awareness of the contribution of industrial activities to Europeans’ welfare.

However, we need more than words to secure a stronger and more competitive European industry that could remain, or become, the world leader in innovation, digitalisation and decarbonisation. To achieve this, Europe needs a long-term strategy based on true smart specialisation and structural diversity and flexibility in its Member States and the anticipation of fundamental, rapid and unprecedented changes in the operating environment.

There is of course one critical issue: skills and training. As an active EESC Group I member, I believe that it is very important to flag up the need to design new policies on skills. Europe must face this challenge by involving civil society organisations and the social partners so as to ensure respect for the current workforce and their rights and duties; it must also keep its sights set on the future and the need to speed up the adaptation of education and training systems to match the new jobs that are on the horizon.

Finally, we can’t avoid the new trade challenges. At the EESC, we believe that in order to retain a level playing field, a compromise must be reached concerning respect for fair trade among global players. Europe must lead by example and by actively engaging other regions regarding sustainability, respect for European social standards and fair competition. However, Europe cannot ignore current bad practices by other global players that undermine European values, competitiveness, jobs and welfare. Europe must be vigilant and use the right tools to support its values and industrial companies. Overcapacity, illegal state aid and other forms of unfair competition must be tackled by European regulation, with due regard for WTO rules. Antidumping measures imposed by the European Commission are essential to achieve a fair business environment, but they must be monitored more effectively, swiftly and flexibly to accomplish the goal without having side effects on various industrial sectors.

The time to act is now!

**Industry Days 2019**

The fact that a number of senior officials took part in the European Industry Day 2019 forum, including the President of the European Commission, the President of the World Bank, Commissioners from the European Commission and the Heads of the EC’s Directorates General, clearly underlined the importance of the event.

The range of topics discussed at the forum included all challenges relating to the development of modern industry, with a focus on creating value for society and on sustainable development.

The importance of Artificial Intelligence (AI) and Digitalisation in addressing those challenges was emphasised. The important role of the circular economy in ensuring sustainable industry was also highlighted. It is worth noting that this all must result in social sustainability in order to engage people in industry and keep them there.

The two main pillars on which today’s spectacular industrial transformation is based are Artificial Intelligence (AI) and digitalisation. The leaders of the current industrial transformation are undoubtedly the US and China (there is not one European company among the 20 leading IT companies in the world).

Despite its considerable potential, European industry has been slower to transform, which the mood of the discussions at the forum confirmed. At the same time, it must be recognised that the European Union has launched all the necessary initiatives: Digital Europe, Artificial Intelligence, Cybersecurity, etc.
The Forum also concentrated on the main challenges to address urgently in order to prevent Europe losing its position as an industrial leader. I have grouped together a series of issues and challenges that have emerged from the forum discussions as follows.

First there are issues that could be classified as pertaining to universal values:

- the sense of uncertainty in society surrounding the digital transformation;
- ethics and social inclusion; there is no certainty about the fair distribution of the added value achieved as a result of digitalisation;
- the need for platforms based on facts and evidence;
- European values should become a habit;
- GDPR - the European instrument is highly valued;
- major challenges for Europe: the environment, energy, education, health;
- public digitalisation cannot be taken for granted - it’s necessary and that’s that. Outreach work must be taken seriously. It is important to actively debate the issue;
- there are a lot of myths in society about AI - it is necessary to demystify it;
- to achieve digitalisation in the interests of society - a kind of "democratisation" of digitalisation;
- the development of support policies needs to be significantly accelerated.

The key importance of innovation for successful transformation was mentioned on multiple occasions:

- infrastructure to boost innovation and the necessary support policies need to be developed more dynamically;
- European innovation champions and everyone’s talents should be supported in all possible ways.
- at the same time, a number of factors which require immediate attention have to be taken into account: lack of skills, political uncertainty, outdated infrastructure, adjustment of the regulatory environment.
- the necessary experience in working with AI and in the digital environment as a whole is not yet available;
- it is necessary to look for new models of public education. Positive experience has already been developed and is working in the Netherlands;
- it is still important to develop and implement the necessary standards in good time to ensure real "interoperability".

Of course, it is not possible to include all the material discussed in the Forum in a short statement. However, it is necessary to underline the need to safeguard the sustainable development of industry, and the increasing importance of the circular economy in combination with the need for effective integration of new products into modern technological platforms.

Finally, I would like to underline that, of course, AI and digitalisation should not be seen as a panacea. And indeed COMARCH WHITE PAPER states it as follows:

"Artificial intelligence and digitalisation based solutions clearly have the capacity to revolutionise the way we work, do business and live in our everyday environments. Yet they must be properly understood and appropriately implemented to avoid counterproductive investments in time and financial resources for use in cases that may be better addressed using a different solution."

About the author:

Gundars Strautmanis
Member of the Employers’ Group
Latvian Chamber of Commerce and Industry

How to fix the future skills gap?

"It is possible to fly without motors, but not without knowledge and skills." - Wilbur Wright

In their journey towards adopting Industry 4.0, all countries and employers worldwide will have to tackle a number of challenges related to the skills level of their work forces. Companies across the world are facing challenges in finding a skilled workforce. Technology is evolving faster than ever before and the talent pool from which employers have to select workers is shrinking due to a declining workforce.

Yet the skills challenge is becoming increasingly clear. The breadth of the skills gap is becoming ever more evident to leaders, as is the sobering awareness that the current education system will be inadequate to meet the challenge. Leaders’ views differ as to which skills are most needed and who is responsible for developing them.

A higher percentage of jobs attach importance to cognitive abilities and system skills than to physical abilities. In the scenario where Industry 4.0 technologies are widely adopted, this gap in supply and demand will widen even further if the necessary action is not taken by each country. Though governments have
undertaken independent initiatives to promote vocational education and skills development in their countries, much remains to be done to focus on skills development for Industry 4.0. There is an opportunity now for nations to collaborate in skills development and to work together to prepare their workforces for Industry 4.0.

In order to overcome the above-mentioned difficulties, companies have been resorting to developing the capabilities of their existing workforce, developing new recruitment channels and tapping into the labour pools of other countries. With the adoption of advanced manufacturing technologies on the rise, the problem is bound to become even more severe. Not only will there be a lack of manpower with the desired skill sets, but employers will have to make substantial capital investments in re-skilling or up-skilling their existing workforces to meet their requirements.

Skilled labour will have the opportunity to perform much more varied tasks and will no longer be associated with only one particular type of job. There will be a significant reduction in monotonous and ergonomically challenging jobs.

Employees will have to share the workspace with intelligent robots.

Assistant systems will support work significantly, but the final decisions have to be made by skilled employees. Teamwork will be central, not only right across the horizontal and vertical levels, but also in the actual workplace, side by side with these assistant systems. Information and data will be the key elements which employees will have to process in their day-to-day jobs. Artificial intelligence will enable collaboration between humans and machines, and interaction will not only be limited to pressing or touching buttons, but will also take place by through voice and gesture.

With the change in the working environment and tasks expected to be carried out by workers, the skills required will also change. Rather than replacing existing skill sets, the new skills will be required in addition to them.

Best practice in skills development across borders: bilateral and multilateral collaboration in skills development.

The India-EU Skills Development Project: the overall objective of the project is to contribute to the quality and relevance of training courses and thereby the number of certified skilled workers in various sectors of employment. The project’s approach has been to adapt international experience to define standards and procedures for implementing the National Skills Qualifications Framework (NSQF) and to support the development of the Indian Labour Market Information System (LMIS). By 2026 around 64% of India’s population is expected to be in the 15-59 years working age bracket, with only 13 per cent of the total population aged above 60 years.

The Trailblazer Programme: skills development and social entrepreneurship for youth in South Africa - a project funded by the European Union (2016-2019).

The overall desired impact of the project is for young people to become active citizens with the skills and capacity to engage in socio-economic activities and to have a sense of self-worth, purpose, awareness and social responsibility, something that will enable them to actively contribute to more inclusive and sustainable growth.

The European Skills Index: the objective of a skills system is not only to continually develop the skills of the population, but also to activate and effectively match these skills to the needs of employers in the labour market. The European Skills Index (ESI) is a composite indicator that measures the performance of a country’s skills system. The ESI monitors the Member States’ performance over time and identifies areas calling for improvement.

The ARISE Europe Skill Development program: this establishes connections with education ecosystems offering opportunities for skills development at different levels. It connects academic institutions and individuals to the EIT digital network of 20 leading European universities that are among the 140 partner organisations.

Sierra Leone Government response to skills gaps in the future: the New Direction Government of Sierra Leone is committed to transforming the country. The government has introduced policy responses that include establishing the Directorate of Science, Technology and Innovation in the Office of the President, has pledged an historic 21% of the national budget to education and has established the new Ministry of Technical and Higher Education. The institutions collaborate with start-ups, private, public and academic institutions to provide the right skills for a more agile, economically empowered labour force that will provide innovative solutions for the shifting needs of a transformed economy.

---

**The European Skills Index (ESI)** is Cedefop’s composite indicator measuring the performance of EU skills systems. The ESI measures countries’ “distance to the ideal” performance. This ideal performance is chosen as the highest achieved by any country over a period of 7 years. The ideal performance is scaled to be 100 and the scores of all countries are then computed and compared to that.

**About the author:**

**Hilde van Laere**

CCMI delegate

Federation of European editors (FEE)
New business models are being used and sales are increasingly being made over the internet. The distinction between goods and services is rapidly disappearing. One example of digitalisation is how a car engine may provide different services to the customer. It is already possible to change the horsepower in a Volvo truck by using your smartphone and changing the fuel injection, making the engine stronger via the internet. This may be very useful when the truck is about to cross the Alps. Once the truck is on low land again, the horsepower can be changed back. (I have tried to boost the horsepower in my old Saab 9-5 this way but unfortunately, so far, I have failed to turn it into a Porsche). The software, the goods and the services are becoming intertwined.

The international tax rules on how to allocate taxation rights among countries need to keep up with these developments. The questions in which country a service is provided (and where VAT should be paid) as well as in which country a corporation made its profit are therefore at the centre of the international tax debate. Should VAT be levied in the country the truck is in when more horsepower is requested, or according to the nationality of the car registration or the driver? Should profits be allocated to either of these countries or to the country where the engine was designed and produced? These are some of the questions that need to be resolved.

The European Economic and Social Committee held a Hearing on digital taxation on 29 January 2019, which addressed corporate taxation issues. The background was the EU Commission proposal from March 2018 to initiate a debate on these matters. The Commission presented an old-fashioned turnover tax to be implemented despite its negative effects on start-ups and businesses with low profit margins, but Member States have rejected this approach. Instead, there is a broad consensus that there is a need for a global solution at the OECD-level.

David Bradbury, Head of the Tax Policy and Statistics Division, Centre for Tax Policy and Administration at the OECD, reported at the Hearing on an OECD press release the same day, showing considerable progress of the OECD process.

Unfortunately, the importance of collecting appropriate Value Added Tax is hardly part of the solution sought at the OECD at all. Wolfgang Schön, director of the Max Planck Institute for Tax Law and Public Finance, said at the Hearing that the EU should extend its current Value Added Tax rules to cover these new business models. “This would resolve the debate about whether to tax digital activities where they are consumed or where non-resident companies are based,” professor Schön said.

It is important to find a solution both in the VAT area and in how to define where profits (not turnover) are made. The European Commission proposal of levying a turnover tax has attracted a lot of criticism in the U.S., since some of the major companies hit initially would be U.S.-based. However, all businesses would be liable for tax as they become increasingly digitalised. The Nordic countries together with some other Member States have therefore also been strongly against a unilateral EU digital turnover tax.

U.S. Council for International Business Tax Committee Chairman William Sample said at the Hearing that a turnover tax would just lead to trade distortions and other problems. His concerns were echoed by Robert Stack, former U.S. deputy assistant secretary for international affairs at the U.S. Treasury Department and chairperson of the OECD Digital Tax work under the Base Erosion Profit Shifting (BEPS) project, currently with Deloitte. He warned that any agreement on digital taxation must avoid double taxation and ensure tax certainty.

Both Sample and Stack warned that unilateral measures risked undermining the chances of getting an overall OECD agreement.

Their concerns appear to be fully justified. In Washington, D.C. the same day, in a letter to the U.S. Treasury Secretary Steven Mnuchin, Congress Finance Committee Chair Chuck Grassley and ranking member Ron Wyden reiterated U.S. concerns about some countries’ plans to introduce unilateral Digital Services Taxes (DST—a turnover tax), which they said were designed to discriminate against U.S.-based multinational companies. They pleaded for reaching a multilateral consensus. The letter was also sent to the European Council and the European Commission. I assume that counter-measures could be taken by the U.S. administration if the concerns are ignored.

OECD work is progressing and so far 127 countries have agreed on the process of how to address allocating taxation rights among countries. The work is expected to deliver an agreed method in 2020.

The purpose of the Hearing at the EESC on 29 January was to feed into this debate. An Opinion is underway including a concrete suggestion of how a global outcome could look. Representatives from the EU Commission have expressed their support for such an endeavour and suggest that the EESC’s work could potentially influence the future work by the new Commission.

About the author:
Krister Andersson
Vice-President of the Employers’ Group
CEO, Intare AB
Andreas Åström, Director of Policy and Communications at Almega, stated that the lack of skills is the greatest impediment for services on the Single Market. To tackle this problem, Europe must become more attractive to talents. The new blue card can be a step in the right direction, but it must be allowed for member states to keep their own rules in parallel. Also mobility on the internal market is important and free movement of services, workers and students must be improved.

Mr Åström also emphasised that the conditions for digitalisation must be enhanced. The European service sector is facing increased global competition. The existing service directive should be used better and apparent shortcomings in legislation should be remedied. He also underlined that social and employment policies should remain a responsibility for national governments and social partners.

Aura Salla, Adviser at the European Political Strategy Centre of the European Commission, emphasised the role of the legal environment for services in the digital single market. It is essential that the Digital Single Market is not seen as a separate topic, but as a central part of the Single Market. Although the importance of privacy standards imposed on this sector is clear, it should not limit the development of the market. She agreed with Martynas Barysa, director of BusinessEurope, that a holistic approach requires the broad agreement of the Member States on what service market Europe wants.

This holistic approach has to include the Digital Single Market, as rules are needed online as well as offline, added Kristin Olsson, Counsellor at the Permanent representation of Sweden. In particular, more soft law is needed to help companies. The successful Swedish start-up and tech company environment can serve as an example of a functioning regulatory environment. Furthermore, although no one questions the high importance of governance, it needs to be discussed more. Ms Olsson was in agreement with Jonas Vig, CEO of Min Doktor, that the regulatory environment is supposed to govern the “what”, but not the “how” of the European service sector.

The digital healthcare provider Min Doktor is a positive example that shows how services can be successful in filling market gaps. Mr Vig presented the Swedish app that already conducts half a million direct online health consultations. It started in Sweden and is now expanding to a number of European countries. According to Mr Vig, three conditions made the success of Min Doktor possible. Firstly, the market gap was clear, as there is poor availability of primary healthcare in Sweden. Secondly, social security systems recognised digital consultation and therefore the aspect of reimbursement of medical costs was solved. Thirdly, Sweden has culturally favourable conditions due to a high degree of digital adoption. For further expansion of Min Doktor, it is important that cross-border legislation on medical reimbursement is facilitated.

Further topics that were discussed were, among other things, the importance of retaining skills and getting customers on board with digital services. In conclusion, the lunch seminar showed that there are many different ingredients that could refine the recipe of the Single Market. As moderator Frederick Federley, MEP from ALDE, stated: "The EU cannot be the grandfather on the porch that is proud of his past achievements, the EU needs to look towards the future and see where it can excel.” Europe has to tap into the unused potential of services in the Single Market, as it currently leads to impatience among customers, businesses and investors.
An EESC own-initiative opinion taken into account by top EU policy makers

The European Union (EU) Macro-Regional Strategies (MRS) were launched as instruments intended to facilitate the cross-national implementation of policies and foster cohesion and socio-economic development across larger geographical areas, including non-EU countries.

The European Economic and Social Committee (EESC) decided to work on an own-initiative opinion based on current EU policy documents, including the EP Report on the implementation of MRS (2017/2040 (INI)) and the EESC evaluations of EU policy for cross-border cooperation and (thereby) convergence.

This initiative is completely in line with both the EESC’s political priorities for 2018 - particularly “strengthening social and territorial cohesion and enforcing fundamental rights” - and its priority work, as well as with the interests of industry, academia, the social partners and civil society in the macro-regions.

It is also expected to have a constructive influence on policy makers across Europe, providing an objective analysis and practical suggestions for how to enhance MRS implementation, and discussing whether it is necessary to increase the strategies’ scope and what innovative instruments might encourage cooperation between stakeholders, including opportunities derived from cross-national, intersectoral clustering.

The Romanian Presidency has recognised the significance of this own-initiative opinion and included this among the main topics for the first half of 2019. Nearly ten years on from the launch of the first MRS, a number of trends and/or requirements have been triggered by socio-economic structural developments with regard to environmental preservation and limited resources:

- Contemporary international economic conditions mean that it is important to link up roads, rather than to control spatially determined markets and the origins of resources. This in turn highlights the global significance of the specific area, from the Baltic to Eastern Europe, the Black Sea and the (Eastern) Mediterranean. This means that the four MRS (Baltic Sea, Adriatic and Ionian, Danube, and Alpine) are all the more appropriate.
- The main migratory flows go through the Danube and Adriatic/Ionian regions.
- Two of the EU MRS are structured around a sea, emphasising the significance of coastal links, environmental aspects, maritime economic activities and the Blue Economy.
- Unfortunately, despite the political willingness and available financial resources, social and economic divides are increasing at regional and social level, a statistically proven and politically distressing event.
- Modern scientific contributions in the humanities and social sciences anticipated the need to move from an approach...
based on welfare to one based on well-being, where quality is more important than the economies of scale previously given priority. The EU’s inherent diversity, which is especially concentrated in the regions of the existing MRS, has therefore become a major asset in the global era.

- Climate change is a challenge that has to be tackled coherently over larger geographic areas: targeted environment-related investments should help minimise the consequences of extreme weather incidents and other adverse effects of climate change, while maintaining prevailing economic conditions and the ecological characteristics of the areas in question. Macro-regional cooperation should foster appropriate sustainable and interrelated transport strategies.

- Overall, the specific dimensions steering the MRS tie in with the range of policies promoted in the 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015. Adjusting the agendas of the four MRS accordingly will strengthen the holistic approach needed, as well as boosting international visibility, recognition of and support for specific regional cooperation in the EU.

The four MRS regions have a long tradition of historical, socio-economic, cultural and political ties, both positive and problematic. These ties can be used constructively by promoting alternative instruments for cross-regional clustering and cooperation. Spatial and sectoral networking between the social partners, local agents and actors (according to the quadruple helix approach) will be extremely useful for ensuring that the MRS are able to deliver cohesion and social and environmental sustainability in the future. Any examples and good practices of multi-level governance and an interactive bottom-up approach must be promoted as widely as possible.

About the author:
Dimitris Dimitriadis
Member of the Employers’ Group
Hellenic Confederation of Commerce and Entrepreneurship (ESEE)

---

Mission to Komotini to assess the impact of EU funded projects

Stefano Mallia, rapporteur for ECO/484 – The future of cohesion policy in the post-2020 period led an EESC mission to Komotini in Greece. The scope of the mission was to assess the impact of EU funded projects which were taking place in the region.

During the mission a number of EU-funded projects were visited and discussions with the project leaders of the various EU-funded projects were held. Projects relating to social inclusion, transport infrastructure, domestic violence, cultural heritage and tourism were visited. Apart from assessing the impacts of the projects, a number of lessons were learnt in relation to the programming of EU funds and the actual implementation of projects.

In conjunction with the mission, a public debate with civil society actors from the region and officials of the managing authority was held. During this public meeting, Stefano Mallia as the rapporteur of the EESC opinion presented the views of the EESC on the post-2020 Cohesion Policy and shared some of the lessons learnt during the project visits. Stefano said “the mission to Komotini was useful in that it showed us that whilst it is important that we continue to adapt the post-2020 Cohesion Policy to be able to meet future challenges, it is also important that we do not forget those challenges which have been with us for many years and will continue to be with us in the years ahead. Here I am referring to those challenges in the social field such as domestic violence, in the economic field such as job creation and in the environmental field such as waste management. During this mission we also saw the important impact small projects can have in regions that are still fighting to recover from the economic crisis”.

---

Editors
Leszek Jarosz | leszek.jarosz@eesc.europa.eu
Monica Procopet | monica.procopet@eesc.europa.eu

THE EESC IS NOT RESPONSIBLE FOR THE CONTENT OF EXTERNAL WEBSITES

© European Union, 2019
For any use or reproduction of the photos/illustrations, permission must be sought directly from the copyright holder(s).

---

@employers_EESC
EmployersEESC

Print:
QE-AH-19-002-EN-C
ISSN 2467-4478
EESC-2019-19-EN

Online:
QE-AH-19-002-EN-N
ISSN 2467-4494