



PUBLIC HEARING

07/06/2021 | 10.00 a.m. – 1.00 p.m.

ONLINE EVENT



Hearing Highlights

On 7 June 2021 the European Economic and Social Committee held a hearing in connection with its opinion on the Commission Communication **Updating the new industrial strategy**, adopted on 5 May. The purpose of the hearing was to contribute to the EESC opinion and to the debate on the policy priorities in terms of strategic autonomy and industrial transformation. The event focused on topical questions such as industrial recovery from the pandemic, Europe's competitiveness on the global stage and the transition to a green and digital economy. It also explored the need for the reconstruction and transformation of European industry and focussed on the role of civil society organisations in designing the future of European industry.

Welcome



Alain Coheur, President of the Section for the Single Market, Production and Consumption, EESC

- We have to support the recovery plan for Europe, because **only by coming together can Member States and civil society overcome the current crisis**. We need to restructure our economies and relaunch economic growth and productivity, and the Green Deal needs to be part of it.
- We need to take action and to anticipate the choices of investors and consumers as well. We have to focus on sustainable green production and identify gaps in our supply systems in order to decrease our dependency on essential products such as PPE: **we need to aim for strategic autonomy**. This will enable us to safeguard our economies and our societies without giving in to protectionism.
- Like Franklin D. Roosevelt in 1932, **we must try to define a new growth strategy at the very heart of economic and social recovery measures**.

Introduction



Sandra Parthie, rapporteur of the EESC opinion on "Updating the new Industrial Strategy for Europe", EESC

- We want to maintain EU industry, **increase our industrial base and strengthen ecosystems and alliances to promote transborder business**. The domestic market is the focal point of this strategy and rightly so.
- Skills and further **education and training** are also important to successfully manage the transformation. We need to give people opportunities for further education and training.
- Key performance indicators (**KPIs**) are needed and it is important to support R&D and the huge challenge of the digital and green transitions.
- We have to work on **standards, focusing on the circular economy and low emission technologies**. It is important to use and promote existing European industrial standards.



Dirk Bergrath, co-rapporteur of the EESC opinion on "Updating the new Industrial Strategy for Europe", EESC

- The question of **resilience** is at the heart of the Commission communication: how to ensure that the EU's overall industrial structure is more resilient.
- A key ecosystem is **mobility**, i.e. the automobile industry, airlines and transport.
- We need to look at **how to take on board existing forms of social dialogue** and how to include social partners at local, regional, national and EU level.

Presentation of the Commission communication



Giulia Del Brenna, Deputy Director, Strategy & economic analysis, Head of Unit, Strategy and regulation: single market and industrial policy, DG GROW

- An update of the strategy is needed to learn the lessons from the crisis as regards **single market barriers** and **strategic dependencies** and to propose action to accelerate the twin green and digital transitions.
- **The new industrial ecosystems approach accounts for 70% of GDP** and provides a **holistic perspective** of European industry. All ecosystems have suffered from the crisis but in different ways. The most trusted ecosystem is the digital one. Tourism is one of the most badly hit.
- Deepening the single market and increasing its resilience is central to economic recovery. One of the key actions of the updated New Industrial Strategy is the **Single Market Emergency Instrument**, aimed at providing structural solutions to facilitate circulation of goods and services and thus avoid repeating the disruptions we experienced during the COVID-19 crisis.

The Portuguese Presidency's view



Paulo Alexandre Ferreira, Head of the Internal Market and Industrial Policy Unit, Portuguese Permanent Representation to the European Union

- There are three main aspects to the updated New Industrial Strategy to be highlighted: its internal dimension, its external dimension and the interconnection between the two.
- **Regarding the internal dimension:** strengthening the resilience of the internal market is crucial to prevent further disruptions. The Single Market Emergency Instrument is welcome as it will contribute to ensuring the free movement of citizens, goods and services in future crises. The analysis of the 14 ecosystems and the transition pathways are important new elements.
- **As for the external dimension:** we need to assess vulnerabilities and review strategic dependencies, drawing on a data-based analysis. This does not mean being protectionist: on the contrary, an open strategic autonomy means reinforced global cooperation.
- **The interconnection between the two internal and external dimensions** takes into account initiatives in different fields – trade, competition, environment and product standards – and involves exploring synergies between them.
- The implementation of the strategy will require a mobilisation of resources from public and private stakeholders. We need to be able to mobilise all the relevant stakeholders, in particular SMEs – a primary vehicle for innovation across ecosystems – and workers, who need upskilling and reskilling: the green and digital transitions will not be possible without them.

Panel discussion: The Voice of Civil Society



Eulalia Rubio, Senior Research Fellow, Jacques Delors Institute

- One thing that is missing in the updated New Industrial Strategy is the **strategic analysis on how to use EU funds** to support the strategy. The Commission's 2020 and 2021 communications contain vague references to the use of the EU budget and the RRF to finance the twin transitions and strengthen the EU's strategic autonomy, and a list of EU spending programmes that can be used for this. However, **there is no detailed explanation of how to strategically combine these various sources of EU funding to achieve specific goals of the EU's industrial strategy.**
- Compared with the 2014-2020 programmes, the new programmes under heading one of the **2021-2027 MFF** (Horizon Europe, InvestEU, the new Digital Programme) are more in line with the new EU industrial policy thinking. There is **more directionality**, with the establishment of "missions" under Horizon Europe. There is **more focus on financing the climate and digital transition.** There has also been an effort to strengthen and improve Public-Private Partnerships under Horizon Europe, and more attention given to supporting breakthrough innovations (with the creation of the European Innovation Council).
- However, there are also weaknesses. First, the bulk of EU funding under heading one still goes to supporting R&I. **There is very little EU spending to support the commercialisation and deployment of innovative technologies and solutions.** Second, EU funds are more directional, but the direction is not clear. **The ecosystems approach has not been integrated into the MFF.** Under Horizon Europe, the direction is supposed to be set by "missions", which follow a problem-solving approach. Under the new EU Digital Europe programme, funding is organised per sector (AI, cybersecurity) rather than ecosystem. In consequence, the different EU public and private partnerships developed under Horizon Europe (such as the EIT Knowledge and Innovation Communities) do not correspond to the ecosystem approach.
- **IPCEIs are now seen as the key instrument for funding the EU's industrial ambitions.** This is logical, as there is more funding capacity at the national than at the EU level. However, one should be aware of the **risks of relying almost entirely on national funding.** In particular, there is a risk of fragmentation and inconsistency, as some Member States are more able than others to fund projects under IPCEIs. The Commission now encourages Member States to use part of their RRF funding to support IPCEIs, but it would be very good to complement this with some centrally managed EU funds, so as to keep the overall coherence of the IPCEIs.



Alexandre Affre, Deputy Director General, BusinessEurope

- We now know that recovery will take time. The direction of travel is clear: reinforce the single market, remain open to trade and investments, implement the digital and green transitions and increase the resilience of EU industry.
- **We must secure industrial competitiveness, and measures against carbon leakage, in the Fit-for-55 package and avoid a disproportionate extra burden on companies.** All the regulations that are being shaped need to have the right calibration. There are worrying trends on due diligence, corporate governance and taxonomy.
- **We must keep the EU open to trade and investment. The EU's industrial and trade policies, which are interlinked, should be mutually reinforcing.**
- We appreciate seeing **standards** as one of the central tools for the implementation of the strategy but we should **avoid the Commission's over prescriptive approach: stakeholders should be at the heart of the standardisation tools.**

- **IPCEIs** are a key element of the strategy. **We have to pool public and private investment where the market itself does not deliver.**



Luc Triangle, Secretary General, IndustriAll Europe

- We support the green and digital transition but we have **serious concerns about the Just Transition**. We are faced with restructuring and dismissals in a number of sectors. We can only build the new industry of tomorrow if we attend to the social dimension of this transition. **A just transition has to create new quality jobs where jobs are lost.**
- A strong industrial base is a key condition for the EU's prosperity. EU industries need more investment.
- **The territorial dimension is crucial; the industrial reality is very different between Member States.** We need to avoid deepening regional fragmentation in the EU. If not, this could be the basis for more extremism and populism.



Gerhard Huemer, Director Economic & Fiscal Policy, SMEUnited

- We asked for an update of the SME Strategy but the updated industrial strategy now covers SMEs policies much better. The single market cannot be taken for granted. Further efforts to **reduce the administrative burden on SMEs** are needed. We are still confronted with an incomplete implementation of the single market and we welcome the new **Single Market Enforcement Taskforce**.
- If you want to attract investments in the new ecosystems a defined, **predictable regulatory framework** has to be put in place. **SMEs need to get involved** in this discussion.
- We will only be able to manage the green transition if we create a regulatory framework that does not hold the recovery back.



Davide Sabbadin, Policy Officer for Climate and Circular Economy, European Environmental Bureau

- We welcome the emphasis on the circular economy business models being at the heart of the industrial transformation but **the updated strategy fails to square the circle of the current linear production model by making material consumption a key driver for emissions.**
- **Transformative actions must be linked with the revision of the Industrial Emissions Directive (IED)** and be extended throughout the value chain and involve skilled workforces, new business models based on quality, rethinking products as services, improving eco-design and transparency.
- In these terms, therefore, **the New Industrial Strategy fails to define a more general framework for achieving all of the European Green Deal's objectives** and does not put in place a steering mechanism that ensures that all efforts carried out within these pathways are aligned with both the pace of action that is required and fair burden-sharing among the different sectors of the economy.



Isabelle Schömann, Confederal Secretary, ETUC

- Trade Unions welcome the analysis made to evaluate the impact of the pandemic on each industrial ecosystem. We also appreciate the mapping exercise done by the Commission to identify the EU's strategic dependencies and capacities. **We do not, however, see enough concrete proposals when it comes to the social dimension and creation of good quality jobs in the EU.** We need to have **people and workers at the heart of the industrial strategy**, not just the single market and companies.
- The partnership approach proposed by the Commission should **clarify the specific role of social partners and should strengthen workers' participation.** Social dialogue and collective bargaining are powerful tools for managing restructuring processes in a way that leaves nobody behind. The new ecosystem approach should **integrate existing sectoral social dialogue arrangements and European Works Councils.**
- **Key Performance Indicators (KPIs) and ecosystems analyses should focus more on the social dimension.** The KPI approach is interesting but we regret to see that the indicators currently proposed do not address more social criteria. Analysing the social dimension through the prism of skills and employment alone is not sufficient. We need other **social indicators to look at wages, working conditions, skills, age and gender in each ecosystem.** This is particularly important as women, young people and low skilled workers have been particularly affected by the pandemic.
- **The New Industrial Strategy should embrace the aim of supporting ambitious corporate sustainability reporting with a focus on sustainable supply chains** in full respect of **EU values** and the **fundamental rights of workers.**



Diana Dovgan, Secretary General, The European confederation of industrial and service cooperatives (CECOP)

- Cooperatives have shown their resilience during the crisis. **There is greater interest in employee buyouts because it accelerates the transformation of SMEs.**
- **Border closures have accelerated the shift from production of goods to the services.** This calls for a **different organisation of work**, upskilling and reskilling. Public-private partnerships can help cooperatives to thrive.
- **National administrations need to be aware of the capabilities of cooperatives especially in relation to recovery funds.** Partnership with social economy organisations is crucial.



Ray Pinto, Director for Digital Transformation, DIGITALEUROPE

- When we think of digital, we need to focus on **business to business technology.** The EU is very strong in developing these technologies: sustainable buildings and manufacturing for example. To continue to innovate, **technology in the EU needs an international dimension.**
- **Digital needs to be central in all other ecosystems.** Technologies are deployed and operate differently from one ecosystem to another.
- **SMEs cannot be left out because they are a fundamental implementer of technologies.**

The European Committee of the Regions



Jeannette Baljeu, Member of the European Committee of the Regions and Regional Minister for the Province of Zuid-Holland

- **Industrial ecosystems are often regional** and so it is crucial to reinforce the **regional dimension in the industrial strategy**, which should therefore be based on **multilevel governance**, in which each level is given clear responsibilities and resources for implementation. This regional dimension can best be reinforced by using the **regional smart specialisation strategies** as a blueprint for interregional cooperation.
- The support of all stakeholders is necessary to reach the goals of the twin transition to a green and digital industry.
- The strategic autonomy and greater resilience of European industry can be achieved by **reducing overdependence on global supply and value chains and developing tailor-made tools** to help cope with the current pandemic crisis and prepare for new crises in the future.

The European Raw Materials Alliance



Bernd Schäfer, CEO and Managing Director of EIT RawMaterials and the European Raw Materials Alliance

- EIT RawMaterials is a pan-European network with over 300 partners from industry, academia and research and is a Knowledge and Innovation Community within the European Institute of Innovation and Technology (EIT). It is the world's largest consortium in the raw materials sector.
- **Moving to net zero inevitably means more raw materials needs, and therefore the demand for minerals and metals will increase immensely in the next 30 years.** European industrial ecosystems rely on a secure supply of raw materials, which are essential to feed the digital and green transitions. Today, only a fraction of the most relevant raw materials is produced in Europe. This can be changed through a **circular economy approach** and through **innovation** in exploration, mining, recycling, substitution, processing and product design.
- The European Raw Materials Alliance (ERMA) was launched in September 2020 by Commissioner Breton and VP Šefčovič and is supported by 62MEPs. EIT RawMaterials was mandated by the European Commission to lead and manage the Alliance. **ERMA will contribute to the transition from linear brown to circular green economy.** Over 500 partners from industry, NGOs, government and trades unions have joined ERMA, with the shared objective of securing raw materials supply for Europe. Forty investment projects have been identified to date.
- ERMA is a game changer for the secure supply of raw materials for the EU's industrial ecosystems

Closing remarks



Sandra Parthie, Rapporteur of the EESC opinion on "Updating the new industrial strategy", EESC

- Today's hearing has enabled us to better understand some key issues for the implementation of the industrial strategy. First of all, the **single market** is the key instrument that we can influence. **We need to work together to strengthen its resilience to disruptions and to make sure it is fair and competitive.**
- **Transition pathways need to be defined in partnership with industry, public authorities and civil society** but the EU should avoid micromanaging the different structures.
- **Uptake of EU funding is poor:** money is available but not adequately used. In addition, we need to create quality jobs for workers and **include the social dimension in the transition**, but the question remains of how to do this to a sufficient extent.



Dirk Bergrath, Co-rapporteur of the EESC opinion on "Updating the new industrial strategy"

- A true dialogue is necessary at all levels, including the regional, which is where SMEs and social economy enterprises operate.
- A successful transition of EU industry requires a **strong focus on the upskilling and reskilling of workers**, the creation of **good quality jobs** and a reinforced dialogue with regional authorities and civil society.
- We need concrete examples of successful transition and call on civil society stakeholders to share their experience with us.

