



**European Committee
of the Regions**

ECON-VII/017

147th plenary session, 1-2 December 2021

OPINION

Updating the 2020 New Industrial Strategy: Building a stronger Single Market for Europe's recovery

THE EUROPEAN COMMITTEE OF THE REGIONS

- welcomes the focus on industrial ecosystems and technology leadership, and underlines the importance of reinforcing the place-based dimension;
- stresses the need to strengthen the regional ecosystem approach, so as to effectively involve key actors at local and regional level;
- underlines that the regional dimension can best be reinforced by using the regional smart specialisation strategies as a blueprint for interregional cooperation;
- recognises growing concerns about the uneven recovery in various European regions. The EU must reinforce its efforts to close this gap by supporting businesses, digitalising industry and making it more sustainable;
- stresses that industry will face challenges in implementing the objectives of the Fit for 55 package, and that local and regional authorities should be involved in discussions on how to ensure that infrastructure proposals are successfully implemented;
- calls for support to be provided to SMEs to help them devise a digital strategy or action plan, by using financial instruments from InvestEU and concerning solvency risks affecting SMEs;
- urges the European Commission to come up with a mechanism for assessment and prevention of takeovers of companies in sectors with a vital or strategic role of importance in the European economy;
- points out that the European Union's State aid framework needs to be fundamentally recalibrated in order to examine how the gradual transformation of energy-intensive and foreign-trade-dependent commodity industries into low-carbon and carbon-neutral processes can be better supported.

Rapporteur

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Reference document

COM(2021) 350 final

**Opinion of the European Committee of the Regions –
Updating the 2020 New Industrial Strategy: Building a stronger Single Market for Europe's
recovery**

I. POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS

Introduction

1. welcomes, from a general perspective, the update of the Industrial Strategy proposed by the European Commission; recommends, however, that the Commission link it more closely to the European Green Deal and its 2050 climate-neutrality objective by setting concrete short-, medium- and long-term objectives that EU industry should achieve in order to contribute to this overall objective; notes that some points need to be further clarified from the point of view of local and regional governments and therefore addressed in this opinion;
2. welcomes the focus on industrial ecosystems and technology leadership and underlines the importance of reinforcing the place-based dimension: European industrial ecosystems are composed of interlinked regional innovation ecosystems, with dynamic smart specialisation strategies, which are based on a bottom-up approach and aim to boost regional innovation, contribute to growth and prosperity by helping and enabling regions to focus on their strengths. Smart Specialisation Platforms and partnerships already facilitate place-based cooperation between these regional innovation systems. They will be the driver of sustainable growth and recovery in Europe through new and reinforced strategic value chain cooperation. It will help Europe gain strategic autonomy and regions and cities can finally take ownership in the green and digital transition of their industries;
3. welcomes in this respect the Industrial Forum in particular, in which the Committee of the Regions actively contributes;
4. stresses the need for an inclusive industrial strategy that creates value across European regions and takes into account the unique characteristics of all areas, such as the outermost regions; the EU needs an industrial innovation pipeline for the whole EU. Furthermore, the industrial strategy should be adapted to the current needs of Member States, based on local and regional development needs. To this end, efforts should be made to achieve greater security of supply, resilience and independence by diversifying supply chains;
5. recognises growing concerns about the uneven recovery from the pandemic in various European regions. The EU must reinforce its efforts to close this gap by supporting businesses, including those from rural and less developed areas, digitalising industry and making it more sustainable, and introducing a regulatory framework fit for the digital and sustainable age, implementing not only industrial but also territorial ecosystem-based approaches that take into account the EU's territorial diversity;

6. stresses that industry will face challenges in implementing the objectives of the Fit for 55 package and that local and regional authorities should be involved in discussions on how to ensure that infrastructure proposals for renewable transport, autonomous driving and possible retraining measures are successfully implemented;
7. stresses the need to strengthen the regional ecosystem approach, so as to effectively involve key actors at local and regional level, such as governments, clusters and cluster organisations, and the social partners, as well as knowledge institutions (including universities of applied science with a strong link to SMEs). This is key to improving the industrial competitiveness for many industries and to fostering open innovation. Moreover, the CoR would like to call for extra attention to be paid to bilateral cluster-to-cluster collaboration, the setup of new forms of public-private partnerships to deepen the cooperation between the public and private sector and the development of social economy clusters;
8. welcomes the monitoring of the industrial trends and competitiveness that has been announced, as Europe needs to analyse and address strategic technological and industrial dependencies together;
9. stresses the need to obtain better metrics on innovation, as those are now centred around R&D investments (and input) and patents (a partial indication of uptake of innovations). A clear view on the renewal of the economy and the relevant data is missing. A first step would be to monitor the type of R&I investments made. The focus should especially be on those linked to technology capabilities, technology infrastructures and on competitiveness with regard to the twin transition towards the markets of the future;

Strengthening Single Market resilience

10. supports the pursuit of a well-functioning Single Market and continuous efforts to address restrictions and barriers. Special attention should be paid to the circumstances of cross-border regions and the specific requirements of these regions, particularly in the provision of cross-border services and the free movement of workers;
11. welcomes the intention of the Commission to publish yearly Strategic Reports and action plans regarding the Single Market; underlines the importance of bringing to light the dependencies in the value chains, before measures and restrictions to protect the Single Market are put in place;
12. the Single Market Enforcement Task Force (SMET) can be of relevance as the central "pathway" to strategic autonomy. However, the CoR would also like to stress that a successful industrial strategy should also reflect the diversity of regional ecosystems and the fact that pathways to strategic autonomy will develop differently in different ecosystems;
13. a well-functioning internal market is crucial for the recovery after the COVID-19 crisis. It is of utmost importance to prevent export restrictions by individual Member States and to prevent renewed border closures within the EU, as was the case at the beginning of the coronavirus outbreak. The EU industrial sector is subject to requirements under EU regulation while at the same time having to face competitors from third countries where business regulation is different

in some respects. . Stresses the importance of establishing reciprocal industry requirements in trade agreements with third countries, so that European industry has a level playing field on the international market. Completion of the internal market, including for services, is becoming even more urgent;

14. stresses that the Single Market should also diversify in terms of partners, products and services, so that the EU will be able to provide the services and products its inhabitants cannot live without. This will also increase its resilience; in this domain, the coronavirus crisis has shown that, particularly in the field of medical products, increased production in Europe, and concomitant independence from foreign markets, is extremely important;
15. believes that carefully designed state aid rules at national, regional and local level are required, stresses the importance of fair competition within the EU, and in order to prevent state aided relocation of businesses within the EU; the CoR is of the opinion that IPCEIs can be a great vehicle for value chains where the market alone cannot deliver breakthrough innovation. IPCEIs will further support the setting up of new agile forms of public-private partnerships. In this regard, the CoR highlights the importance of participation by Member States, SMEs and local and regional authorities (LRAs);
16. considers that the exploration of the merits of a legislative proposal for regulating key business services supported by harmonised standards is of great importance, as the dual transition also entails new business models and a shift from owned products to services delivered;
17. is interested in the proposal of a regulation to address the distortive effects of foreign subsidies which makes sure that distortive subsidies granted by third country governments to companies wishing to acquire an EU business or bid in public procurement will be checked and properly addressed;
18. highlights the importance of looking into ways to address distortive effects on clusters caused by acquisitions, by state-backed investors, of innovative companies (not listed on the stock exchange) essential for those clusters;
19. encourages the European Commission to make use of the principle of reciprocity in trade agreements. Companies from non GPA countries will not be allowed to partake in European government procurements;
20. affirms the need for and benefits of trans-regional collaboration around these clusters;
21. underlines that LRAs are important in establishing large-scale industrial collaboration between clusters aimed at strengthening European value chains;
22. stresses the role that is envisaged for LRAs in the governance and enforcement of the Single Market in general, since their contribution is key to effectively implementing the Single Market rules;

23. speaks out against unfair competition between European clusters through the means of state-aid given by member states or LRAs. And urges to minimise the differences in the amounts of state aid local and regional authorities can give by creating a level playing field within the Regional Aid Guidelines;
24. welcomes the view of standards as one of the central tools for the implementation of the strategy, but underlines that all stakeholders should be involved in the consultation to create these tools;
25. stresses the importance of fair competition within the EU, and in order to prevent state aided relocation of businesses within the EU. In particular, fair competition requires that companies only be allowed to market their products across the whole European market if they comply with the applicable environmental and safety standards;

Strengthening the SME Dimension in the Industrial Strategy

26. welcomes the Annual Report of the Commission on European SMEs 2020/2021 and agrees that the lack of required skills and access to finance are the main barriers for SMEs to digitalise their activities;
27. welcomes the recognition of the role of Europe's SMEs as well as the intention of the Commission to help them scale up and attract a qualified workforce. This, in turn, requires a business-friendly environment and necessary investments in workers' skills and training (e.g. internal ICT and/or managerial knowledge), as well as decent working conditions. The CoR calls for support to be provided to SMEs to help them devise a digital strategy or action plan, by using financial instruments from InvestEU and concerning solvency risks affecting SMEs;
28. observes that the digitisation of SMEs can differ greatly within and across Member States, and on a local and regional basis. In order to close this digital divide, the support to SMEs needs to be adaptable, well-designed and targeted to their specific needs, based on local and regional sustainable development, and with specific support to those from rural and less developed areas;
29. stresses the need for 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;
30. suggests increasing collaboration between the European Committee of the Regions and the European Commission, particularly with the network of European Entrepreneurial Regions in supporting entrepreneurship and the industrial transition at local and regional level. Another area of focus could be on better regulation and better EU policy implementation, as part of the Fit4Future platform. The aim would be improving the business friendly environment, while preparing companies for future challenges;
31. welcomes the putting in place of Sustainability Advisors to provide dedicated advice to SMEs;
32. welcomes the exploration of the merits of a legislative proposal for regulating key business services supported by harmonised standards. In particular, the CoR is looking forward to the

services standard that has been announced and emphasises that these could help overcome difficulties in providing cross-border services. LRAs are affected by insufficient notifications (as mentioned in the annual Single Market report that accompanies the communication) and by the legal uncertainty as result of the ECJ 2018 ruling on zonal planning;

33. regrets that the target of 3% of GDP investments in R&D&I is still far from being met. While some Member States achieve that level, others are below 1%. These differences are hampering the EU's global capacity as a bloc, keeping it behind the USA, Japan and China;
34. sees in the future implementation of the European Research Area an opportunity to create more synergies across all levels of government to support the industrial transition through increased research investment and place-based innovation policies;
35. The twin transitions require industry and its workforce to adapt and change to a new reality; therefore asks the Commission to include in its European skills agenda a place-based approach for sectors affected by these transitions; this includes design of incentives to stimulate augmentation of the productivity of the workforce with the use of supporting technology (like AR/VR), and to include upskilling the workforce of industries strongly affected by technological changes, such as the car industry;

Adding a territorial dimension to the industrial ecosystems

36. welcomes the tailored assessment of the needs of the 14 European industrial ecosystems pointing out investment gaps and options for policy support, as well as the case study on the steel sector's decarbonisation challenge¹; suggests supplementing this assessment with an evaluation of labour market developments and the corresponding skills requirements;
37. reiterates its call to reinforce the place-based dimension in the Updated Industrial Strategy in order for regions and cities, as the governments closest to citizens and ecosystems, to take ownership of the twin green and digital transitions of their industry, with due regard to the ongoing training and upskilling that workers will need, given the possible risk of exclusion as a result of the transition². Especially in the recovery phase, a place-based industrial policy is crucial as industry and regional development are closely linked;
38. reiterates that regional and local authorities have important competences in policy areas that have an impact on industrial development. LRAs can mobilise a wide range of instruments to enable the implementation of a holistic and ambitious EU industrial policy strategy, aimed at ensuring economic resilience at a time of structural change; requests that the Commission includes the local and regional level in the future designing of the new EU Industrial Strategy³;

¹ CoR Opinion on [Steel: Preserving sustainable jobs and growth in Europe](#) (COR-2016-01726-00-01).

² CoR Opinion on [A New Industrial Strategy for Europe \(COR-2020-01374-00-00\)](#), point 4.

³ CoR Opinion on [A New Industrial Strategy for Europe \(COR-2020-01374-00-00\)](#), point 6.

39. underlines the need for a strong social pillar in industrial change in order to adequately address the social consequences of structural change and enable regions that have been particularly badly affected by the pandemic to recover in economic and social terms;
40. underlines that the regional dimension can best be reinforced by using the regional smart specialisation strategies as a blueprint for interregional cooperation; welcomes the idea of further developing the concept of smart specialisation by adding the United Nations' Sustainable Development Goals (SDGs) as a fourth element (S4);
41. sees great potential in interregional cooperation and its new I3 Instrument, including for linking the regions facing the greatest challenges in terms of the twin transitions with other regions, in order to contribute to interregional value chains and cohesion. Increased use of this instrument, as well as possible additional instruments, can support interregional collaboration to strengthen European value chains. European networks, such as the Vanguard Initiative, can support this process. The CoR believes that it is of great importance to refer to Smart Specialisation Strategies as the framework and tool for industrial modernisation and the concept of open innovation. The CoR stresses that there is a need to align the RIS3 with the development of transition pathways, as the S3-strategies are also aimed at supporting the acceleration of the twin transitions;
42. underlines the importance of coordinating the multitude of new EU initiatives from different Commission services to support the industrial transformation. The goals that are set in the Fit for 55-strategy to become more sustainable are ambitious and need to be supported by industry through concrete steps to secure climate neutrality by 2050. The CoR proposes carrying out a strategic dialogue led by the European Commission on linking the industrial ecosystems with the regional innovation ecosystems. The aim would be to promote multi-level governance and to provide better coordination. Integration of the various initiatives at EU level across all levels of government would be key.

Dealing with dependencies: open strategic autonomy in practice

43. welcomes the efforts from the European Commission to further analyse the EU's strategic dependencies and capacities with an in-depth review of a number of technological and industrial strategic areas; welcomes the efforts to identify measures to reinforce the EU position in global value chains; notes that "natural ecosystems" span sectors, especially on a regional scale, and are part of a network. There are European "pipelines" as well in the form of interregional production and value chains, which need support from the European Commission;
44. welcomes the extra attention paid to strategic autonomy but stresses that, as stipulated in the Spain-Netherlands non-paper, strategic autonomy does not imply isolationism or economic protectionism. It does imply greater resilience and interdependence through rational and tailor-made actions related to asymmetric dependencies. The CoR stresses that in some strategic value chains Europe needs to step up its efforts to open up and facilitate import flows;
45. supports the revision of strategic dependencies, especially those particularly impacting SMEs. Moreover, it supports the reinforced actions to assist SMEs to address disruptions and vulnerabilities, or diversify by connecting them to new local and cross-border partners;

46. is enthusiastic about the development of a guide/tool identifying strategic dependencies and addressing them through public procurement;

Accelerating the twin transitions

47. stresses the importance of new business models that help to speed up the twin transition and therefore the importance of concepts such as SOLVIT; helping business with pragmatic solutions to trade across borders and with easier access to finance;
48. urges the European Commission to come up with a mechanism for assessment and prevention of takeovers of companies in sectors with a vital or strategic role of importance in the European economy, with a particular focus on smaller, often unlisted, companies that are essential for regional innovation and entrepreneurship ecosystems;
49. calls for continued support by regions and cities of industrial alliances in strategic areas, which should include start-ups and SMEs and a proposed launch of new industrial alliances. These alliances would be in the fields of space launchers, zero emission planes, cloud technology and processors and semiconductors. The CoR points out that two factors lead to the success of the alliances: 1) the governance and the need for commitment of all stakeholders, and especially 2) national, regional and local governments to make the alliances work;
50. welcomes the fact that the Commission, together with industry, the authorities, the social partners and other stakeholders, have created transition paths, starting with tourism and energy-intensive industries, in order to obtain a better understanding of the scope and costs of, and conditions for, the measures needed to accompany the twin transition for the main ecosystems, leading to an action plan for sustainable competitiveness;
51. underlines again the importance of the transition to a circular economy for a sustainable and competitive industry. Not only is circularity essential to reach climate goals and the SDGs, it also helps industry to compete globally and could be an important element of strategic autonomy. Through circular and frugal use of scarce (and strategic) raw materials and products, asymmetric dependencies can be limited and autonomy strengthened⁴. As circular economy is an impetus for geographically shorter supply chains and impacts almost every type of cluster and industry, the place-based and regional dimension of industrial ecosystems is an essential element of a successful industrial strategy aimed at strategic autonomy. As many SMEs, despite ongoing efforts to transform traditional economic and business models, are not ready for this shift, the Commission can help boost the circular shift. This could, for instance, be done with a single market for waste and with support for changing the business operations of the bulk of the SMEs that are not frontrunners in innovation;
52. stresses the need to focus on sectors and areas where the greatest contribution to achieving climate ambitions can be made. This would especially be in energy-intensive industry and large industry

⁴ CoR Opinion on the Action Plan on Critical Raw Materials (CDR-2021-04292-00-01).

clusters and in the production chains of which they are part. The focus on production chains will also benefit SMEs in industry, as they are often part of the production chain around larger companies. This will maximise the impact on climate ambitions. Industry is extremely important as the basis of regional labour markets in industrial regions. This means that the transition of industry to a sustainable business model is crucial, also in terms of employment and an inclusive transition to a sustainable and digital economy;

53. considers it essential that the new industry model find solutions to protect jobs, particularly in sectors heavily affected by the green transition, such as the automotive sector, given that it is one of the main driving forces behind the European economy. To safeguard jobs, the greening required of automotive products should be carried out with flexibility and sufficient time, on the basis of technical neutrality, and through EU financial aid to affected regions with a view to adapting existing factories, suppliers and production facilities. Furthermore, the competitiveness of existing production sites should be ensured, as well as the ability to adapt jobs;
54. stresses that access to reliable and affordable electricity sources is crucial for the competitiveness of European industry. This requires building production capacities based on fully renewable sources. When calculating the economic viability of energy sources, the overall costs must always be taken into account, i.e. levelised costs of energy covering the full life cycle of energy production, system costs and external costs;
55. calls for a broad and inclusive conception of economic growth, also in terms of sex, race, gender, language, religion, political opinion and personal and social circumstances, as we need all the talent Europe has to offer; stresses that women continue to be severely under-represented in managerial positions in companies and calls on companies to make gender parity at all levels of management an integral part of their fundamental corporate principles. Diverse companies are more successful than companies that are not representative of (their) society;
56. points out that the European Union's State aid framework needs to be fundamentally recalibrated in order to examine how the gradual transformation of energy-intensive and foreign-trade-dependent commodity industries into low-carbon and carbon-neutral processes can be better supported. In addition, European and national funding programmes must be given sufficient resources and it must be possible to combine them;
57. underlines the need to strike a balance between the dynamic of change that is needed for the dual transition, on the one hand, and the predictability of the regulatory framework (especially for SMEs and employees), on the other. The CoR also stresses that an inclusive transition requires the deployment of funds for (re)training the workforce in new skills on a regional scale and across sectors. This would be to avoid both the "lock-in" of employees in the sectors in which they work, and also the need to move to other regions for work;
58. stipulates that this also means the dual transition must be supported by a transition to an economy that addresses the ageing population and the innovations that are needed to include all citizens in the dual transition;

59. the CoR welcomes the development of indicators, and would like to stress that long-term competitiveness, including resilience, follows from faster transitions. Therefore indicators should measure the speed and stumbling blocks for the dual transition, not competitiveness in general;
60. points out to the European Commission the important role LRAs and regional development agencies can have in accelerating the twin transition in supporting digital and green SMEs; urges the Commission to embrace the principle of "think small, act regional".

Brussels, 2 December 2021

The President
of the European Committee of the Regions

Apostolos Tzitzikostas

The Secretary- General of the European
Committee of the Regions

Petr Blížkovský

II. PROCEDURE

Title	Updating the 2020 Industrial Strategy: Building a stronger Single Market for Europe's recovery
Reference(s)	Communication from the European Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions "Updating the 2020 New Industrial Strategy: Building a stronger Single Market for Europe's recovery" – COM(2021) 350 final
Legal basis	Article 307(4) TFEU
Procedural basis	Rule 41(b)(i) of the RoP
Date of Council/EP referral/Date of Commission letter	
Date of Bureau/President's decision	N/A
Commission responsible	Commission for Economic Policy (ECON)
Rapporteur	Jeannette Baljeu (NL/RenewE.)
Analysis	May 2021
Discussed in commission	24 June 2021
Date adopted by commission	29 September 2021
Result of the vote in commission	Majority
Date adopted in plenary	2 December 2021
Previous Committee opinions	A New Industrial Strategy for Europe, (ECON-VII/007), COR-2020-01374-00-00 adopted on 12 October 2020 A place-based approach to EU industrial policy (ECON-VI/042) COR-2018-05941-00-01 adopted on 26 June 2019
Date of subsidiarity monitoring consultation	N/A