



*European Economic and Social Committee*

**CCMI/161**  
**Industrial policy towards 2030**

## **OPINION**

European Economic and Social Committee

**Strategic developments in industrial policy by 2030, with a view to strengthening the competitiveness and diversity of the industrial base in Europe and focusing on long-term performance within global value chains**  
**(exploratory opinion requested by the Austrian Presidency)**

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Committee Bureau decision	13/03/2018
Legal basis	Article 304 of the Treaty on the Functioning of the European Union
Body responsible	Consultative Commission on Industrial Change (CCMI)
Adopted in CCMI	25/09/2018
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Plenary session No	538
Outcome of vote (for/against/abstentions)	158/9/4

## 1. Conclusions and recommendations

- 1.1 Industrial policy should identify and enable opportunities for global sustainable and inclusive future growth. Nobody should be left behind.
- 1.2 Europe must maintain its ambition to restore the share of industrial production to previous levels, fine-tuning this objective by means of key performance indicators. Europe's industrial policy (between DGs, Member States, regions) needs to be improved, being part of complex cross-border value chains in an increasingly globalised market. A **holistic approach** is needed to reconcile growth, climate, environmental challenges and societal problems in a "**just transition**" design, effectively connecting national and EU drivers.
- 1.3 Europe *rEUnaissance* means a fully-fledged **master plan for** European industry, mainstreaming industrial policy across all EU policies, enabling industry to transform in order to make Europe the largest knowledge economy, generating industrial added value through **creativity and smart design, social innovation** and fostering **new sustainable and inclusive industrial models** (the Made in Europe brand).
- 1.4 If EU climate and Circular Economy policies are to create jobs in Europe, it is crucial that the key parts of the value chain enabling those policies is located in Europe. Therefore, it is important that the EU Strategy recognises the importance of value chains and addresses ambitious measures to develop these further. Rather than focusing on individual sectors, the Strategy should ensure attractive operating conditions in Europe. To ensure Europe's continued role in the global economy, the measure of success should be the potential of individual European value chain links to be integrated into global value chains, i.e. European suppliers should be able to compete globally and not just in Europe.
- 1.5 Improvements in education and training for new jobs and services should also be closely interlinked with R+D+i policies and with the creation of work-based learning, extending Skills Agenda<sup>1</sup> to key industry sectors, such as construction, steel, paper, green technologies and renewable energies, manufacturing and maritime shipping.
- 1.6 To ensure Europe's technological leadership, the EESC also recommends stepping up investments in game changing and disruptive technologies such as artificial intelligence and robotics, the Internet of Things, data analytics, 3D printing, new and nano- materials, enhanced virtual reality, bio-economy, sustainable food, digital technologies, neurotechnologies, nano-electronics, ocean and space exploration, etc.
- 1.7 The **2021-2027 multiannual financial framework** must make the most specific and detailed provision possible for the additional budget resources to be allocated to each individual sector, R+D+i and cohesion policies in particular.

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<sup>1</sup> Ongoing implementation of the Blueprint for Sectoral Cooperation on Skills

- 1.8 The EESC underlines that **institutional governance** should be enhanced, including in its impact assessment not only the economic, but also **environmental and societal** impact along the whole value chain.
- 1.9 To make the whole industrial value chain more sustainable, the EESC firmly supports the Commission's road map on financing sustainable growth<sup>2</sup>, building a **sustainable finance taxonomy** that reorients **responsible savings to sustainable investments**, enhancing the European Strategic Investments (sound combination of the planned InvestEU Fund and private financial sources).
- 1.10 The EESC is again strongly supporting the **golden rule on public investment**, not only in co-financing the strategic investment projects but also in all sustainable investment projects in relation to the positive progress of the unified **EU classification system for sustainable activities** (or taxonomy), to give new development opportunities to those European countries most punished by the crisis.
- 1.11 **Financing instruments:** Creation of a level-playing field, provision of public funding for industrial scale projects (up to 75% or more, if justified, of the investment cost), increased preferential loans and access to credit. Access to public grants for actions that focus on "de-risking" intrinsically high-risk breakthrough projects.
- 1.12 The most productive sectors (with the highest added value) are also those in which innovation is highest. In addition, those sectors which are subject to more stringent environmental regulation are also characterised by higher **patenting** levels, arguably as a result of regulatory pressure<sup>3</sup>.
- 1.13 A major driver of regulatory cost is the implementation of EU policies via **Delegated or Implementing Acts**. Technocratic compliance procedures without defining the most cost-effective ways to achieve the desired regulatory outcomes are slowing the innovation capacity of industry players, particularly SMEs.
- 1.14 **Sustainable development** and **competitiveness** must go hand in hand. The EESC demands that products standards to set up in the EU have to be met by both domestic and foreign producers and are enforceable at the border. Therefore, imports of products that do not respect environmental and social rules mean that EU industrial sectors face serious barriers in responding to societal needs and demands with respect to sustainability.
- 1.15 The EC should strictly monitor the proper implementation of EU Free Trade Agreements (FTAs), including simple and clear rules. Sustainability chapters in FTAs must promote implementation of ILO labour standards and the **UN Principles on Business and Human**

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<sup>2</sup> COM(2018) 97 final

<sup>3</sup> [ftp://ftp.unibocconi.it/pub/RePEc/bcu/papers/iefewp69.pdf](http://ftp.unibocconi.it/pub/RePEc/bcu/papers/iefewp69.pdf)

**Rights**<sup>4</sup> establishing minimum cross-cutting conditions that cannot be substituted (rights of vulnerable people, good fiscal governance, etc.). Reciprocity in trade relations (e.g. investments, public procurement, subsidies) should be guaranteed.

- 1.16 An **enlarged social dialogue** at different levels is necessary to properly analyse and provide joint responses to global value chains in sustainable companies in which workers have a voice.
- 1.17 The EESC calls on the European Commission to establish industrial competitiveness and leadership as a top political priority and to initiate an EU Industrial Strategy Programme. It urges the Commission to publish an annual report on the results of the EU Industrial Strategy touching on all the Commission's relevant policy fields.

## 2. **Megatrends - Only one world**

- 2.1 Today industry is facing a deep transformation regarding the huge scope of the digital transformation and low-carbon economy. Renewable energy will replace fossil fuels, data are becoming the new dominant raw material and the internet (of things) has become the most important way to communicate. Linear production models will give way to more circular production-consumption-recycling systems, while mass production will be replaced by customised production processes. A modern industry means production and innovation in a network of closely cooperating actors from large to small and medium-sized enterprises, extending up to linked services along the value chain. Knowledge has replaced labour or capital as the most important factor. Europe's long-term industrial strategy has to integrate all these (disruptive) challenges, to enter a phase only paralleled in human history by the shift from the Palaeolithic to the Neolithic: the Infolithic<sup>5</sup>.
- 2.2 **Most academic research warns that 20-50% of jobs**, according to the sector involved, will be replaced around 2030 by technologies and robotics<sup>6</sup>. New jobs will however be created, although with greater disparity in terms of geography, sector and skills. The challenge facing European industrial policy is to prevent the EU, its regions and citizens from being excluded.
- 2.3 The digital transformation is having an effect on all industry's main resources: natural and environmental, labour and capital (physical, technological and institutional). To properly manage its social effects, a new valuation of the main resources or capital stocks from which the main income streams will flow, country by country and sector by sector, is needed.
- 2.4 Large sections of Europe's industry are more and more dependent on external exports or are part of complex cross-border value chains, in an increasingly globalised market. At the same time,

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<sup>4</sup> European Parliament resolution of 4 October 2018 on "the EU's input to a UN Binding Instrument on transnational corporations and other business enterprises with transnational characteristics with respect to human rights (2018/2763(RSP)" <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P8-TA-2018-0382&format=XML&language=EN>

<sup>5</sup> Litico, da "lisi", sciogliere (cfr. elettro-lisi), distribuire. Informazioni distribuite

<sup>6</sup> Acemoglu, D. and P. Restrepo (2017), "Robots and jobs: evidence from US labour markets", NBER Working Paper no. 23285. Arntz, M. T. Gregory and U. Zierahn (2016), "The risk of automation for jobs in OECD countries: a comparative analysis", OECD Social, Employment and Migration Working Papers No 189.

the EU is confronted with the dissemination of "America First"-policies, resulting in a growing risk of trade wars from which there would be no winners, only losers. They are also a threat to the post-war multilateral economic order. Finally, there is the rise of centralised state-led economic models.

2.5 A fair transition towards a more sustainable industry towards 2050<sup>7</sup> requires Europe to face the following challenges:

- Continued climate change and deteriorating environmental conditions
- The depletion of the earth's natural resources and biodiversity loss
- The digitalisation of most industrial sectors will blur the borders between industries and between physical and the virtual world, open sectors to new entrants with a reduction of manual work as a consequence
- Social inequalities, including growing polarisation on labour markets and youth unemployment, people left behind in regions with declining industries
- Public loss of trust in government, the political establishment, and the EU and its governance structures, as well as other institutions
- Demographic changes: ageing, migration, strong growth of the world population and new environmental awareness
- Concentration of the population in megacities, with integration of infrastructure networks, artificial intelligence, machine and deep learning
- Shift in consumer preferences (changing consumer behaviour, more environmental awareness, regulation of consumer behaviour by public authorities).

A long-term vision should simultaneously contemplate all these trends. Understanding the challenges and how to transform them into opportunities will be a major priority for Europe's industrial policy. The complex design of the responses requires the involvement of all relevant stakeholders, with a shared responsibility. Its success depends on the efforts and cooperation of the EU institutions, Member States, regions and most importantly on the active role of industry itself.

### 3. **The transition: an EU committed to maintaining competitiveness through sustainability**

3.1 In order to tackle the multiple and unprecedented challenges industry has to face, Europe has opted to boost its competitiveness by enhancing the quality of its products and services, implementing a strategy of differentiation by regions and industrial sectors with the aim of generating growth and employment through the value added by **creativity and smart design, social innovation and new sustainable and inclusive industrial models**.

3.2 Some encouraging indicators are already emerging in Europe, such as its 40% share of world patents in renewable technologies. New and serious mismatches are however occurring between educational and training functions, business initiatives and the new skills needed by industry.

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<sup>7</sup> [See SC/047 OJ C 81 of 2.3.2018, p. 44.](#)

- 3.3 Another major brake on industrial development across Europe can be explained by the **fragmented nature** of European Union policies, in both geographical and sectoral terms. Moving away from 28 different policies for each industrial sector towards a global focus for EU industrial policy requires synchronisation with measures to complete EMU (fiscal and banking union in particular), the development of a Europe-wide market for venture capital and the adoption of a sustainable financing model, ensuring balanced and harmonised growth throughout the European Union.
- 3.4 Understanding whether increased green innovation is enhancing innovation in other sectors, and also its effects on industrial input prices, is an important step towards assessing the effects of environmental policy on countries' competitiveness as well as to better planning environmental policy.
- 3.5 It also requires a strong focus on the potential of SMEs in branches that provide high-level innovative knowledge-based services. Innovation in Europe typically often emerges from small sized structures and the export of high level knowledge based services has a pioneering role for the market positioning of related industries.
- 3.6 If Europe is to win back leadership of the knowledge industry or of intangible capital, industrial cooperation and coordination between Member States is key when developing European innovation. The EESC wishes to stress the importance of Common European Interest, innovative public private partnerships and of regional cooperation throughout smart specialisation strategies.

#### 4. **Global and holistic strategy**

- 4.1 Economies that are more intensely involved in global value chains (GVCs) are better at creating added value. The EU should consequently oppose neo-protectionism with greater determination, as it could aggravate the recent blockage in the growth of involvement in such chains.
- 4.2 There is an opportunity to link **global value chains** with the **local economic fabric**, fostering the development of local economies, together with disruptive technologies (block chain, 3D printers, robotics, the Internet of Things, energy storage, renewable energy, big data, genetic biology, nanotechnology, etc.), with an inclusive focus: they can also pave the way for local production with lower-cost inputs, especially if the prosumer profile is adopted (and well-regulated), promoting the development of productive and inclusive micro-businesses, in complementarity with the major global value chains.
- 4.3 The new paradigm of **sustainability as a factor for competitiveness**, geared to a long-term approach, aims to mobilise, align and secure sufficient public and private resources to achieve the objectives set out in the EU's policies. Providing sufficient resources is crucial to ensuring fair, balanced and inclusive transformation, in which no-one is left behind or excluded from the playing field and in which public interests such as consumer protection, health, safety and quality remain high priorities.

- 4.4 European industry's sectoral initiatives and alliances to shape the **New Skills Agenda** and compile a catalogue of well-structured initiatives to strengthen or adjust existing programmes (Erasmus+ the New European Agenda for Culture, etc.) and implement new ones must reach the EU-27 as a whole as soon as possible, ensuring geographical diversity and the close involvement of local authorities.
- 4.5 At the same time, the EESC strongly backs the push for **multistakeholder dialogue** forums, the joint development of innovative strategies and pilot schemes of illustrative value, joint experimentation, exchange of best practice and a willingness to follow up and evaluate projects in detail. It also points out that all actors in the industrial value chain must be brought in, as must consumers. The High-Level Industrial Roundtable, the High Level Group for Energy-Intensive Industries and the High-Level Group on Competitiveness and Growth should be mentioned in this regard.
- 4.6 It is essential to improve the EU's capacity to invest and to close the gap between the formulation of sector policies and the financial investment made, by increasing allocations to the EFSI 2.0 and the investment-related structural funds in order to reach regions and populations that have fallen behind during the years of crisis, and channelling the EU's recent external surplus and that of the public authorities into investment that modernises our industrial infrastructure and thus contributes to an increase in productivity and economic growth.

## 5. **Institutional EU industry governance**

- 5.1 Long-term EU action plans (EU2020, climate plans, etc.) should be mirrored by industrial action plans. Creating synergies between different policy initiatives (circular economy, innovation, transport policy, trade, skills, regional policy) would definitively contribute to maximising their impact.
- 5.2 **Transparency** is a decisive factor in ensuring the success of this process. Industry as a whole must "**act and communicate**" by providing high-quality information (relevant, verifiable and comparable) to allow precise measurement of financial and non-financial impacts throughout a product's global value chain.
- 5.3 The Sustainable Development Goals (17 SDGs and 169 related targets) and the Paris agreement on climate change serve as a pointer towards the common good, but there is an urgent need to adapt and extend indicators by means of a common methodology combining quantitative and qualitative parameters and monetising externalities. The new set of indicators must include those touching on the global value change dimension, reflecting the EU's values.
- 5.4 The EESC calls for **codes of conduct** to be introduced for the internationalised segments of the European product or service value chain, as is the case of sustainable food, many of which remain beyond legal governance. It also calls for closer market surveillance and for the introduction of deterrents or penalties for practices harmful to sustainability, such as planned obsolescence.



- 5.5 Strengthened **Responsible Research and Innovation** as part of a bottom-up approach. More accurate prediction of specific sectors, region by region, and matching of investment with the EU's strategic objectives for 2030 and perspectives for 2050<sup>8</sup>. The EU should also guarantee that the first application of publicly-funded R&D must take place inside the EU. The 3% - objective for R&D investments - should finally be achieved (currently only 1.9%, lower than China's 2.2%). Disruptive technologies need to be accompanied by roadmaps that address the challenges and conditions related to their uptake (including the economic, regulatory and social impact).
- 5.6 The **2021-2027 multiannual financial framework** must make the most specific and detailed provision on the additional budget resources to be allocated to each individual sector, R+D+i and cohesion policies in particular. Public support should be increased at all stages of the innovation cycle, including support to start-ups, demonstrators and pilots, collaborative RTD projects, technology diffusion, etc.
- 5.7 The EU capital markets union and industrial development should allow public and private savings to be mobilised via secure pathways ranging from socially responsible investment (SRI) to corporate social responsibility (CSR). EMAS certification could also optimise and balance financial yields with vectors for sustainability.
- 5.8 A fair policy transition by 2030 means not only innovating for the people and investing in jobs for the workers but also **innovating with the people and with the workers**, getting them into decent new jobs. In this regard, The EESC underlines that manufacturing must remain technology-neutral.

## 6. **Gaining ambition in the action plan for European industry**

- 6.1 Building a learning society is a basic condition for innovative and competitive industry. Europe cannot compete with emerging economies on the basis of wages; it has to be smarter. Skills are also key for employees not only to increase their employability but also for job security, social integration and better opportunities in life, investing in the permanent up- and re-skilling of workers, the promotion of quality education, training and professional development throughout the working life. A more ambitious "New skills agenda for Europe" is needed, reviewing the European Key Competences Framework for assuring that people acquire the knowledge and skills that industry requires to strengthen Europe's economy resilience as well as promoting sustainable development (target 4 of the UN SDGs).
- 6.2 Improved knowledge transfer mechanisms between university + research centres and industrial sectors + their employees.
- 6.3 Quite often SMEs are the pioneers in the development of high-level innovative goods and services, but they often lack the means to bring these innovations to a larger market. In line with the 2030 EU industrial policy priorities, an extensive range of possible stimuli and benefits

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<sup>8</sup> As set out in EESC opinion SC/047 [OJ C 81, 2.3.2018, p. 44](#).

harnessing the strength of the rewards-based pan-European public framework is needed, especially geared to SMEs, but also including the liberal professions as pioneers in provision and export of innovative high-level knowledge-based services:

- Strategic public procurement is an important lever of industrial policy. Its potential should be fully exploited by integrating innovative, green and social criteria in public tenders instead of just looking for the lowest price. The EU should support authorities in this respect by giving guidance, setting up a helpdesk, supporting the planning of large infrastructure projects, and enhancing the exchange of best practices
- Support for internationalisation
- A sandbox for multistakeholder experimentation, support for prior validation of innovation solutions
- Clustering (sectoral, horizontal and vertical) and start-up incubators, boosting links between industrial actors in order to share and exchange resources
- Specialised, high added value mentoring, regular meetings between start-ups and established businesses in the sector to liaise on plans and initiatives
- Tax benefits and public guarantees to support investments
- etc.

- 6.4 Stimulating knowledge and consolidation of the **new sustainable economic models**<sup>9</sup> boosting **social innovation** (new people-centred ways of meeting society's needs) as a result of applying emerging methods.
- 6.5 Special attention has to be given to less developed and industrial transition regions. **Local development** agencies and the range of tools they have must serve as motors for the creation of "microclimates" or "ecosystems" that bring together and catalyse the growing synergies between manufacturing and services, starting with the needs of individual people and of areas.
- 6.6 The role of **international trade** is crucial to meet the challenges of sustainable industry. Review and improvement of preferential free trade treaties and agreements (from GATT to TTIP), introducing a degree of conditionality tied to sustainability commitments. Establishing red lines: legal and fiscal governance, resolution of off shore differences, minimum social and environmental thresholds. Reciprocity in trade relations (e.g. investments, public procurement, subsidies) should be guaranteed.
- 6.7 Creation of a sectoral agenda for **balanced management of the transition** towards a low-carbon circular economy: setting sector and geographical area targets, introducing roadmaps reflecting real circumstances, the impact of the cost of energy and other inputs.
- 6.8 Upgrading industry for the digital age will transform European industry into a highly information- and knowledge-intensive manufacturing system Therefore the EESC wishes to stress the following priorities:

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<sup>9</sup> See EESC exploratory opinion SC/048. Reference: [OJ C 81, 2.3.2018, p. 57](#).

- Full promotion of the use of information technologies in tackling societal challenges
- Developing an EU-wide "high performance" digital infrastructure
- Address the large disparities in digitisation that exist between regions and between large and small companies
- Accelerate the development of ICT standards
- Address the social dimension of digitisation: impact on quality and quantity of jobs, regulating the sharing economy to prevent unfair competition
- Digital intelligence should be increased at all professional levels; digital skills should be promoted at all levels of education (from school to lifelong learning)
- Defining new rules for taxing the digital economy
- Ensuring cyber security.

6.9 Secure, sufficient and sustainable energy are key priorities for industry and society. Renewable power needs to be available at a competitive price. This will also require huge investments in smart grids and interconnectivity as well as in breakthrough technologies in energy storage. Smart Carbon Usage will also help reuse the waste carbon and hydrogen, which is currently burnt, to generate power, to produce synthetic fuels and chemicals. The use of these products could significantly accelerate overall.

CO<sub>2</sub> reduction in the combined steel/chemicals/transport sector. These synthetic fuels or feedstocks should be promoted in the Renewable Energy Directive.

6.10 The EESC wishes to stress the importance of Action plans for sectors and value chains with a strong growth potential, for the structural upgrading of traditional industries, and for supporting decarbonisation in the energy-intensive industries.

6.11 Industrial policy will have to pay special attention to the transport sector which is on the brink of a completely new paradigm as many technological disruptions are taking place at the same time: electrification, digitalisation of production, connected and automated cars, integration of private and collective transport.

Brussels, 17 October 2018.

Luca Jahier

The president of the European Economic and Social Committee

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