



OPINION

European Economic and Social Committee

Updating the new industrial strategy

Communication from the 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]

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1. **Conclusions and recommendations**

- 1.1 A coherent industrial strategy should be focused on two dimensions: recovery from the pandemic and reconstruction and resilience. The European Economic and Social Committee (EESC) welcomes the call for the co-creation of transition pathways for the green and digital future and underlines that this has to be done in partnership with industry, public authorities, social partners and other stakeholders. For the EESC, the first step for a successful and coherent implementation of the industrial strategy is to shape the right framework with a focus on competitiveness and innovation, which should be addressed in each ecosystem, with clear goals and targets.
- 1.2 In this context the EESC calls for dedicated Key Performance Indicators that measure not only the ecosystem's competitiveness, but also horizontal issues, and underlines the need for regular assessments of the chosen indicators and for adapting or changing them over time.
- 1.3 The EESC welcomes the commitment by the European Commission to retain and grow Europe's the industrial and manufacturing base and underlines that social partners and civil society organisations have a key role and need to be included in designing the future of European industry. The EESC also calls for an alignment of the measures envisaged to achieve climate neutrality and the digital transition with the objective of social wellbeing and sustainable growth.
- 1.4 The Committee agrees that value chain resilience has gained in importance and supports the Commission's efforts to secure supply chains and to strengthen the resilience of businesses, as this is important for the EU economy, with the COVID-19 pandemic highlighting unexpected shortcomings, including in the Single Market.
- 1.5 The pandemic has in some areas unfortunately contributed to widening the gap between prosperous and less prosperous EU Member States. This further endangers social and economic cohesion. Next Generation EU is an unprecedented instrument for the EU to mitigate this impact, and must be used to achieve better convergence between European Member states and regions, also with regard to the twin transition towards a sustainable and digital Europe.
- 1.6 Industrial alliances are proving a successful method for developing large-scale and cross-border industrial projects in strategic fields. These industrial alliances, together with Important Projects of Common European Interest (IPCEIs), are crucial for the recovery and promoting European standards and key technologies, in particular in areas where the market alone cannot deliver or is being distorted.
- 1.7 In our view, the successful implementation of such projects requires close dialogue with worker representatives and trade unions, as well as with company representatives and employers' federations in order to include their know-how and to reduce uncertainties in the conversion as well as possible. They must be flanked with an impact assessment regarding the effects of the decarbonisation processes on value creation, employment and the skills required for decarbonised industrial production and the circular economy.

- 1.8 Identifying clear and appropriate measures to support Europe's MSMEs¹ is of paramount importance and the EESC endorses the intention to provide companies of all sizes with accessible support to innovate and fully embrace digitalisation. A revision of policies to address hiring challenges faced by companies and attract a qualified workforce is also necessary, as is a business-friendly environment and investments in social infrastructure, workers' skills and training, as well as decent working conditions.
- 1.9 Shortages in strategic value chains, as well as shortages of skilled workers, are undermining European industries' abilities to recover rapidly from the pandemic. It is crucial that Member States and the EU act decisively to tackle strategic dependencies², including through reindustrialisation, the circular economy, trade policy and through skills-related measures. In general, businesses are best placed to review and revise their supply chains and should be supported in this endeavour.
- 1.10 The EU needs to remain open, fair and values-based in order to attract investors and support economic activity. Nevertheless, the EESC supports an open and fair single market where European companies can compete on foreign markets, and therefore calls on the Commission and Member States to ensure that the investments are made in digital solutions that add value to European economies. Digitalisation of the economy should be promoted in an inclusive manner, preventing any type of digital discrimination.
- 1.11 The EESC believes that the set of measures announced by the Commission to tackle unfair competition due to foreign subsidies should also be used as a tool to reindustrialise Europe and support its industrial value chains. The EESC also supports the mapping of European production chains, with industry at the forefront of this reconstruction, and calls for a better promotion of European standards at the global level.

2. The Commission Communication

- 2.1 The Communication is the update of A New Industrial Strategy for Europe, published on 10 March 2020. The update aims to capture the impact of the pandemic crisis on Europe's economy and industry, sets out the lessons learned from the crisis and lays out the policy priorities under three main strands:
- Strengthening single market resilience;
 - Dealing with Europe's strategic dependencies;
 - Accelerating the green and digital transitions of EU industry.
- 2.2 The update also assesses the resilience and functioning of the single market, evaluates the needs of each industrial ecosystem, identifies strategic dependencies in key vulnerable ecosystems and proposes Key Performance Indicators (KPIs) to monitor the implementation of the strategy. It

¹ Micro, small and medium-sized companies (MSMEs).

² The EESC wants to point out that, logically, it should be strategic "independencies", not "dependencies" but will, for the sake of coherence, continue to follow the terminology introduced by the Commission.

includes an SME dimension with tailored financial support and measures to enable SMEs and start-ups to embrace the twin transitions.

3. General comments

- 3.1 The EESC welcomes the update of the industrial strategy. It is needed to be revised as the COVID-19 crisis has put Europe's economy and industrial value chains, micro, small and medium sized-enterprises as well as citizens – in particular young people, people who have lost their jobs low-income earners, vulnerable groups such as persons with disabilities and women – under stress. Additional weaknesses, dependencies and gaps in supply chains have been revealed and need evidence-based assessment to be addressed successfully. The EESC welcomes the commitment by the Commission to retain and grow its industrial and manufacturing base and underlines that social partners and civil society organisations have a key role and need to be included in designing the future of European industry. In particular, the EESC underlines the crucial role of social dialogue, the social partners, collective bargaining and workers' involvement, as well as civil society engagement, to achieve competitive industrial policy.
- 3.2 Nevertheless, as the pre-COVID-19 challenges have not disappeared, consistency with the measures proposed in the 2020 Industrial strategy for Europe is appropriate. The recovery will take time, and continued support to European industry, companies and workers is necessary in the process. The twin transition challenge, dealing with climate change and advancing digitisation, requires efforts by companies and public authorities and must play a central role in a modern industrial strategy for Europe. The EESC underlines that the measures envisaged for climate neutrality and the digital transition must align with the objective of social wellbeing and sustainable growth, to achieve a just transition where no one is left behind. In addition to focusing on the recovery from the COVID-19 crisis, a longer-term perspective on a green and digital transition but also on productivity and competitiveness in general is essential.
- 3.3 The Committee agrees that value chain resilience has gained in importance and supports the Commission's efforts to secure supply chains and strengthen the resilience of businesses, as this is important for the EU economy and the COVID-19 pandemic has highlighted unexpected shortcomings, including in the Single Market. A strong horizontal industrial policy should support the European industrial base without discretionary interventions in market results. The EESC points to the importance of innovation. Exploring ways to find an appropriate level of security of supply and strengthening the capacities to cope with disruption should be on the political, but above all on the corporate, agenda.
- 3.4 Skills are crucial in supporting the twin transition and to contribute to the recovery. The EU can only be a geopolitical power if it has a very competitive industrial base, with strong companies and highly skilled workers, production facilities on EU soil and clear and fair rules for the internal market. The EESC supports the Pact for Skills initiative that is designed to foster actions for the up- and re-skilling of adult workers. Actions under the pact, such as the development of skills partnerships per ecosystem, including public-private partnerships, are best developed at the sectoral level with the involvement of sectoral social partners and relevant civil society organisations. It is also important that national skills initiatives incentivise employers to

offer training opportunities. In this respect, the territorial dimension is of the utmost importance; labour markets should be properly assessed with a view to creating new jobs in all regions. The EESC will monitor these aspects and calls on the Commission and the Member States to involve the social partners and civil society in the monitoring and implementation of the Recovery and Resilience Facility (RRF) plans, which need to be coherent with the European Green Deal and the Industrial Strategy. Europe needs a highly qualified labour force, adapted to the changes that the economy is facing. Succeeding in upskilling and re-skilling is a huge challenge³.

- 3.5 The EESC salutes the thorough analysis of the impact of the COVID-19 pandemic conducted in the context of the strategy. The proposed constant monitoring and observation activities and instruments, such as the Annual Single Market Report or the monitoring of critical raw materials, can create very useful data sets for assessing the state of Europe's industrial strength and inform a horizontal industrial policy that puts Europe again in a global leadership position.
- 3.6 However, a set of strategies or plans, e.g. on the Green Deal or NextGenerationEU, is not sufficient, as long as they lack implementation. The EESC calls on the Commission and the Member States to ensure that the various plans for Europe's recovery are aligned, with the necessary regulatory framework and incentives so that the industrial sector, its companies and workers are enabled to transition into a sustainable and digital future.
- 3.7 In coherence with the European Pillar of Social Rights, this considerable use of public funds should be oriented towards the principle of social sustainability and solidarity. This should be a guiding principle in the implementation of the updated strategy. Given the scale of the challenges, the resources currently made available through the Just Transition Fund are not enough to create sufficient prospects for affected regions and employees in the process of structural change. A just transition in the industrial sector can only succeed if carried out in a coordinated manner. The EESC believes that public investment should be done through broad and open research programmes such as Horizon Europe to avoid subsidising activities which are closer to markets.
- 3.8 Industrial and trade policies are interlinked, must be mutually reinforcing and address market distortions. Ensuring that the EU remains open to trade and investment is a prerequisite for achieving resilience. Trade can help diversify supply chains and allow the EU to have unobstructed access to inputs critical for our capacity to innovate and scale up production⁴. The EU's trade policy can help increase our global competitiveness i.e. by raising the climate ambition of trading partners, e.g. through liberalising trade in environmental goods and services. The EESC underlines that all EU policies should promote sustainable development at both European and international level, and ensure that economic development goes hand in hand with social justice, respect for human rights, high labour standards and high environmental standards. The EU needs to remain open, fair and values-based in order to attract investors and support its economic activities.

³ [OJ C 374, 16.9.2021, p. 16.](#)

⁴ See [OJ C 429, 11.12.2020, p. 197](#) and [OJ C 364, 28.10.2020, p. 53.](#)

3.9 The single market is Europe's biggest asset and its success will be key to enabling the transition. The Commission should continue the focus on implementation and enforcement of rules, and on removing the barriers in the single market that were present even before the crisis.

3.10 The pandemic has, in some areas, widened the gap between prospering and less prosperous EU Member States. This further endangers social and economic cohesion. Next Generation EU is an unprecedented instrument to mitigate this impact, but the EESC regrets that the regional aspect as well as peripherality or geographical location are missing from the Update of the Industrial Strategy. An ecosystem approach alone will not rectify the situation or reduce divergences. One of the main objectives of the strategy should be to reduce divergences between Member States and regions, while striving for upward convergence.

4. **Monitoring industrial trends, value chains and competitiveness**

4.1 Manufacturing is a driver for innovation, a focal point for value chains including services, and a home of high productivity and high-income jobs. Securing the future of manufacturing, strengthening industrial production and providing an enabling business and regulatory environment should be the cornerstones of a resilient and modern European economic and industrial policy that preserves and creates jobs.

4.2 Shortages in strategic value chains, as well as shortages of skilled workers, are undermining European industries' abilities to recover rapidly from the pandemic. Member States and the EU must tackle strategic dependencies, including through attracting strategic production on EU territory, the circular economy and trade policy measures. In general, it is businesses that are best placed to review and revise their supply chains. The EESC believes that the set of measures announced by the Commission to tackle unfair competition due to foreign subsidies should also be used as a tool to reindustrialise Europe and support its industrial value chains. Increasing Europe's strategic capacities through new industrial alliances that would not develop otherwise can create jobs and growth by redeveloping certain strategic production facilities.

4.3 Europe's manufacturing sector is facing growing competition from the United States and China. Europe is competing for investments that can be made in many parts of the world. Favourable investment conditions are crucial prerequisites for Europe's future prosperity. Domestic, European and international investors need to find attractive conditions in order to maintain and increase the capital stock that facilitates future growth. Existing companies must meet the conditions for development, while founders must be convinced that their business projects can grow successfully in Europe. The EESC recommends strengthening the horizontal approach in the industrial strategy, supplemented by vertical approaches.

4.4 Taxation can play a key role in providing the necessary incentives, but not while Member States are still competing with one another in an unfair and damaging manner, thereby enabling some large corporations to avoid paying their fair share of taxes. The EESC supports the preparations for the legislative proposal on BEFIT (Business in Europe: Framework for Income Taxation) and appreciates the recent agreements within the OECD on the taxation of companies.

- 4.5 The Annual Single Market report defines a set of KPIs with which to analyse economic developments and monitor the progress achieved in the different areas identified as priorities for European industry. The EESC supports KPIs as a monitoring tool and welcomes the aim of providing an overview of the performance of the EU economy, comparing it to international partners and analysing the specificity of industrial ecosystems. We call on the Commission to produce an annual assessment detailing how KPIs have achieved the proposed targets and to put in place corrective measures, if needed. The EESC also considers that if KPIs are a key instrument for the implementation of the Industry Strategy, quantifiable objectives, a clear timeline and governance are needed.
- 4.6 However, in our view, we need indicators that do not just provide another set of data but depict what is important for the EU's competitiveness. The proposed KPIs overlook important indicators such as the age, the gender or the skills profile of the workforce among the various ecosystems. Those aspects are crucial to anticipate the change ahead and avoid bottlenecks and hurdles while transforming European industry. But they are also key to building an inclusive recovery, given that young people, women and precarious workers have been the hardest hit by the crisis. The EESC recommends complementing the proposed KPIs with indicators measuring the social performance of the Industrial Strategy and its 14 ecosystems, with the aim of ensuring good working and production conditions and quality jobs. It calls for dedicated indicators that measure not only ecosystems, but horizontal issues as well, and for an option to adapt, change or evolve these over time, if necessary. The KPIs should, for example, take into consideration consumer preferences, and especially the shift to sustainable products.

5. **Strengthening single market resilience**

- 5.1 The EESC welcomes that the single market is at the very centre of the update. A strong home market is a precondition for European companies to set up, develop and continue to thrive. The EESC reminds that the objective is to ensure high labour, social and environmental standards and the smooth operation of supply chains and value creating networks within Europe. Social cohesion, affordable health care systems, efficient public services, good infrastructures, successful education systems and well-functioning industrial relations are key conditions for attracting investment and creating prosperity.
- 5.2 The EESC supports the Commission's proposal for a Single Market Emergency Instrument for greater transparency and coordination. It also welcomes the detailed analysis of industrial ecosystems, which will need to be accompanied by sectoral analyses and roadmaps, highlighting not just interdependencies and connections but also gaps in many sectors in the EU, including the assessment of labour market developments and the corresponding skills needs. There should also be room for revising how ecosystems⁵ are defined and used, but also which sectors are examined, so that the tool does not become overly selective.
- 5.3 The EESC welcomes the recognition of the role of Europe's MSMEs and endorses the intention to help them scale up and attract a qualified workforce. This requires a business-friendly

⁵ The use of the term "ecosystems" wrongly implies a sustainable equilibrium. There is no coherent usage of the term "ecosystems" in EC communications. In the EGD Communication of December 2019, "ecosystem" is used for natural systems and not those created by humans. In the updated Industrial Strategy Communication, the term is used only for industrial systems.

environment and investments in workers' skills and training, as well as decent working conditions and good social infrastructure. The EESC appreciates the extra attention paid by the Commission to late payments. Tackling the issue of late payment is of particular importance for SMEs. Alternative dispute resolution systems in which disputes can be confidential can be an important step in this direction.

- 5.4 Industrial alliances are proving a successful method for developing large-scale and cross-border industrial projects in strategic fields. These industrial alliances, together with Important Projects of Common European Interest (IPCEIs), are crucial for the recovery and for promoting European standards and key technologies, in particular in areas where the market alone cannot deliver or is being distorted.
- 5.5 The EESC calls for a reform of the state aid rules. The current set-up is no longer fit for purpose. We need a system that reduces administrative burdens, speeds up decision-making and makes it easier to meet the requirements of the matching clause. State aid rules can also make or break IPCEIs, which are key to encouraging public and private investment.
- 5.6 The EESC regrets the lack of recognition, in the Communication, of the critical role played by social economy enterprises during the pandemic and their relevance in the construction of a resilient Europe moving forward. On this front, the EESC points to the forthcoming Action Plan to Promote Social Economy.
- 5.7 Research, Development and Innovation are very important for the future of European industry. The EESC regrets that the target of 3% 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 block, keeping it behind the US, Japan and China.
- 5.8 Strengthening single market resilience requires fostering the market's integration. To this end, fiscal dimension and integration and measures to avoid unfair tax competition should be taken into consideration at both European and international level. Competition rules also need to be adapted to the new realities we are facing today, separately from the industrial policy.

6. **Dealing with dependencies: open strategic autonomy in practice**

- 6.1 The EU needs to remain open, fair and value based in order to attract investors and support its economic activities. Its geopolitical power is linked to having a competitive industrial base, with strong companies and highly skilled workers, production facilities within the EU, and clear and fair rules for the internal market, which can serve as an example internationally⁶. It is important, however, that it makes considered use of trade defence instruments to maintain fair competition in EU.
- 6.2 The EESC is convinced that an autonomy-focused policy is not fit for purpose. Instead, the EU's trade policy needs to recognise the fact that openness is a key ingredient in achieving resilience. It is important to find the right balance between openness and the planned legal instrument to

⁶ See [OJ C 364, 28.10.2020, p. 108](#).

address the potentially distorting effects, on both companies and workers, of foreign subsidies in the single market. The EESC supports an open and fair Single Market and level playing field where European companies can compete on foreign markets.

- 6.3 On the other hand, introducing new terminologies such as "competitive sustainability", without further explanation, should be avoided. Companies will face an uphill battle during the recovery phase and need an easy-to-negotiate legislative framework to do so.
- 6.4 The approach of forming and supporting industrial alliances has proven successful in the current examples of batteries and hydrogen. The EESC believes that this is a very good instrument and supports the launch of further alliances in the chosen sectors, e.g. processors and semiconductor technologies, Industrial Data, Edge and Cloud, Space Launchers and Zero Emission Aviation. We urge, however, that the alliances should be set up in a transparent and inclusive way, paying particular attention to MSMEs.

7. **Accelerating the twin transitions**

- 7.1 As recognised in the Green Deal, digitalisation plays a key role in all ecosystems. Investments should thus be increased across the EU to boost the growth power of new ICT sectors, such as the data economy, the Internet of Things, cloud computing, robotics, artificial intelligence and advanced manufacturing, as well as the use of European-developed industrial standards. The EESC calls on the Commission and Member States to ensure that the investments are made in digital solutions that add value to European economies.
- 7.2 Making Europe competitive in the digital field has the highest priority. The strategy rightly notes the need for the co-legislators to rapidly adopt the Digital Services Act and Digital Markets Act and the paramount role of harmonised standards in strengthening the single market for goods and enabling European global leadership in technologies, including by using digitalisation to achieve higher energy efficiency. A well-functioning European standardisation system is key for reaching the goals of the twin transition and strengthening the competitiveness and resilience of EU industries. The EESC calls on the Commission to increase its efforts to achieve leadership through and in standard-setting, by promoting and developing existing European industry standards jointly with companies. The EESC therefore welcomes the Commission's holistic approach, considering also the importance of the services sector for a well-functioning single market and tackling the twin transitions.
- 7.3 Equipping the European labour force with digital skills for this new phase of industrialisation is key. Embracing the digital era can only be achieved with a skilled and well-prepared workforce. Skills are an important catalyst for the innovation and creation of added value. Increasing employability requires comprehensive labour market strategies involving all relevant stakeholders (social partners, labour market institutions, civil society organisations, training providers). Digital skills and competences must be integrated into all levels of education, training and sectoral social partners. Local companies should be involved in the governance of education and vocational training systems, as they have extensive knowledge of companies' systems and local market needs. The digitalisation of the economy should be promoted in an

inclusive manner, preventing any type of digital discrimination, especially against older people, people with disabilities and those living in rural and remote regions.

- 7.4 The EESC stresses that a strong European manufacturing sector based on low- or no-emissions technologies and energy efficiency is best for economic prosperity and the climate. Reducing production capacities and risking both carbon and investment leakage to countries with less ambitious emission standards would be a fundamental failure. Developing affordable low- or no-carbon – as well as energy efficient – technologies and bringing them to global markets is the most important lever for global emission reduction. Europe's responsibility is to demonstrate that ambitious emission reduction is possible without endangering economic prosperity.
- 7.5 The circular economy⁷ and creating secondary raw materials markets is vital. Waste management policies, mandatory recycled contents in packaging and other products are vital to set in motion investments along the recycling chains.
- 7.6 To achieve the level of investment needed to finance the Green Deal, a review of state aid rules for investment in low-carbon products and processes should also be envisaged. Furthermore, the newly created Innovation and Modernisation Funds, as well as the ETS auctioning revenues and the proposed carbon contracts for difference, should provide additional resources to support climate and energy-related projects, and deal with the social impact of a transition that aims to leave no one behind. Also, a link of the industrial strategy to the European Green Deal and the EU Action Plan: "Towards Zero Pollution for Air, Water and Soil" should be introduced.
- 7.7 The EESC supports the line taken in the Update of the Industrial Strategy on Carbon Border Adjustment Mechanism (CBAM). We want to underline that a CBAM, introduced for selected sectors, has to be in full compliance with WTO rules in order to avoid retaliatory measures from trading partners. In the pursuit of carbon neutrality, setting similar carbon price levels internationally should be the priority target in future multilateral negotiations.
- 7.8 Data analytics will play a crucial role in the short and medium term. The EU needs advanced data analysis programmes that can assess Europe's competitiveness level compared with our global competitors. The EESC thus welcomes efforts to create industrial alliances on Industrial Data, Edge and Cloud.

Brussels, 21 October 2021.

Christa SCHWENG

The president of the European Economic and Social Committee

⁷ See [OJ C 364, 28.10.2020, p. 94](#) and [OJ C 14, 15.1.2020, p. 29](#).

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N.B: The appendix to this document (the supplementary opinion of the Consultative Commission on Industrial Change – CCMI/185 – "Updating the new industrial strategy – Impacts on the health industrial ecosystem" – EESC-2021-02562-00-00-AS-TRA) can be found on the following pages.



CCMI/185
Industrial Strategy

OPINION

Consultative Commission on Industrial Change (CCMI)

Updating the new industrial strategy – Impacts on the health industrial ecosystem
(supplementary opinion to INT/935)

Rapporteur: **Anastasis YIAPANIS**
Co-rapporteur: **Antonello PEZZINI**

Plenary Assembly decision
Legal basis

26/04/2021
Rule 37(2) of the Rules of Procedure
Supplementary opinion

Body responsible
Adopted in CCMI

Consultative Commission on Industrial Change (CCMI)
29/09/2021

1. **Conclusions and recommendations**

- 1.1 The EESC firmly believes that health is at the centre of the new international geopolitical context and that it is crucial to support a strong and coordinated European healthcare ecosystem so as to contribute to the EU's industrial strategic autonomy, technological sovereignty and a better quality of life for EU citizens based on a holistic approach, with clearly established roadmaps and measurable, transparent performance indicators.
- 1.2 Bottom-up mapping and analysis should be carried out, together with Member States and stakeholders in the sector, in order to assess the exact nature of the dependencies identified, including the risks they pose to the resilience and functioning of the industrial ecosystem and tackle vulnerabilities and shortages of strategic materials.
- 1.3 The EESC considers that action is needed to create a stronger, fairer and more efficient and accessible healthcare ecosystem, with effective governance, appropriate diversification of sources of supply and an interoperable and interconnected digital healthcare architecture. The EU needs to find the appropriate incentives for reshoring strategic production capacities.
- 1.4 Europe is dependent on other countries for the supply of certain raw materials. The health sector needs stronger and more diverse international supply chains in order to be ready to face future crises. The EESC welcomes the announced proposal to create a European Health Emergency Preparedness and Response Authority.
- 1.5 The EESC underscores the need to go up a gear, including by means of synergies between the public and private sectors. Strategic foresight at Union level is desperately needed, promoting fair availability of equipment and access to the healthcare ecosystem, greater solidarity, fairness and multilateral cooperation. The EESC calls for social wellbeing to be ensured by means of easy access to high-quality and effective medicines for all EU inhabitants.
- 1.6 The potential synergies between large companies and SMEs are not being fully exploited, seriously hampering the empowerment of SMEs and preventing the health sector from becoming an incubator of breakthrough discoveries. Investment support instruments must be effectively coordinated, with specifically dedicated calls for industrial SMEs.
- 1.7 The EESC calls for more clarity concerning health data sharing and the use of AI, the elimination of regulatory barriers, and support for a common EU approach to the use of telemedicine services. It fully supports the deployment of the European Health Data Space, with full respect for individual rights and the protection of personal data.
- 1.8 The health sector can contribute significantly to the EU's climate neutrality through properly designed waste management policies, new circular economy business models and increased transport infrastructure capacity.
- 1.9 Investing in R&D is essential for the competitiveness and sustainability of the health industry. European policies must stimulate public and private investments so that they integrate social and health aspects.

- 1.10 The EESC calls for greater engagement in the regulatory procedures regarding the development of harmonised quality and safety standards for protective equipment and medical devices. The EESC calls for clear mandates for the standardisation bodies in the technical-regulatory process.
- 1.11 Dedicated training, re-skilling, up-skilling and lifelong learning programmes for the European health labour force are needed in order to cope with the new challenges of the Green Deal. The focus must not only be on health professionals, but also on researchers, teachers, media people and patients themselves. The EESC therefore calls for more communication at EU level about consumers'/patients' rights, with the full inclusion of the social partners and relevant civil society organisations.
- 1.12 The EESC calls on the Commission to continue the collaboration and dialogue between stakeholders on the resilience of the pharmaceutical sector, building on existing structures under the Pharmaceutical Strategy for Europe, and to continue to develop a strong, sustainable and digital transformation of the health industrial ecosystem as outlined in the Industrial Strategy for Europe.

2. **Background and introduction**

- 2.1 The COVID-19 pandemic has created an unprecedented crisis within all the EU Member States that, unlike other crises, has impacted both supply and demand, as well as society as a whole. The EU has been hit hard compared to other parts of the world and has recorded more deaths per million people than the global trend¹. The Union has reacted adequately, in a quasi-coordinated manner. More could have been done, had the EU been more prepared as a Union for this kind of shock.
- 2.2 The single market represents one of the most important achievements of the European Union project. Barriers still exist, arising from the unharmonised application of EU legislation within the Member States. The COVID-19 pandemic has amplified these barriers, especially showing the fragility of value chains and the increase in distribution problems. It has become clear that the EU is dependent on third countries with regard to medical products.
- 2.3 The healthcare sector provided more than 7 million jobs in 2018². The sector is an important asset for the single market, with more than 800 000 direct jobs and EUR 109.4 billion in trade surplus³. Medicine producers made the largest contribution in terms of R&D investments in 2019, while the European electromedical market is now worth EUR 120 billion. However, the EU invests less in comparison to our trading partners: 19.2% of industrial R&D investment in the EU goes to health innovation compared to 26.4% in the US, for example. Europe is a major hub for the global medical device industry. The medical device market in the EU accounts for one third of the global market, with around 32 000 businesses and 730 000 employees.

1 [EP study – Impacts of the COVID-19 pandemic on EU industries](#)

2 [Eurostat – Healthcare personnel statistics](#)

3 [International trade in goods by type of good](#)

3. General comments

- 3.1 Health is one of the megatrends of the future, particularly in Europe, and in the new geopolitical context, it is crucial to support the healthcare industrial ecosystem that contributes to the EU's strategic autonomy and technological sovereignty.
- 3.2 The EESC considers that the European Commission's communication places industry, and especially healthcare, at the centre of European policies, recognising its ability to drive major changes, interpret the new needs and challenges of society and offer innovative and competitive solutions. However, the EESC calls for a more holistic approach than that taken by the Commission, which focuses mainly on industry. Policy makers have a high level of responsibility, since health is one of the basics of individual existence and undoubtedly individuals' most precious asset. The EESC therefore calls for more communication at EU level about consumers'/patients' rights, including the fundamental rights enshrined in the EU Charter of Fundamental Rights. The EU needs a strong coordinated health system.
- 3.3 The industrial structure of the health ecosystem is an extensive construction, with some big players and a significant number of SMEs. However, the potential synergies between these two groups are not being fully exploited, seriously hampering the empowerment of SMEs. As a result, the health ecosystem is not functioning fully and is obstructed in its role of becoming an incubator of new innovative discoveries.
- 3.4 The health industrial ecosystem needs a strong internal market, with strong production and distribution facilities. The EESC has previously stressed the importance of a "*functioning, fair and efficient internal market, which, on the one hand, promotes and rewards genuine medical innovation with real added value for healthcare and, on the other, strengthens competition for fair and affordable access to medicines*"⁴.
- 3.5 There would seem to be a significant need to upgrade the integration of the single market by ensuring more effective governance, especially in the healthcare industrial sector⁵: a well-functioning single market and competition policy enables strong business dynamics, which can play an essential role in diversifying sources of supply within the EU and avoid a fragmented healthcare architecture.
- 3.6 As the COVID-19 pandemic has shown, cross-country collaboration and solidarity improve the EU's response capacity and increase the resilience of the Union as a whole. Strategic foresight at Union level is desperately needed, especially since the pandemic has more deeply affected the sectors and value chains that have cross-border interconnections.
- 3.7 Strategic dependencies influence the fundamental interests of the EU. They particularly concern the areas of safety and security, the health of Europeans, and the ability to access goods, services and technologies that are key to the green and digital transitions at the heart of the EU's priorities.

⁴ EESC opinion on Pharmaceutical strategy, [OJ C 286 du 16.7.2021, p. 53](#).

⁵ [Questions and Answers: EU4Health Programme 2021-27](#)

- 3.8 The EESC has recommended "*presenting a clear concrete and comprehensive strategy for European industry in the short, medium and long term*" and urged the Commission to "*draw up a concrete action plan with clear annual objectives and monitoring procedures, which provides for close collaboration with all stakeholders*"⁶ while underlining how "*the role of employers, entrepreneurs and private sector engagement in driving structural change are key to industrial transition*"⁷.
- 3.9 The innovative medical-pharmaceutical industry is driven by medical progress. One important issue that needs to be immediately resolved is the unaffordability or unavailability of the medicines. Social well-being must be ensured through easy access to high-quality and effective medicines for all citizens living in the EU. The UK's withdrawal from the European Union has major ramifications for medical device manufacturers.
- 3.10 Europe's dependence on certain raw materials from only a handful of producers and countries was evident during the COVID-19 pandemic. Moreover, even green and digital technologies, often connected with the health industrial system, also depend on a range of scarce raw materials imported into Europe, with a very large proportion of the rare earth elements needed coming from a single supplier – China⁸. Strengthening and diversifying international supply chains is also vital for the development of the health industry and ensuring that the EU will be ready to face future crises like the COVID-19 pandemic. Eliminating vulnerabilities and creating a stable, predictable and resource-efficient trading environment should be the ultimate goal. The announced proposal to create a European Health Emergency Preparedness and Response Authority is welcome.
- 3.11 Europe has been successful in its strategy of developing Public-Private Partnerships to stimulate R&D in the pharmaceutical industry, but the amounts involved are one-tenth of what is spent by the US Biomedical Advanced Research and Development Authority (BARDA).
- 3.12 The biggest opportunities in the coming years will stem from digital health technologies. Whether we are talking about medicinal products, medical devices and procedures, or measures to prevent, diagnose or treat diseases, they are all vital for all EU citizens. The upcoming Regulation on Artificial Intelligence⁹, the legislative proposal on the European Health Data Space¹⁰ and standardisation will bring more clarity to health data sharing and the use of AI, eliminate regulatory barriers and support a common EU approach to the use of telemedicine services, while the Data Governance Act¹¹ should be able to guarantee the sharing of health data while safeguarding the protection of personal data and preserving other human rights.

⁶ [OJ C 364, 28.10.2020, p. 108 – EESC opinion on A New Industrial Strategy for Europe](#)

⁷ [OJ C 56, 16.2.2021, p. 10 – EESC opinion on Industrial transition towards a green and digital European economy](#)

⁸ E.g. platinum to produce clean hydrogen, metallic silicon for solar panels, and lithium for electric cars

⁹ [Proposal for a Regulation of the European Parliament and of the Council laying down harmonised rules on artificial intelligence and amending certain Union legislative acts \(COM\(2021\) 206 final\)](#)

¹⁰ [Communication on A European strategy for data \(COM\(2020\) 66 final\)](#)

¹¹ [Proposal for a Regulation on European data governance \(Data Governance Act\) \(COM\(2020\) 767 final\)](#)

4. **Specific comments**

- 4.1 The digital transformation of the health sector is a huge opportunity. Embracing the twin transition can provide further competitive advantages for the Union, in a complex and tense international environment. Particularly by investing in high-performance computing and artificial intelligence technologies, the EU can develop cutting-edge technologies, in particular predictive ones. The pandemic has demonstrated the immediate need for smart health services, such as telehealth.
- 4.2 Moreover, the health sector can contribute significantly to the EU's climate neutrality by reducing its greenhouse gas emissions along the value chains. Waste management policies need to be strengthened, as the sector produces significant amounts of waste from leftover medicines and used technological and personal equipment. New circular economy business models and increased transport infrastructure capacities must be developed, while engaging all Member States and stakeholders in decarbonising value chains.
- 4.3 Human health ultimately depends upon ecosystem products and services (such as availability of fresh water, food and fuel sources) which are requisite for good human health and productive livelihoods. Biodiversity loss can have significant direct human health impacts if ecosystem services are no longer adequate to meet social needs.
- 4.4 Traditional medicine continue to play an essential role in health care, especially in primary health care. Medicinal plant use is the most common medication tool in traditional medicine and complementary medicine worldwide. Many communities rely on natural products collected from ecosystems for medicinal and cultural purposes, in addition to food.
- 4.5 Strategic stockpiling and reshoring EU companies are other important directions to be considered and are part of the EU's shared competences. As technology improves, and manufacturing capacity with it, the EU needs to find the appropriate incentives for reshoring strategic production capacities on its soil. Tax incentives can play a key role in this regard.
- 4.6 Bottom-up mapping and analysis with Member States and industry is needed to make it possible to assess the exact nature of the identified dependencies in more detail, including the risks they pose to the resilience and functioning of industrial ecosystems in the EU, as well as the possible prospects for reducing these dependencies, as well as trade disputes and cyberattacks, in future.
- 4.7 Investing in R&D is essential for the competitiveness and sustainability of the health industry. In addition to the contribution of EU funds, European policies must stimulate public and private investment as much as possible. The development of Public-Private Partnerships, like IMI2, will encourage producers to invest in and pursue R&D&I activities that are vital for future medicinal discoveries. These kinds of initiatives have the power to maintain Europe at the forefront of medical innovation.
- 4.8 Equally, it is of the utmost importance to support Member States' efforts to pool public resources through major projects of common European interest (IPCEI) in sectors where the

market alone cannot deliver breakthrough innovations, as is the case in the pharmaceutical sector.

- 4.9 The competitiveness of the industry must be supported by a strong intellectual property rights framework that empowers and protects innovation. Access to data is also vital for the producers, especially for SMEs that have been hit hard by the pandemic and must be encouraged to scale up and grow. The EU needs specially designed policies for big data analysis and interoperable data access infrastructure.
- 4.10 SMEs need also easy access to financing in order to prosper and grow. This also means alternative sources to the usual bank loans, such as private equity or venture capital financing opportunities. Investment support instruments must be effectively coordinated, with lines specifically dedicated to industrial SMEs. In this area, it is important for the initiatives arising from the EU's sustainable finance framework, including the implementation of the taxonomy, to be designed to provide an opportunity for the European economy, taking into account both the needs of the financial markets and the challenges of industry.
- 4.11 The development of a European electronic health record exchange format to unblock the flow of health data across borders provides a framework for the further development of common technical specifications for the secure sharing of health data between EU Member States, on which the European Committee for Standardization is currently developing technical specifications. The EESC calls for greater engagement and inclusion of relevant stakeholders in the regulatory procedures regarding the development of harmonised quality and safety standards for personal protective equipment and medical devices.
- 4.12 The Recovery and Resilience Facility can be used to address many of the health ecosystem's needs via investment in and reforms to national health systems, strengthening resilience and crisis preparedness, primary care, increasing fair and transparent access to services, addressing supply chain vulnerabilities and the digital skills of healthcare workers, telemedicine solutions, and research, development and innovation.
- 4.13 The EESC calls for the development of specially designed programmes for training, re-skilling, up-skilling and lifelong learning for the European health labour force, in line with their key professional and social role, technological progress and the new requirements for enhanced sustainability. Clear training policies led by the sector stakeholders are needed in order to have qualified workers who are able to cope with the new challenges of the Green Deal.
- 4.14 The EESC has previously noted that "*new policies on skills should be designed with the involvement of civil society organisations and the social partners in order to speed up the adaptation of education and training systems to match the demand for new jobs*"¹². In the health sector, the focus must not only be on health professionals, but also on researchers, teachers, decision makers of all kinds, media people, patients themselves and their representative organisations.

¹² [OJ C 364, 28.10.2020, p. 108 – EESC opinion on A New Industrial Strategy for Europe](#)

- 4.15 Strategic Public Procurement plays a key role in bringing EU industry, research centres, and EU and national regulatory authorities together, particularly in the health sector, and facilitates public-private cooperation with a view to addressing the needs of public and private health systems and enabling the purchase of innovative and affordable health technologies, including green and digital solutions and social clauses¹³.
- 4.16 The EESC has already called on the EU institutions and the Member States to demonstrate the political will to implement a "Health Pact for the Future of Europe"¹⁴ that reflects the fundamental values of the EU.
- 4.17 The Structured Dialogue Initiative¹⁵ announced in the pharmaceutical strategy is vital for Europe, in order to identify the causes and drivers of potential vulnerabilities and dependencies of medicines supply chains.
- 4.18 The EESC fully supports the deployment of the European Health Data Space¹⁶ in order to provide the necessary data sharing infrastructure for diagnostic tools and treatment when it comes to cooperating and engaging in efforts to co-invest in next generation healthcare ecosystems across the entirety of value chains.
- 4.19 The EESC believes that harmonised standards should be used as an instrument to cover essential product safety requirements supported by instruments that help place the products on the market. The European Union must avoid over-regulation of products, the priority being to lighten the administrative burden caused by excessive legislation, while ensuring easy access to documentation, sound information, smooth exchange of best practices, and effective cooperation.
- 4.20 Finally, the EESC calls on the Commission to continue the collaboration and dialogue between all stakeholders to strengthen the resilience of the EU pharmaceutical system to future crises, building on existing mechanisms set out in the Pharmaceutical Strategy for Europe¹⁷ and the Industrial Strategy for Europe¹⁸. The EESC also calls on the Commission to create further synergies between Member States, to put forward new initiatives to strengthen the coordination of the different national systems (in line with the TFEU¹⁹) and to continue to develop a strong, sustainable and digital transformation of the health industrial ecosystem.

13 [OJ C 237, 18.06.2021](#) – Buying Social – A guide to taking account of social considerations in public procurement – Second edition

14 [OJ C 429, 11.12.2020, p. 251](#) – EESC opinion on *the establishment of a Programme for the Union's action in the field of health for the period 2021-2027*

15 [Structured dialogue on security of medicines supply](#)

16 [Commission publishes open public consultation on the European Health Data Space](#)

17 <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020DC0761>

18 <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1593086905382&uri=CELEX:52020DC0102>

19 Treaty on the Functioning of the European Union

Brussels, 29 September 2021.

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