European Economic and Social Committee

OPINION

European Economic and Social Committee

Industrial ecosystems, strategic autonomy and well-being

How will the identified industrial ecosystems contribute to the strategic autonomy of the EU and the well-being of Europeans?
(Exploratory opinion)

INT/964

Rapporteur: **Sandra PARTHIE**

Referral	French Presidency of the Council of the European Union, 21/09/2021
Legal basis	Article 304 of the Treaty on the Functioning of the European Union
Section responsible	Single Market, Production and Consumption
Adopted in section	13/12/2021
Adopted at plenary	19/01/2022
Plenary session No	566
Outcome of vote (for/against/abstentions)	244/1/3

1. Conclusions and recommendations

1.1 For European economies to remain globally competitive, companies across many sectors have to adapt to new global competitors, reinvent business models and reassess supply chains. The ensuing change is structural and sometimes even disruptive, not only for businesses but also for people and their working conditions. The EESC highlights the "leave no one behind" principle and calls for dialogue with all relevant actors on the management of this structural change.

1.2 Openness to trade, investment and other forms of international collaboration is a strength and source of growth and well-being for the EU. The EESC supports the EU's ambition to assume greater responsibility for its own security, reduce one-sided dependencies in critical areas and strengthen its capacity to set and implement its own priorities, moving to a state of economic competitiveness and enhanced resilience.

1.3 Without being protectionist, it is necessary to act at European level through regulation as well as standard-setting to reduce the risk of strategic or structural shortages, diversify, protect intellectual property, and ensure rules-based and fair competition between Member States and with other global partners. In its transnational and global alliances, the EU must be able to identify violations of human rights, fundamental freedoms and the health and safety of both, people and the environment, throughout value and supply chains.

1.4 In order to strengthen its manufacturing base the EESC recommends that the EU increases its R&D&I spending and other related funding instruments such as the Interregional Innovation Investment Instrument[1], putting it at least on a par with other regions in the world to enable much needed innovation.

1.5 Furthermore, the EESC recommends adapting the Skills Agenda to future labour market needs. The industrial ecosystems approach should also translate into increasing EU citizens' well-being in terms of quality jobs, remuneration and access to lifelong learning. In this context the EESC underlines its support for the EU Pact for Skills, which is crucial for ensuring long-term employment prospects for European citizens.

1.6 The EESC believes it is important to achieve real upward convergence of EU economies, particularly in terms of productivity, social standards, occupational health and safety and environmentally-friendly production. The competitiveness of the European Single Market largely depends on developing and accessing the full potential of all national economies, which are still at very different levels and thus need different and targeted policies. The goal should be the eradication of economic disparities among Member States. Investments in research, development and new technologies are crucial.

1.7 For a balanced view of well-being, the EESC agrees with the OECD's assessment that we need comprehensive dashboards of statistics that reflect what matters to people, covering wide-ranging outcomes such as people's income, health, social connections, safety and the environment. We need to look beyond country averages to understand not only whether life is

1 https://eismea.ec.europa.eu/programmes/interregional-innovation-investments-i3-instrument_en

getting better, but also for whom. Furthermore, we need to not only measure well-being today, but also the resources that help to sustain it into the future. Finally, structural change can be perceived by people as threatening, despite the results of economic analysis. Election gains by populist parties across the EU but also the Brexit vote can be traced to voters feeling disenfranchised by globalisation, and feeling a loss of control over their life decisions. This cannot be alleviated by statistics. Social partner and civil society organisations need to be much more involved by policy-makers in addressing grievances and fears of social hardship and in formulating and implementing solutions on the ground. The EESC supports a more open and participation-oriented sustainable corporate governance including information, consultation and participation of workers at the company level.

2. Background to the opinion, including the legislative proposal concerned

2.1 The EESC points to the Conclusions of the European Council of 1-2 October 2020 which make the concept of strategic autonomy a central feature of the internal market, industrial policy and the digital sector. It also highlights the conclusions of the Competitiveness Council of 13 November 2020, which states that this includes identifying and reducing strategic dependencies and increasing resilience in the most sensitive industrial ecosystems and in specific areas, such as health, the defence industry, space, digital, energy, mobility industries and critical raw materials.

2.2 The objectives of open strategic autonomy are stability, disseminating European standards and promoting the EU's values. They are reflected in several recent initiatives, such as the Communication on Shaping Europe's Digital Future of February 2020; the Communication on foreign direct investment (FDI Screening Regulation) adopted in March 2020; the EU Foreign Investment Screening Mechanism adopted in 2019 and fully operational in October 2020; the Data Strategy of November 2020; the "Open strategic autonomy" trade policy review of February 2021, and the ongoing work on an anti-coercion instrument. Furthermore, the proposal for a Regulation on the Carbon Border Adjustment Mechanism of July 2021 is one example of the growing awareness of environmental topics within the EU.

2.3 The Lisbon Strategy of 2000 was aimed at the EU becoming a knowledge-based economy and society, established quantifiable indicators and reinforced the need to support people in their lifelong learning pathways. The Pact for Skills is essential in terms of education, expertise and know-how, given some industrial sectors are facing major transformations in the framework of the dual digital and ecological transition. Additionally, as addressed in the Blueprint for Skills, the main stakeholders such as businesses, trade unions, research, education or training institutions and public authorities are indispensable actors in addressing sectoral skills needs. The EESC welcomes the work of the European Commission and sectoral partners such as the Sector Skills Council and European Sector Skills Alliances to overcome skills mismatches between industry demand for skills and education supply.[2]

[2] Blueprint for Sectoral Cooperation on Skills. Responding to skills mismatches at sectoral level. A key action of the New Skills Agenda for Europe.

2.4 The EESC also points to the Commission's work on Critical Raw Materials Resilience[3], which aims to chart a path towards greater sustainability and security and the related EESC opinion[4], as well as to the assessments delivered by the EESC on various industrial ecosystems and sectors[5].

3. General comments

3.1 The EU is based on an open economic model with 14% of the world's imports carried out by the EU and 16% of the world's exports originating in the EU. EESC supports the view that it is essential for Europe's industrial policy to find the ways and means to reduce one-sided dependencies on others, in strategic areas ranging from technology to food and health, for example. An industrial policy with a strong industrial manufacturing base should thwart the potential negative effects of disruption. Security of supply may also be achieved through partnerships with "like-minded countries". The EU-US Trade and Technology Council (TTC) for instance is aimed at providing such partnerships. In order to protect itself against trade asymmetries, the EESC also supports the EU's endeavours to put into place and improve trade defence instruments such as the EU Foreign Investment Screening Mechanism[6], the EU International Procurement Instrument[7] and the Regulation to address distortions caused by foreign subsidies in the Single Market proposed by the European Commission in May 2021[8].

3.2 A bottom-up analysis of strategic dependencies conducted by the Commission shows that dependencies in the most sensitive ecosystems represent only 0.6% of the value of goods imported from outside the EU. Thus, many value chains have shown remarkable resilience during the pandemic. The EESC strongly supports the work of the Commission to map strategic dependencies and capacities. The analysis also casts light on the fact that out of 5 200 products imported into the EU, 137 belong to sensitive ecosystems on which the EU is highly dependent – mainly in the energy-intensive industries (such as raw materials) and health ecosystems (such as active pharmaceutical ingredients) as well as products relevant to supporting the green and digital transition. 52% of imports of these dependent products originate in China. 34 products are potentially more vulnerable because of their possibly low potential for further diversification and substitution with EU production. To improve the competitiveness of European industry, robust sustainable energy and digital technology policies are required. The EESC wants to underline that European digital healthcare and renewable energy players are among the global leaders.

---

3 European Commission, Critical Raw Materials Resilience: Charting a Path towards greater Security and Sustainability, COM(2020) 474.

4 OJ C 220, 9.6.2021, p. 118.

5 EESC opinion "The EU mobility strategy and EU industrial value chains: automotive eco-systems approach" OJ C 105, 4.3.2022, p. 26; EESC supplementary opinion " Updating the new industrial strategy - Impacts on the health industrial ecosystem") OJ C 105, 4.3.2022, p. 152; EESC opinion on Anticipation of structural and sectoral change and reshaping industrial cultures – up to new borders of recovery and resilience in the different parts of Europe (ongoing EESC opinion on "Sustainability requirements for batteries in the EU" OJ C 220, 9.6.2021, p. 128; EESC opinion on Glass in Europe at a crossroads: delivering a greener, energy-efficient industry, while enhancing competitiveness and maintaining quality jobs OJ C 105, 4.3.2022, p. 18.

6 European Commission, "EU foreign investment screening mechanism becomes fully operational", 9 October 2020,

7 European Parliamentary Research Service, "EU international procurement instrument", October 2021.

8 European Commission, "Commission proposes new Regulation to address distortions caused by foreign subsidies in the Single Market", 5 May 2021.

3.3 Open Strategic autonomy is characterised by the existence of production capacity in future-oriented sectors within the European Single Market especially for high-value goods where it is essential to maintain the EU's technological and innovation potential. For instance, the Commission's assessment shows that Europe has a world market share of 33% in robotics, 30% in embedded systems, 55% in automotive semiconductors, 20% in semiconductor equipment and 20% in photonics components[9]. Strategic autonomy involves trade defence instruments in a context of growing international competition and unlawful competition. The EU's industrial policy therefore goes hand in hand with a strong trade and competition policy.

3.4 The EESC underlines that increasing open strategic autonomy includes strengthening the resilience of the Single Market, investing in the EU's own competence and technological capacity and R&D resources, diversifying production and supply chains, securing digital sovereignty, ensuring strategic stockpiling, fostering and attracting investments and production in Europe by improving the conditions in which businesses operate, exploring alternative solutions and circular economy models, and promoting broad industrial cooperation across Member States, as well as aiming for technological leadership as stated by the Competitiveness Council in November 2020.

3.5 The Single Market is Europe's biggest asset and the Commission should continue to focus its efforts to enhance its resilience by implementing and enforcing rules, and removing barriers to achieve the goal of an innovative, prosperous and future-oriented European economy. A strong home market is a precondition for European companies to be set up, develop, thrive and avoid future disruption, for example with the help of the Single Market Emergency Instrument.

3.6 The EESC in its opinion *No Green Deal without a Social Deal* stresses the importance of a strong forward-looking social dialogue and a participation-oriented sustainable corporate governance. The EESC also endorses the fact that workers are informed and consulted and promotes their participation at the company level with a view to fostering workplace innovation[10]. In its December 2020 *Resolution on sustainable corporate governance*, the European Parliament welcomed the Commission's commitment to reviewing the Non-Financial Reporting Directive and developing non-financial reporting standards[11]. Adhering to the principles of sustainable corporate governance is an important way of promoting European values abroad and provides a competitive advantage for European companies.

3.7 The socio-economic situation in the EU Member States and regions is still very different, and so it is important to ensure that targeted, regional transition paths are developed in the context of a specific governance process for the various ecosystems, including supporting access to new markets, especially for SMEs, and sustainable value chains. The EESC supports governance approaches such as regional transformation commissions or transformation hubs that, in close

---

9 European Commission, Investing in a smart, innovative and sustainable Industry. A renewed EU Industrial Policy Strategy, COM(2017) 479 final.

10 OJ C 341, 24.8.2021, p. 23

11 European Parliament resolution of 17 December 2020 on sustainable corporate governance (2020/2137(INI).

cooperation with local and regional economic actors, define specific local and regional solutions for the economic changes ahead.

3.8 As regards improving industrial cooperation across EU Member States, the EESC appreciates the analytical work carried out by the Commission on defining and outlining 14 "industrial ecosystems". The analysis reflects similar exercises by the US and China. They fall into two different categories; an ecosystem defined as a network of clusters belonging to a particular area of activity and a regional ecosystem, which looks at the interaction of economic agents in a given region. Together, they provide an interactive platform to optimise cooperation between authorities and stakeholders and to facilitate communication among actors. The EESC sees real added value for businesses, which can voice a particular need to a whole ecosystem which is able to respond. The deeper and denser an ecosystem is, the more useful it will be for all actors involved and the larger the added value it will provide.

3.9 The EU and its Member States focus on public programmes in cutting-edge science at EU level. Similarly, R&I budgets have been transferred from the national to the EU level and are larger than ever, although still below the levels of strategic competitors such as China; a fourth round of "moon-shot programmes" is targeted at relaunching the EU's global leadership in R&I. This should include Large Enterprise AI-Models (LEAM), Common Industrial Dataspaces and emerging green technologies, and reinforce R&D&I with a view to creating synthetic substitutes for critical raw materials.

3.10 R&D expenditure within the European Union as a percentage of GDP stood at 2% in 2019. In comparison, China spent 2% of its GDP on R&D in 2019 and the USA 3%. In order to strengthen its manufacturing base the EESC would recommend that the EU increase its R&D spending, and deplores the fact that, apart from core public investments in R&I, and strong private conglomerates in climate mitigation and health industries, EU innovation ecosystems are not flourishing enough[12]. While effective competition in the EU is an excellent incentive for companies to innovate, they should nonetheless be better supported by fully utilising other EU-level R&D&I funding instruments to put the EU at least on a par with other regions in the world to enable much needed innovation. Currently, EU investments mainly aim to support domestic, i.e. national Member State interests as opposed to looking for European approaches and solutions, creating and benefiting from better and deeper links between economic agents.

3.11 The EESC strongly supports calls for enhanced ecosystems and value chains and collaboration between them and believes that they need to be linked to the dual green and digital transition to improve the well-being of Europeans. Transition pathways will add value by proposing a meaningful sequencing of policies and provide predictability, which is important for businesses and the well-being of citizens, e.g. with regard to skills development. In this context, we want to highlight stakeholder-centric economic models with mitigating climate change and environmental destruction as the leading driver, and call on Member States and the Commission to make use of these models to a larger extent in their policy formulations and impact assessments.

12 JRC Science for Policy Report, Shaping & Securing the EU's open strategic autonomy by 2040 and beyond; 2021.

3.12 Investments to create more resilient and sustainable value chains that provide access to essential services and goods must deliver results in terms of economic growth and well-being. Sectoral action plans should be established that are linked to the initiatives of existing major economic players and strengthen existing economic groups in Europe, including SMEs. This should entail institutional support to enable them to better control value chains and anticipating crises by implementing stress tests or risk assessments to prevent shortages.

3.13 Defining the right strategic value chains, supply chains and clusters will be key. By promoting IPCEIs and setting up industrial alliances on batteries for electric vehicles, High-Performance Computing, microelectronics, connected, clean and autonomous vehicles, smart health, low-carbon industry, hydrogen technologies and systems, the industrial Internet of Things, and cybersecurity, the Commission has made clear which areas should be developed as priorities and with a real EU added value. Together with safeguarding European interests with regards to European-developed standards, and the protection of European intellectual property, this forms a strong basis for a coherent set of industrial and economic policies.

3.14 This is not only a goal in itself but aimed at preserving and sustaining the well-being of Europeans by providing quality jobs in future-oriented sectors, while also working towards the twin transition. In order to achieve these goals, the right indicators and metrics need to be employed. The EESC believes that "well-being" has matured as a statistical and measurement concept, turning into a "compass" for policy-makers to guide their decisions.

3.15 The EESC agrees with the OECD's definition of the "Economy of Well-being" as an economy that:

1. expands the opportunities available to people for upward social mobility and for improving their lives along the dimensions that matter most to them;
2. ensures that these opportunities translate into well-being outcomes for all segments of the population, including those at the bottom of the distribution;
3. reduces inequalities; and
4. fosters environmental and social sustainability.

Brussels, 19 January 2022.

Christa Schweng
The president of the European Economic and Social Committee