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NOTE

From: Presidency
To: Permanent Representatives Committee/Council

Subject: *Preparation of the Competitiveness Council on 27 May 2019*
Conclusions on an EU Industrial Policy Strategy: A Vision for 2030
- *Policy debate*

- A. The European Commission Communication of September 2017 on "Investing in a smart, innovative and sustainable Industry - A renewed EU Industrial Policy Strategy" provided a comprehensive inventory of initiatives already undertaken or currently being prepared that were expected to have a positive effect and enhance the competitiveness of EU industry.
- B. The Council conclusions of May 2017 on "A future EU industrial policy strategy", the Council conclusions of November 2017 on "A renewed EU Industrial Policy Strategy", the Council conclusions of March 2018 on "EU industrial policy strategy for competitiveness, growth and innovation", and the Council conclusions of November 2018 on "A future EU Industrial Policy Strategy" all emphasised the need for a comprehensive and long-term EU industrial policy strategy.
- C. The European Council conclusions of March 2018 stressed that the EU needs a strong industrial policy.

- D. The High Level Working Group on Competitiveness and Growth discussed on 11 April 2019 a holistic approach to the EU Agenda – interlinking Industrial and Single Market policies including services, with a view to preparing the ministerial debates at the Competitiveness Council of 27 May 2019.
- E. The Council conclusions of February 2019 on the Coordinated Plan on the Development and Use of Artificial Intelligence Made in Europe underlined the need for placing the EU among the drivers of Artificial Intelligence worldwide.
- F. The European Council adopted conclusions at its meeting on 21 and 22 March 2019 that invited the Commission to present, by the end of 2019, a long-term vision for the EU's industrial future, with concrete measures to implement it.
- G. The Working Party on Competitiveness and Growth (Industry) elaborated draft Council Conclusions on an EU industrial policy strategy: a vision for 2030 at its meetings of 15 March, 20 March, 4 April, 15 April and 8 May 2019.
- H. The Romanian Presidency has prepared a background paper and questions (in Annex) to help structure the ministerial debate during the meeting of the Competitiveness Council on 27 May 2019.
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EU Industrial Policy Strategy: A vision for 2030

1. European industry remains a crucial factor in the EU economy, which is the second largest in the world, providing one job out of five, and is responsible for the bulk of EU exports and investments in research and innovation. Industry impacts other economic sectors and contributes significantly to economic growth, employment and innovation activities at European, national and regional level. The manufacturing sector in particular plays a crucial role in driving productivity, innovation and decarbonization in the whole economy.
2. During the last few years the Council of the EU, the Member States and the European Commission have worked together in a number of key areas, in order to enable a successful transition towards a digital, knowledge-based, decarbonised and more circular industry in Europe. As a result, the role of new technologies, automation, robotics and Artificial Intelligence is rising and is conducive to the creation of smart and connected factories which lead to new developments in manufacturing performance.
3. Europe remains a global leader in many industrial sectors, but still needs to address some challenges to competitiveness especially relating to areas signalled by industry stakeholders as being sensitive such as energy-intensive industries and access to raw materials.
4. Measures have already been put in place which support industrial modernization such as a growing network of innovation hubs, revised emission targets for 2030 and clean mobility solutions, the circularity to reduce the carbon footprint of the industry, better access to finance for industry and SMEs which in turn facilitates access to new markets, and the mobilisation of key stakeholders in order to close the skills gaps and develop an adequate workforce for tomorrow's industry.

5. The European Commission has identified through the Strategic Forum on Important Projects of Common European Interest (IPCEI), six key strategic value chains in order to prepare coordinated action and investment: Connected, clean and autonomous vehicles, Smart health, Low-carbon industry, Hydrogen technologies and systems, Industrial Internet of Things, and Cyber-security.
6. At its meeting on 11 April 2019 the High-Level Working Group on Competitiveness and Growth held discussions on “A holistic approach to the EU Agenda – interlinking Industrial and Single Market policies including services”. The discussions highlighted that, in order to maintain its competitiveness level, the European industry must constantly adapt to the opportunities and challenges posed by global competition, especially taking due account of the digital transformation. The European industry needs an ambitious policy to compete globally, especially with other global players such as China and the US. The discussions showed that an EU agenda interlinking Industrial and Single Market policies is crucial for the global competitiveness of the EU and concluded on the importance of an industrial policy, of the services sector and of the digitalisation processes for the strategic value chains.
7. Stakeholders constantly highlight that a strong industry is fundamental for a robust economy, which is the basis for creating a cohesive society that is able to cope with current and future challenges and grasp opportunities that arise. Technological progress and innovation determine a deep transformation of industry and the way it operates in a cross-sectoral dimension, which requires industry to adapt quickly and anticipate future trends. Stakeholders underline that a European industrial strategy must reflect the ongoing transformation and be mindful of the several challenges at hand for society and industry.
8. Stakeholders underlined the urgent need for a long term Industrial Policy Strategy meant to help the European industry compete with China, India and the USA, that have already put industry at the very top of their political agenda. They called for a proactive and coordinated leadership to make sure that Europe remains a hub for a leading, smart, innovative and sustainable industry, that benefits all Europeans including future generations. Stakeholders highlighted the business environment, skills and training, research and innovation, trade and access to international markets as the main areas where action is needed.

9. Stakeholders pointed out that the service sector is interconnected with the manufacturing industry and that small and medium-sized enterprises (SMEs) should become part of strategic value chains. They further stressed that while the subject of digitalization is of current relevance, the EU must continue to pay attention to traditional industries as well. They also highlighted the importance of creating a horizontal European SME policy addressing issues such as traditional industries, digitalization, adapting SMEs to a circular economy, greening and globalization (internationalization). They reiterated the importance of fair conditions of competition for SMEs.
10. The recent debates in various fora lead to the conclusion that it is vital for industry to benefit of legal certainty and better regulation in order to boost investments, make better use of public procurement and standardization, ensure a balance between digitalization and businesses so that businesses develop in a sustainable manner and take responsible decisions, untap the potential of artificial intelligence, make better use of data, data ownership and medical data, optimize productivity, benefit of STEM education, skilling and reskilling, make better use of available funds, implement existing rules, consider the national and regional dimension and provide a foresight vision.
11. The *Council conclusions on the EU's industrial policy strategy: A vision for 2030* highlight the fact that a strong and functional Single Market, including services, provides the framework conditions for European industry, especially for SMEs, to take advantage of it and exploit its opportunities. They underline the crucial role of industry and related services in boosting employment and sustainable growth in Europe.

12. The document reiterates the call of the **European Council** for a sound economic base, which is essential for Europe's prosperity and competitiveness, strengthening its role at international level, and highlights the need for closer links between industrial policy, single market policy, research and innovation policy, digitalization, energy and environmental policy. In addition, the role of SMEs and clusters is highlighted, the fact that clusters are key for the implementation of the EU industrial policy strategy as they enable strategic and structured collaboration along and across EU value chains. The European cluster policy initiatives are considered as an important tool for promoting regional industrial modernisation, supporting the growth of SMEs and small mid-caps, encouraging smart specialisation and strengthening cross-sectoral collaboration.
13. A sound industrial base in the EU should be achieved through an integrated approach to the current and emerging challenges at global, technological, security and sustainability level and linking all policies such as: the Single Market in all its dimensions, as a cornerstone of the Union's economic growth; an assertive Industrial Policy enabling the EU to remain an industrial power; a forward-looking Digital Policy suited to an age of digital transformation and the growth of the data economy; a predictable energy and climate policy; and an ambitious and robust trade policy that ensures fair competition, reciprocity and mutual benefits; due attention should be paid to an improved business environment for SMEs, skills development and the social dimension.
14. An EU Industrial Strategy must reflect ongoing transformations, take into account the multiple challenges faced by Europe's society and industry and Europe's competitive deficit in recent years. These issues are of fundamental importance in the debates on the future of Europe and should form an integral part of it if we are to ensure that the EU can better provide citizens and companies with growth and jobs.
15. The Romanian Presidency proposes this set of Council conclusions which are meant to send a strong message to the next European Commission to present a long-term strategy for an EU industrial policy with a vision by 2030 and a concrete action plan, as called for by the **European Council** of March 2019.

Questions for debate:

- a. *Which targets and actions do you consider of utmost importance to be included in the future industrial policy strategy? How could we strengthen the dialogue with industry representatives to better reflect their needs in the future industrial policy strategy in order to ensure sustainable growth, jobs, and productivity?*
 - b. *Which instruments and policy measures need to be put in place at EU, national and regional level to unlock the potential of those sectors where the strategic value chains were identified, to support SMEs growth and industrial modernization? How can we better ensure that the Single Market, including services and digital transformation, works for industrial value chains?*
 - c. *On which policy measures should the Competitiveness Council debates focus in order to contribute to the development of the competitiveness of EU industry?*
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