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From: Trio Presidency
To: High Level Working Group on Competitiveness and Growth
Subject: Towards a regular monitoring of the industrial competitiveness of the EU

1. Background

The international competitiveness of the EU economy, and EU industry in particular, is key for the future prosperity of Europe. It is crucial for the creation of high quality jobs and continued growth and is a precondition for overcoming crises such as the COVID-19 pandemic. A competitive, innovative and efficient industrial sector is also the basis for the successful green transformation and digital transition of the economy.

Member States have repeatedly confirmed their interest in a stronger European industrial policy and the mainstreaming of industrial competitiveness in other policy fields¹. The Commission published a communication on an EU industrial strategy in 2017² and a “New Industrial Strategy for Europe”³ in the “March package”. Moreover, the Commission has recognised the importance of the interlinkage of recovery and competitiveness in the EU Recovery Plan:

¹ For example in the Council conclusions of the MT (05/17), EE (11/17), BG (03/18), AT (11/18) and RO presidencies (05/19).

² 12202/17, “Investing in a smart, innovative and sustainable Industry – A renewed EU Industrial Policy Strategy”.

³ 6782/20, “New Industrial Strategy for Europe”.

“A collective and cohesive recovery that accelerates the twin green and digital transitions will only strengthen Europe’s competitiveness, resilience and position as a global player.”⁴

In order to highlight the continuing importance of industrial competitiveness and to follow up on the effectiveness of European policies to strengthen competitiveness, Member States have repeatedly called for a regular monitoring process⁵. In the High-Level Working Group on Competitiveness and Growth (HLG) during the Austrian Presidency, Member States agreed on a set of indicators related to the 2017 communication on industrial policy.⁶ The Commission has responded to the call by Member States for a sound monitoring process in the latest New Industrial Strategy, in which it sets out its intention to set up indicators and report on a regular basis:

“The Commission will strive to increase the political ownership of the strategy, suggesting a standing progress point at the Competitiveness Council and at the European Parliament. This will be done on the basis of regular monitoring of the strategy’s implementation and analysis of a set of key performance indicators.”⁷

2. **Objective**

Member States, in close collaboration with the Commission, should strive towards a common understanding of an appropriate structure for the monitoring of industrial competitiveness including all dimensions of the Industrial Strategy: the digital and green transformation as well as resilience. This could be based on a set of indicators or include regular thematic analysis related to the goals of the Industrial Strategy. Moreover, the Member States should express their expectations on a regular reporting on the progress of implementation of the New Industrial Strategy, as well as relevant aspects of the Recovery Plan. The goal should be a first presentation by the Commission on the concept of monitoring in the November Competitiveness Council and the establishment of a regular monitoring process over the course of this Trio Presidency (DE, PT, SI).

⁴ 8136/20, “Europe’s moment: Repair and Prepare for the Next Generation”.

⁵ For example in the Council conclusions of the BG (03/18), AT (11/18) and RO presidencies (05/19), and joint statement (06/20).

⁶ 11244/18, “Monitoring Industrial Strategy - Indicator Framework regarding Industrial Competitiveness”.

⁷ “New Industrial Strategy for Europe”, (10/03/20).

3. The way forward

3.1 Monitoring of industrial competitiveness

Competitiveness is a broad term that is not clearly defined. There is no single indicator that captures the essence of its meaning for an economy. Moreover, competitiveness is often best interpreted by reference to comparisons to other entities. The Commission has published comprehensive industrial competitiveness reports, including industrial performance scoreboards, for the period up to 2014. They included a set of indicators and specific country chapters.⁸

After discussing a monitoring in 2018, Member States agreed that competitiveness could best be mapped by a set of indicators capturing different dimensions. The indicator framework agreed upon in the HLG in 2018 therefore could serve as a basis for a renewed discussion. As the framework was tailored to the now-outdated industrial strategy from 2017, the mission for the current Trio Presidency is to lead the discussion to develop a proposal for an update with a view to the new Industrial Strategy as well as the new priorities due to the current recovery activities.

The discussion could be held, if possible, both in physical meetings of the HLG and by written exchanges. It is vital that this process is backed by close cooperation with the Commission, which should allocate sufficient resources to the development and long-term implementation of this monitoring process. The establishment of a panel of experts to develop a set of indicators or a qualitative analysis on relevant aspects of competitiveness could be considered. The aim is to agree on a common proposal for a renewed monitoring mechanism, to be endorsed by the Competitiveness Council, and to hand this over as a mandate for the Commission to take further steps and make it a "living" document.

⁸ “Helping firms grow – European competitiveness report 2014” and “Reindustrialising Europe – Member state’s competitiveness report 2014” (2014).

If a renewed indicator scoreboard is envisaged, the Trio Presidency intends to work according to similar principles and criteria as the ones outlined in 2018 for the indicator scoreboard, which include:

- “focus on the most relevant dimensions of industrial competitiveness
- high statistical quality in terms of measurement and timeliness
- as far as data is available, focus on comparing the EU to the main global partners in addition to intra-EU comparison
- highlight areas with a need to improve competitiveness
- given its important communication role, the set of indicators shall consist of a limited number of simple and straightforward indicators.”⁹

It is obvious that, in times of economic crisis, indicators might misrepresent fundamental structures. Therefore, it is very important to find and present indicators in a long-term scenario in order to identify trends. Moreover, it would be necessary to accompany quantitative indicators with a qualitative interpretation and framework in order to pinpoint potential sources of misrepresentation and to highlight economic and industrial characteristics that cannot be captured in indicators. The intention of the monitoring exercise is to show aggregated data for the EU as a whole and, optionally, for regions or Member States, and to compare them – where possible – with other regions in the world. The question of whether monitoring might be tailored in such a way as to also feature sectoral data, apart from horizontal areas of competitiveness, is open for discussion. The ecosystem approach could be the basis for a more in-depth perspective on the competitiveness of specific sectors in the EU. If appropriate data is available, this should include the "servicification" of industrial value chains. Monitoring is supposed to take advantage of existing data sets and scoreboards, but not to duplicate.¹⁰

⁹ “Monitoring Industrial Strategy - Indicator Framework regarding Industrial Competitiveness” (18/07/18).

¹⁰ E.g. the Single Market Scoreboard or the EU Innovation Scoreboard.

As the choice of useful indicators for competitiveness is challenging, it might also be a viable option to gear a monitoring towards thematic analyses on different areas of the Industrial Strategy e.g. digitalisation of industry, the green transformation, industrial resilience and open strategic autonomy etc. A pure sectoral approach based on the strategic industrial ecosystems could also be an option. This approach has the advantage that more complex questions and fields of competitiveness could be analysed in-depth.

In addition to the content-related questions of a monitoring, Member States should formulate their expectations for the governance of this process. This involves ideas and expectations regarding the documentation and frequency, as well as the possible involvement of Member States, industry associations and other external experts. The Commission might update an indicator scoreboard on a yearly basis, publish a corresponding factsheet and country chapters, or publish in-depth thematic analyses once or twice a year. Based on the reports or factsheets the HLG or the Competitiveness Council might discuss the topics and what follows from the developments.

3.2 Monitoring of the implementation results of the new Industrial Strategy

Monitoring of structural economic indicators or qualitative thematic reports might not show a direct causal link to the implementation of initiatives of the Industrial Strategy or the Recovery Plan. Too many factors might influence the indicators and thematic areas as a whole. Moreover, structural indicators are often published with a time-lag, making interpretation in the short and medium term difficult. Nonetheless, the timely implementation of the proposed initiatives is relevant. Member States highlighted in their last joint statement:

- “the continued relevance of the objectives of the “March 2020 package” and the
- “importance to keep the competitiveness of the European economy under constant monitoring and review and the need for defining an indicator framework to benchmark the policy measures set up to stimulate and renew the European economy and strengthen its growth, recovery, resilience and green and digital transformation”.¹¹

¹¹ Joint Ministerial Statement (06/20).

Against the backdrop of the urgent need for economic recovery, the even more pressing need for cooperation and coordination on a variety of measures and the unprecedented budgetary volumes to be implemented, Member States could suggest a non-bureaucratic procedure to hold the Commission accountable for the implementation of the initiatives focusing on industry and the Single Market. This procedure might be a separate process from the monitoring mechanism for measuring industrial competitiveness.

The Commission could be asked to report on a regular basis on the progress made on the measures proposed in the new Industrial Strategy and relevant aspects of the Recovery Plan. The question of the level at which reporting could take place, the extent thereof and how this could be combined with key performance indicators would need to be addressed. Based on a possible regular report concerning industry-related initiatives, Member States could discuss, for example in the Competitiveness Council, whether and how procedures could be facilitated in order to speed up implementation and the resulting impact on industry. Similar to the potential scoreboard, duplication with other monitoring activities should be avoided.

Questions for discussion:

- *Which outcomes do you expect from an effective monitoring of European industrial competitiveness?*
- *What set-up of a monitoring would be most useful for the policy debate in the long-run, e.g. an indicator scoreboard or thematic analyses, a horizontal approach or ecosystems-based analyses?*