GENERAL PRINCIPLES OF EU INDUSTRIAL POLICY

The EU’s industrial policy aims to make European industry more competitive so that it can maintain its role as a driver of sustainable growth and employment in Europe. The digital transition and the transition toward a carbon-neutral economy have led to the adoption of various strategies to ensure better framework conditions for EU industry. The impact of the COVID-19 pandemic and the war in Ukraine have sparked new reflections on economic recovery, on reconstruction and on building resilience.

LEGAL BASIS

Article 173 of the Treaty on the Functioning of the European Union (TFEU).

OBJECTIVES

Industrial policy is cross-cutting in nature and aims to secure framework conditions favourable to industrial competitiveness. It is also well integrated into a number of other EU policies such as those relating to trade, the internal market, research and innovation, employment, environmental protection, defence and public health. EU industrial policy is specifically aimed at: (1) 'speeding up the adjustment of industry to structural changes'; (2) 'encouraging an environment favourable to initiative and to the development of undertakings throughout the Union, particularly small and medium-sized undertakings'; (3) 'encouraging an environment favourable to cooperation between undertakings'; and (4) 'fostering better exploitation of the industrial potential of policies of innovation, research and technological development' (Article 173 of the TFEU).

ACHIEVEMENTS

A. Introduction

The instruments of the EU’s industrial policy, which are also those of its enterprise policy, aim to create the general conditions in which entrepreneurs and businesses can take initiatives and exploit their ideas and opportunities. Nonetheless, industrial policy should take into account the specific needs and characteristics of individual sectors. The annual European Competitiveness Reports analyse the strengths and weaknesses of the EU’s economy in general and its industry in particular, and may trigger cross-sectoral or sectoral policy initiatives.
B. Towards an integrated industrial policy

While in the 1980s and 90s the EU institutions focused mainly on the creation of a single market, the formation of Economic and Monetary Union and EU enlargement shifted attention towards industrial policy. In October 2005, a Commission communication entitled ‘Implementing the Community Lisbon Programme: A policy framework to strengthen EU manufacturing – towards a more integrated approach for industrial policy’ (COM(2005)0474) set out the EU’s first ever integrated approach to industrial policy on the basis of a concrete work programme of cross-sectoral and sectoral initiatives.

The 2008 Commission communication entitled ‘Sustainable Consumption and Production and Sustainable Industrial Policy Action Plan’ (COM(2008)0397) was aimed at delivering an integrated package of measures to foster more sustainable consumption and production, while making the European economy more competitive.

In response to the challenges involved in securing a sustainable supply of non-energy raw materials for the EU economy, the Commission launched the ‘raw materials initiative’ (COM(2008)0699), which sought to ensure a level playing field in access to resources in non-EU countries, better framework conditions for extracting raw materials within the EU, and reduced consumption of primary raw materials through increased resource efficiency and the promotion of recycling.

In its communication ‘Preparing for our future: Developing a common strategy for key enabling technologies in the EU’ (COM(2009)0512), the Commission stated that the EU would foster the deployment of key enabling technologies (KETs) within its policy framework, and also suggested setting up a High Level Group of experts (HLG) which would be responsible for developing a common long-term strategy.

C. From the Europe 2020 strategy to the New Industrial Strategy


In 2012, the Commission issued a communication entitled ‘A Stronger European Industry for Growth and Economic Recovery – Industrial Policy Communication Update’ (COM(2012)0582), which aimed to support investment in innovation, with a focus on six priority areas with great potential (advanced manufacturing technologies for clean production; key enabling technologies; bio-based products; sustainable industrial and construction policy and raw materials; clean vehicles and vessels; and smart grids).
In 2014, the Commission launched the communication ‘For a European Industrial Renaissance’ (COM(2014)0014). This communication focused on reversing industrial decline and reaching the target of 20% of GDP for manufacturing activities by 2020. This policy was complemented in 2016 by the communication entitled ‘Digitising European Industry – Reaping the full benefits of a Digital Single Market’ (COM(2016)0180), which focused on digital transformation and addressed related challenges such as funding, ICT standardisation, big data and skills. Moreover, the Start-up and Scale-up Initiative (COM(2016)0733) launched in 2016 aimed to give Europe’s many innovative entrepreneurs every opportunity to build world-leading companies.

Industries such as ICT, steel, cement, textiles and chemicals were included in the wide-ranging roadmap of key actions introduced in 2019 with the Commission’s communication ‘The European Green Deal’ (COM(2019)0640), which aimed to mobilise industry for a clean and circular economy. In its communication published in January 2020 on the inaugural annual work programme (COM(2020)0037), the Commission emphasised that the EU’s position as a digital leader would be bolstered by a European Data Strategy and a White Paper on Artificial Intelligence. In March 2020, the Commission presented the communication ‘A New Industrial Strategy for Europe’ (COM(2020)0102) to help Europe’s industry lead the twin transitions towards climate neutrality and digital leadership and to strengthen Europe’s competitiveness and strategic autonomy.

However, the launch of this strategy coincided with the outbreak of the COVID-19 pandemic and came before the NextGenerationEU plan was set up. Consequently, the authors of the strategy were unable to take into account the impact of the pandemic on EU industries. In response to the COVID-19 pandemic’s impacts on industrial supply chains and on EU competitiveness, Parliament adopted its resolution of 17 April 2020 on EU coordinated action to combat the COVID-19 pandemic and its consequences[1]. On 25 November 2020, MEPs called on the Commission to present a revised industrial strategy.

The Commission therefore updated the European Industrial Strategy (COM(2021)0350) in May 2021, with a focus on the resilience of the EU single market, the EU’s dependencies in key strategic areas and support for small and medium-sized enterprises (SMEs) and start-ups, as well as on accelerating the green and digital transitions. In September 2020, the Commission had already adopted an action plan on critical raw materials, which included a foresight study on critical raw materials for strategic technologies and sectors by 2030 and 2050.

In February 2021, the Commission presented an Action Plan on Synergies between civil, defence and space industries (COM(2021)0070) to further enhance Europe’s technological edge and support its industrial base. It aims to reinforce European innovation by exploring the disruptive potential of technologies at the interface between defence, space and civil uses, such as the cloud, processors, cyber work, quantum technologies and artificial intelligence.

D. The net-zero age

The new ‘Green Deal industrial plan for the net-zero age’ (COM(2023)0062) was presented by the Commission on 1 February 2023, setting out a European approach to boost the EU’s net-zero industry, by means of:

1. Measures to improve the competitiveness of the EU’s net-zero industry.

These measures encompass the following three legislative proposals, put forward by the Commission on 14 March 2023:

i. The ‘net-zero industry act’ of 16 March 2023 (COM(2023)0161), which aims to simplify the regulatory framework for production of key technologies, set targets for EU industrial capacity in 2030, fast track permitting processes, promote the development of European standards for key technologies and encourage public authorities to buy more clean technologies through public procurement.

ii. The ‘critical raw materials act’ of 16 March 2023 (COM(2023)0160), which aims to improve the security of supply for the raw materials needed to ensure the net-zero transition.

iii. A reform of electricity market design, to make the market more resilient, reduce the impact of gas prices on electricity bills and support the energy transition.

2. Measures to increase and speed-up access to national/EU public funding, and private funding.

The new Temporary Crisis and Transition Framework for State aid aims to simplify the granting of State aid for renewable energy deployments and decarbonisation of industrial processes, giving Member States the option of granting higher levels of aid for production of strategic net-zero technologies to match the aid received by competitors located in non-EU countries. The Commission also endorsed an amendment to the General Block Exemption Regulation (GBER), giving Member States more flexibility to design and implement support measures in key sectors for net-zero industry, without the Commission’s prior approval.

The net-zero age approach also includes measures to develop a suitably skilled workforce and measures concerning global cooperation and international trade.

E. EU support programmes

A large number of policies, programmes and initiatives, covering a wide variety of fields, currently contribute to EU industrial policy. Examples of initiatives with a budget envelope include: cohesion policy, Horizon Europe (2021-2027), the Connecting Europe Facility and the EU programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME). In addition, the Investment Plan for Europe and the European Fund for Strategic Investments (EFSI) aimed to mobilise at least EUR 500 billion in private and public investment by 2020. Two recurring priorities across these programmes and initiatives are SMEs and innovation.
ROLE OF THE EUROPEAN PARLIAMENT

The Maastricht changes to the EC Treaty incorporated issues of industrial policy for the first time – an achievement that can be attributed to initiatives by Parliament, which helped stimulate the reorganisation of the steel sector and called for a more dynamic industrial policy. Since then, Parliament has adopted numerous resolutions which have further strengthened the EU’s industrial policy. Some of the more recent ones are listed below:

— Its resolution of 9 March 2011 on ‘An Industrial Policy for the Globalised Era’ underlined the importance of a more comprehensive vision for European industry by 2020, considering long-term regulatory predictability and stability to be essential for attracting investment. In particular, Parliament urged the Commission to place greater emphasis on industrial renewal, competitiveness and sustainability, and to develop an ambitious, eco-efficient and green EU industrial strategy;

— Its resolution of 26 October 2011 on the Agenda for New Skills and Jobs underlined the importance of developing closer cooperation between research institutes and industry and encouraging and supporting investment by industrial companies in research and development;

— Its resolution of 19 January 2012 on a space strategy for the European Union that benefits its citizens stressed the importance of a research and innovation strategy in the area of space policy that would ensure technological progress, industrial development and the EU’s competitiveness and would create jobs in the EU;

— Its resolution of 15 January 2014 on reindustrialising Europe to promote competitiveness and sustainability evaluated the situation of European industry and proposed a variety of measures to tackle existing challenges. This resolution supported a ‘Renaissance of Industry for a Sustainable Europe’ (RISE) to pursue innovation towards a new industrial revolution;

— Its resolution of 4 February 2014 on the Action Plan for a competitive and sustainable steel industry in Europe stressed the importance of the steel industry in industrial value chains such as those of the automotive and construction industries and mechanical and electrical engineering;

— Its resolution of 9 June 2016 on the competitiveness of the European rail supply industry;

— Its resolution of 12 September 2017 on a Space Strategy for Europe;

— Its resolution of 12 February 2019 on a comprehensive European industrial policy on artificial intelligence and robotics;

— Its resolution of 17 April 2020 on EU coordinated action to combat the COVID-19 pandemic and its consequences;

— Its decision of 18 June 2020 on setting up a special committee on artificial intelligence in a digital age, and defining its responsibilities, numerical strength and term of office;
— Its resolution of 25 November 2020 on a New Industrial Strategy for Europe;
— Its resolution of 15 September 2022 on the implementation of the Updated New Industrial Strategy for Europe: aligning spending to policy.
— Its resolution of 18 January 2023 on the implementation of the common security and defence policy – annual report 2022, welcoming the Commission’s announcement that it will present a space strategy for security and defence.
— Its resolution of 16 February 2023 on an EU strategy to boost industrial competitiveness, trade and quality jobs, welcoming the Commission communication on ‘A Green Deal Industrial Plan for the Net-Zero Age’, and stating that the European industrial strategy should be designed both to secure European leadership in clean energy technologies and to improve the existing industrial base and support its future transformation to provide high-quality jobs and economic growth for all Europeans in order to achieve the objectives of the Green Deal.

For more information on this topic, please see the website of the Committee on Industry, Research and Energy.

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