



Europe's industrial future

Our Vision for Innovation-Driven
Industry Fit for the Green
and Digital Age

Abstract:

European industry makes up more than 20% of the EU's economy and employs around 35 million people with many millions more jobs linked to it at home and abroad. It accounts for 80% of goods exports and helps ensure our position as a leading global provider and destination for foreign direct investment. Europe's industry has benefited enormously from the Union's open economy, from trade relations to scientific and technological cooperation with third countries. Today, European industry has an enormous potential to propel our economy into a higher gear, while boosting its competitiveness and helping the Union to achieve climate neutrality by 2050. Renew is a staunch supporter of this transformative process and considers that smart regulation and considerable investments in R&I are essential for its success.

renew europe.

About Renew Europe Group

The Renew Europe Group is a coalition of progressives, liberals, democrats and reformists, that make up the largest centrist group in the history of the European Parliament. Brought to you from the European Liberal Forum, this new reference series aims to disseminate Renew Europe Group positions to the wider liberal family, policymakers and industry stakeholders, civil society and the general public. While, at the same time, the position papers will raise awareness on a number of issues and policy sectors, from sustainability and climate change, to democracy and the rule of law, human rights and fair competition.

This document is a position paper adopted by the Renew Europe group in the European Parliament on 5 February 2020, which ELF is publishing with Renew Europe permission. The opinions expressed in the document do not preclude any further developments in the group's positions on that topic. It remains the sole propriety of the Renew Europe group.

About ELF

The European Liberal Forum (ELF) is the official political foundation of the European Liberal Party, the ALDE Party. Together with 47 member organisations, we work all over Europe to bring new ideas into the political debate, to provide a platform for discussion, and to empower citizens to make their voices heard. Our work is guided by liberal ideals and a belief in the principle of freedom. We stand for a future-oriented Europe that offers opportunities for every citizen. ELF is engaged on all political levels, from the local to the European. We bring together a diverse network of national foundations, think tanks and other experts. In this role, our forum serves as a space for an open and informed exchange of views between a wide range of different EU stakeholders.

Introduction	4
Recovery phase and financial instruments	7
Research and innovation - the main driver of the twin green and digital transformations	10
Greening Europe's industry	12
Digital transformation and Industry 4.0	15
Jobs and reskilling	17
Governance	18
Conclusion	19
More information	20

Introduction

Successive waves of Europe's industrial revolution and their reverberations fundamentally transformed the world in the political, economic and social sense. At the brink of another industrial upheaval driven by the twin green and digital transformations, European industry has an enormous potential to propel our economy into a higher gear, while boosting its competitiveness and helping the Union to achieve climate neutrality by 2050. Renew is a staunch supporter of this transformative process and considers that smart regulation and considerable investments in R&I are essential for its success.

Europe's industry has benefited enormously from the Union's open economy, from trade relations to scientific and technological cooperation with third countries. A competitive global environment has stimulated innovation in all industrial clusters in the Union. High value-added exports have boosted national incomes of the Member States and created wealth for our citizens. At the same time, unfair trade practices, state interventions and protectionist policies by some of our trade partners have distorted the global level playing field, harming our industrial interests. More acutely, the economic slump caused by the COVID-19 crisis has further damaged our industry's long-term growth potential. For these reasons, Renew is strongly in favour of an ensemble of Union policies which will foster the **strategic autonomy** of our industry alongside **an open economy**. For Renew, **strategic autonomy** goes hand in hand with global **free trade and fair competition**: it is the capacity of the Union to improve its resilience in strategic areas such as defence, health, infrastructure or critical materials by diversifying the value chains and increasing investment in R&I. By assessing and tackling our vulnerabilities to internal and external shocks, we can improve Europe's overall competitiveness in global markets and foster long-lasting, mutually beneficial economic relations.

The industrial transformation needs to tackle the challenge of climate change, but we believe that this challenge will in turn give rise to many opportunities for Europe's industry to flourish in the long-term. European industry is leading in a number of sectors carrying the **green transition**, as well as in the application of **circular economy** principles. This leadership in the production and export of climate-friendly and resource efficient products and services can lead to new employment and growth opportunities for European businesses. However, for the industry to keep its lead, substantial public and private investments in research, innovation and deployment of new clean technologies are needed. Moreover, our entrepreneurs need a clear predictable regulatory framework, which encourages risk-taking with the prospect of economic gain through competitive, innovation-driven, technology-open new products and services.

Europe can continue to set regulatory standards and lead economically only by maintaining and securing its **technological leadership** in the long-run. The productivity of European industry has increased over the last few years, but the

EU's global share in manufacturing value chains is decreasing. Moreover, though some sectors have been able to grow their exports, we still lag behind our global competitors overall. We recognise the increase in productivity and call for greater efforts to bring innovations to market faster. Thus, Renew stresses that it is paramount that Union regulation and Member States' measures help to mobilise substantial investments in research and innovation (R&I), disruptive technologies and human capital in the coming years. This is the only way to bring our Industry into the 4.0 phase, unlocking new possibilities offered by **digitalisation**, notably by data, and the **deployment of Artificial Intelligence**, while meeting our climate neutrality goal and creating conditions for sustainable growth and prosperity for our citizens. SMEs contribute to the economic development in a tremendous way: SMEs train qualified skilled workers, they form the ecosystem of supply chain and contribute to research due to an inherent flexibility because of their size. We strongly believe that the key to success for our industrial base in the long-run is the combination of **excellence and know-how, a highly-skilled workforce and the close inclusion of SMEs and start-ups** in all value chains. It is of key importance to further facilitate SMEs' participation in European and global value chains, allowing them to increase their business opportunities.

The world has changed and European industry faces increasing competition from third countries. While we embrace competition as a driver of innovation and economic transformation, Union policies and initiatives will be essential in helping our industry sustain the severe financial shocks caused by the pandemic. Renew therefore warmly welcomes the Commission's **New Industrial Strategy for Europe** and looks forward to its revision following the COVID-19 crisis. Crucially, the Union must strive to preserve and **deepen the Single Market**. Only by acting as a bloc, does the Union have the weight to promote progressive standards, including environmental ones, in the international arena, while also providing a framework for a large and open market that helps our industry grow, in Europe and abroad. Thus, Renew supports the inclusion of a pan-European perspective in the Commission's strategy reflected in the identification of 14 industrial ecosystems. This approach should not cultivate silo-thinking, but go hand in hand with strengthening the competitiveness of the entire industry and fostering research and development while reducing administrative burden for businesses.

Challenges faced by European industry are formidable. Only by using all the synergies provided by various Union policies will we achieve our ambition to overcome these challenges. We must act now and ensure that when we emerge from the ongoing cycle of industrial transformation, ours will be a more prosperous, competitive and climate-neutral continent.

European industry makes up more than **20% of the EU's economy** and employs around **35 million people** with many millions more jobs linked to it at home and abroad. It accounts for **80% of goods exports** and helps ensure our position as a leading global provider and destination for foreign direct investment.

SMEs account for over 99% of all European firms – the vast majority of which are family-run enterprises – and thus present our economic and social backbone.

Europe's industry maintains its leading role in the global economy through **competitive advantage** based on high value-added products and services. It also helps set global **social, labour and environmental standards**, contributing immensely to Europe's soft power.

European industry's strength rests on its **innovation capacity**. We are world leaders in green technology patents as well as other high-tech sectors. The Single Market plays a pivotal role by empowering European companies to innovate, scale-up and provide more job opportunities. On the other hand, the Union lags behind in the digital sector, such as cloud and data applications. R&I are a key factor in EU's productivity growth, it is crucial to make sure that there is sufficient investment in R&I, both in the public and private sectors. However, with the EU's R&I intensity standing at 2,19% of its GDP, we have fallen behind other advanced economies. Though R&I intensity has grown in most Member States over the last decade, this trend has been too slow to meet the EU's target of spending 3% of its GDP in R&I. Furthermore, because of growing divergences in productivity growth between companies, sectors and regions, innovation and technology uptake shall be integrated at a faster pace across the whole EU.

Productivity has a key role to play in the EU's long-term economic growth. Research by the McKinsey Global Institute analysing data starting as far back as the 1870s concluded that labour productivity growth peaked in Western Europe in the 1950s and 1960s. However, in both the US and European countries, labour productivity growth has mostly been declining since the 1960s, and decelerated further after the financial crisis to reach the present historic low.

The concerns about long-term productivity growth prospects are persistent. Productivity varies across the EU, with newer Member States reaching only about half the level of the older ones (EU-15) when measured in terms of gross domestic product (GDP) per hour worked, but showing a higher growth dynamic. Since 2010 the strongest growth in productivity has been recorded in Romania and Ireland, while Italy and Greece are at the opposite end of the spectrum. The growth of EU-28 productivity has remained stable and rather moderate, albeit slightly higher than that of the US.

Renew is adamant that the current trends can be reversed by a coherent policy mix of short- and long-term measures that will boost our innovation capacity and secure a stable and future-proof regulatory framework in line with our ambitious drive towards a green and digitalised economy.

Recovery phase and financial instruments

Renew stresses that, in the aftermath of the COVID-19 crisis, Union and Member State policies should stimulate investments in line with the European Green Deal and the accompanying green and digital transitions. The simultaneous collapse of demand and supply caused by continent-wide lockdowns, the related disruption to supply chains and the increase in private and public debt have deprived businesses of the financial resources needed to cope with this unprecedented crisis on their own.

We are adamant that the recovery will be significantly accelerated once the Commission and Member States put in place all the necessary policies to strive for a **strategic autonomy alongside an open economy**. We stand for an open and rules-based multilateral trading system and insist that the Commission takes steps to improve access to international markets for EU companies, in particular for SMEs. The Commission must ensure that our trading partners do not abuse their market power through the introduction of unfair trade practices. In this respect, the Union must continue supporting a rules-based multilateral trading system and step up its efforts to reform the WTO. The WTO should be able to address unfair global competition, as well as facilitated trade. We should keep an open dialogue with trade partners in international fora, as well as through FTAs and reach out to like-minded partners. Furthermore, the EU should have effective tools to enforce rules-based trade relations. EU competition policy tools should be well implemented to ensure that third-country companies conduct their operations in Europe fairly, and if necessary apply trade defence instruments (TDI) to tackle unfair dumping and subsidy practices. We believe that a well-equipped, politically independent competition policy is the best way to guarantee free trade.

We welcome the resources put in place so far by the Union to deal with the crisis: the injection of liquidity by the ECB, the temporary relaxation of state aid rules, the increase in the EIB's capital for SMEs and the SURE initiative for short-time working schemes. These temporary tools should enable Member States to compensate for the impacts of the COVID-19 crisis, but the objective should be to return to the normal state aid regime as soon as possible, after the current prolongation expires at the end of 2021. In addition, we underline the importance of the EU framework for screening of foreign direct investment (FDI) which became fully operational in October 2020 and represents an important tool to preserve Europe's strategic interests while keeping the EU market open to investment.

Crucially, we warmly welcome the adoption of the 2021-2027 MFF and the Next GenerationEU and RRF programme. Public funds must be used wisely and closely monitored in the coming years to stimulate the long-term and growth-enhancing transformation of Europe's industry and to further generate private investment.

Horizon Europe, the Digital Europe Programme, Connecting Europe Facility, the Single Market Programme, the Innovation Fund, InvestEU, the European Social Fund, the European Defence Fund and the EU Space Programme must be steered in such a way to boost the competitiveness of European industry, especially in strategic value chains. At the same time, measures by Member States financed with EU money have to foster reform to set out better conditions for innovation and competitiveness.

The support measures put in place by Member States to help businesses cope with the crisis might weigh on their level of indebtedness. **The recovery plans must prevent companies' indebtedness from becoming unsustainable.** We therefore welcome the inclusion of a grant component in the RRF. In particular, we stress that the Member States must fully exploit the competitiveness strand of the RRF in order to mobilise targeted investments that will boost the resilience and strength of European industry in the long-run.

Renew believes that the Commission together with the Member States should reflect on a coherent fiscal framework to incentivise **R&I investment** and enhance the twin green and digital transformations and thus our industry's competitiveness, while maintaining the integrity of the Single Market. The following tools should be at the heart of such an approach:

- **State aid** must be the exception, not the rule. However, we acknowledge that in times of crisis and during profound economic transformation processes, state aid could act as an additional accelerator for transformation, supporting investments that drive the deployment of renewable, low-carbon and circular solutions, products and technologies, and thus aim for a sustainable industrial recovery. Investments must strengthen European competitiveness and resilience, and mitigate risks of carbon and investment leakage. In this respect, Renew looks forward to the Commission revision of the Union state aid rules, which must adhere to the balancing principle in order to provide national governments with the necessary and well-defined flexibility for targeted support in driving research and innovation, for example in industrial decarbonisation and digitalization. At the same time, this revision should not discourage private entrepreneurship while particular attention should be paid to the guidelines on the State aid for environmental protection and energy. We insist that the primary objective for state aid rules must be to ensure a level-playing field and a strong internal market. State aid should be limited to overcoming market failure and we should uphold strong state aid rules.
- **Public procurement** mechanisms should further support the transformation of Europe's industry by promoting and fostering the production of eco-innovative, cost-effective and sustainable goods and services and increasing demand for secondary raw materials stemming from the deployment of circular production processes.
- Where market failures occur in strategic sectors, Member States could take full advantage of **Important Projects of Common European Interest (IPCEIs)** as a

key instrument to create much-needed synergies between private investment and public finance. We believe that this is an important tool especially for large-scale deployment of innovative technologies but should be limited to market failures that are not suitable for other available instruments. Renew asks the Commission to explore ways to increasingly attract private capital and combine it with national and EU instruments to leverage investment across the value chain to facilitate investments in cutting-edge technology and innovative solutions, while incentivising the inclusion of SMEs within the IPCEIs. In particular, Renew stresses the strategic importance of renewable energy and its value chains as ambitious targets and industry trends will continue to push for greener and more decarbonised energy.

- **Sustainable finance.** The twin green and digital transition of our industry will be mainly founded on private initiatives and investments. Renew believes that the EU has a role to play in encouraging investments towards more sustainable solutions, and facilitating access to capital for innovative, sustainable businesses, especially SMEs. Furthermore, we consider that more standardised, indicator-based rules for environmental reporting will be key to avoid greenwashing. At the same time, any new regulatory or reporting requirements must be adequate for SMEs as additional red tape is to be avoided under all circumstances while ensuring that enough time for the adoption of new rules is granted.

Synergies between the **European Investment Bank**, public funding and private investments should be deployed as much as possible to facilitate the transformation of the industrial sector. Together with the European Bank for Reconstruction and Development, the European Investment Bank should serve as a model of transparency, openness, communication, and tailor-made collaboration with SMEs that request finance. Since its inception, **the Single market** has proved to be one of the main drivers of innovation, competitiveness and job creation in Europe. All new financial instruments and policies introduced at European level must preserve their integrity and maintain a level playing field. Moreover, we insist that the deepening of the Single Market through the creation of a genuine financial, digital and energy union is the *conditio sine qua non* for ensuring that our industry is competitive in the long-run and creates good jobs for the future. World Bank research shows that 'service sector reforms can increase EU productivity by an average of 5 %, provide more and better jobs, stimulate investment and further deepen integration'. We call on the Single Market Task Force to come forward with concrete recommendations on how to break down the barriers facing the free flow of services and goods across the Union.

Research and innovation - the main driver of the twin green and digital transformations

From the very first industrial revolution, R&I has been the main driver of productivity growth, job and wealth creation and competitiveness. It is no different today. Due to decades of considerable investment in innovation capacity, Europe is a world leader in green technology patents and other high-tech sectors. However, the European businesses' global share of research and development spending has declined over the past five years, while those of the US and China have increased. This trend must be reversed by ensuring that adequate incentives are in place, while also making sure that our policies are conducive to innovation:

- We insist that Europe's technological leadership can be maintained, and the climate neutrality goal can be reached, only by carrying substantial investments both at the European and national level into R&I and education centres. The Union benefits from well-established financial and regulatory instruments to support research and innovation, and is now developing new mechanisms to compete with other global leaders in this field. As a general principle, Renew stresses the importance of technology-openness in our support for innovation. When designing tenders and calls for projects, the Commission should remain as technology-neutral as possible to avoid hampering disruptive innovations that would enable us to achieve our digital and green transition in a faster and more cost-efficient manner.
- We therefore welcome the renewed and strengthened **Horizon Europe** programme and call on the Member States to reach an overall investment in R&D equal to 3% of the EU GDP. In addition, we welcome the Commission's proposal under the Communication on the New ERA to coordinate Member States efforts in further committing to increased R&D investments targets at national level, in particular for national public and private funding for industrial innovation and research.
- The ETS **Innovation Fund** must be used to support the deployment of clean technologies and innovative solutions in all energy-intensive sectors. At the same time, Renew is convinced that we need the introduction of smart legislation which cuts red tape and ensures that businesses' innovation potential can fully flourish. The Innovation Fund should foster systematically investments into new disruptive innovation and solutions.
- It is essential to promote and make full use of the **European Innovation Council**,

which will be fully established in 2021, especially regarding the deployment of European breakthrough innovations brought forward by businesses, including SMEs. It should identify next generation technologies, accelerate their commercial application and support the rapid scale up of start-ups.

- Renew underlines the importance of the implementation of the Intellectual Property Action Plan, in order to ensure EU-level protection of copyrighted goods and patented inventions while strengthening the ability of European companies, in particular SMEs, to innovate on the basis of strong and balanced IP regimes. In particular, priority should be given to the measures addressing the challenges of patent litigation and **free access to open source innovation** systems and open data models.
- Renew supports the consideration of the feasibility of creating an efficient and transparent EU GI protection system for non-agricultural products, upon a thorough impact assessment of its potential costs and benefits. This would also enable the EU to fully benefit from the opportunities offered by the international system of appellations of origin and GIs.

Moreover, we consider that **public-private collaboration** is crucial for promoting the transfer of knowledge and technology from research centres to the industrial process, and taking advantage of the industrial ecosystem scheme is of utmost importance. It also gives risk-taking businesses more investor certainty. The Union should facilitate the collaboration in fundamental research between all the operators in an industrial ecosystem and improve the connection among innovation centres, universities and industries by generating knowledge and entrepreneurship ecosystems specialised by activity. **European Alliances** are a very powerful tool that the European Union should make use of more often in strategic value chains, where Europe is lagging behind in terms of technology leadership, or where European businesses are facing great pressure to preserve their competitive advantage. Renew is convinced of the need to improve the governance of these Alliances, namely to ensure more transparency and representativeness of a wide range of Member States and businesses, especially SMEs. Moreover, each ecosystem should stimulate entrepreneurship and business development within the Single Market, thereby boosting European industry's global competitiveness.

Greening Europe's industry

The paths to European industry's long-term competitiveness, climate neutrality and pollution-free environment are inextricably linked. Renew is a staunch supporter of the European Green Deal goals. We are certain that only by greening our industrial base through the deployment of clean technologies, innovative solutions and the application of circular economy principles, while implementing measures to avoid the risk of carbon leakage, can we attain technological leadership. This is necessary to keep our businesses competitive and resilient, and maintain and foster quality jobs in the Union. If directed wisely through a set of robust regulatory incentives, the transition to a climate-neutral economy presents a unique opportunity to create wealth and opportunities for our citizens, to avoid the worst consequences of climate change and reverse the ongoing rapid decline in biodiversity.

- **Circular economy** must be at the core of our efforts to decarbonise and make European industry more efficient, and secure our value chains and access to critical raw materials. We must prioritise implementation of the new **Circular Economy Action Plan** in a coherent manner, with a specific focus on the upcoming legislative proposals on the sustainable product policy framework. At the same time, it is important to support improved and innovative collection, sorting, re-use and recycling methods and infrastructures, together with targeted EU funding and investments. Achieving a functioning EU market for high-quality secondary raw materials is key. A more circular industry will help the Union **strengthen and diversify the supply chains** and thus reduce over-reliance on one market and increase security of supply of strategic raw materials. We note the role of the EIT Raw Materials KIC and the European Alliance for raw materials in the establishment of new, post-COVID-19 supply chains, promoting R&D solutions in order to make available both primary and secondary sources, circularity through industrial symbiosis and closing material loops, as well as access to financing for critical value chain steps.
- **Energy transition**: Industry is responsible for no less than 25% of the EU's final energy consumption¹. At the same time, improving our industrial competitiveness will require a less costly and more secure supply of energy.
 - It is crucial to focus on reducing the energy intensity of our industry, as it will have the double benefit of curbing the sector's emissions while increasing its competitiveness and securing long-term quality jobs. As a priority, we must strive for the implementation of the **energy efficiency principle** across all value chains.
 - Renew supports the principle of technological neutrality and believes that a wide range of solutions are available for the industry to reduce emissions

¹ Eurostat, 2018

from its energy consumption: efficiency measures, sector integration, electrification, hydrogen or other Power-to-X technologies for industrial processes that are hard to electrify digitalisation of the energy management, etc. The energy and industrial sectors will mutually benefit from partnering to scale-up the less competitive solutions.

- We recall the need for a prompt deployment of renewables, storage capacity and the integration of energy systems to secure the energy supply of our industrial base, as well as the deployment of our storage capacity. To this end, we welcome the revision of the various EU energy policy instruments, such as the TEN-E Regulation, the Energy Efficiency Directive, the Renewable Energy Directive and the Emissions Trading System.
- **Renovation wave.** The renovation wave provides great opportunities for the Union's construction and energy sectors, while bearing in mind that renovating is costly and that European citizens and business owners should be supported in the transition. Renew argues for the following elements to be integrated in the Commission's initiative:
 1. Quality and sustainability. Renew supports a revision of the Directive on the Energy Performance of Buildings that would take in particular into account the role of smart housing in reducing energy consumption and, upon a sound impact assessment, the revision of the Ecodesign Framework and energy labelling legislation on appliances.
 2. Buildings are generally long-term investments that will stand for several decades. We need to fully implement the climate-neutrality requirements for the new building stock, and facilitate the integration of structural and sustainability criteria into the design process, before investing in obsolete technologies and solutions. More importantly, we should further assess how to improve the sustainability of the existing buildings in Europe.
- **Sustainable and Smart Mobility.** Cross-border investments in high-speed, low-carbon trains and renovation of inter-city rail networks would, likewise, create new jobs and boost European industry, and reduce emissions from the transport sector. It is also important to promote sustainable mobility by investing in better infrastructure such as more widespread charging and hydrogen stations. Likewise, we will need to ensure that the physical infrastructure is fit to welcome the automation and overall digitalisation of the sector, ensuring that the key digital enablers are in place (e.g. cloud-to-edge resources, network infrastructures, data technologies). We underline the importance of the rollout of fast Electric Vehicle (EV)-charging and hydrogen charging infrastructure to secure uptake of EVs, giving consumers access to a close-knit net of compatible charging infrastructure. Sustainable and carbon-free eFuels can also decarbonise mobility and at same time secure leadership in engine manufacturing, thereby securing long-term jobs all over Europe. Investing in green mobility would have a positive effect on employment since, based on a moderate uptake of plug-in vehicles of approximately 35%, 200.000 jobs would be secured before 2030.

Additionally a coordinated rollout of charging infrastructure would support European-based car manufacturing, hence fostering its global competitiveness. While electrification has great potential to decarbonise the transport sector, it is equally important to stress the need to invest in other forms of alternative fuels, such as renewable biofuels for various transport modes. Inter alia, hydrogen solutions can support the decarbonisation of heavy-duty road transport, while renewable and low-carbon gaseous fuels can play a role for the greening of aviation and waterborne transport.

Digital transformation and Industry 4.0

Europe needs to grasp the potential of the **Digital Age** - empowering our citizens to increasingly use digital tools and establishing Europe as a leader in crucial areas such as Artificial Intelligence, metadata analytics, 5G, 6G, the Internet of Things, cybersecurity, as well as distributed ledger technologies. In the past decades, Europe has lost ground to global competitors. Renew stresses that it is essential to integrate digitalisation in our industrial strategy as digital tools will be central to our efforts to create a more circular, self-reliant and resource-efficient industry.

On the one hand, automation, data, and artificial intelligence will unlock new opportunities for manufacturing and services alike, while on the other hand digitalisation of management and work processes will offer the possibility to reshape our business models. In order to speed up the ongoing digitalisation drive and deepen the Digital Single Market, we must:

- Increase public funding and ensure synergies with private capital to support the widespread roll-out of a **high quality, cyber-secure digital infrastructure**, including the development of European cloud capacity, investment in European data spaces and 5G/6G in order to allow digitalisation of industry, the application of innovative business models and the use of digital technologies along the supply chains. In addition, programmes should be set up to provide companies and SMEs with sufficient knowledge and tools to ensure full cybersecurity of their businesses.
- Invest in the European network of Digital Innovation Hubs across the continent to enable all businesses to improve their processes, products, and services through digital technologies. Digital Innovation Hubs will operate as one-stop-shops for businesses, providing access to technical expertise and experimentation, allowing the companies to “test before they invest”. They will coordinate with other institutions in the region to provide specialised support for innovators such as financing advice, or training and skills development needed for a successful digital transformation.
- Invest in preparing our existing infrastructure for the deployment of 6G, to allow the EU to be a frontrunner.
- Ensure a smooth implementation of the **Digital Services Act and the Digital Markets Act**.
- Implement the **Data Strategy** as the necessary step towards enabling industrial actors to create, pool, store and use data, including mixed data sets, as well as to incentivise the sharing of data while ensuring that trade secrets, sensitive

data and intellectual property rights are respected, in order to enhance their competitiveness while delivering on our climate and environmental goals. A robust Internet and Cloud infrastructure is key to achieve these goals. Furthermore, we need a legally compliant solution for international data transfer, compliant with EU fundamental law principles.

- Invest in **Artificial Intelligence R&D**, through the Digital Europe Programme, Horizon Europe (more specifically the “Artificial Intelligence, Data and Robotics” Public-Private Partnership) and the CEF-Digital, and through growing synergies between national initiatives. For example, a structured dialogue can be set up among national AI centres and testing facilities.
- In the next decade, further develop, deploy and maintain a world-class EU High-Performance Computing infrastructure available for researchers, innovators and businesses.
- The EU needs to step up its engagement and leadership on international standardisation processes. Renew considers it of great importance that standards in emerging technologies and core internet architecture are in line with EU values. We are therefore looking forward to the upcoming Standardisation Strategy of the Commission.

Jobs and reskilling

Human capital is at the core of our economic competitiveness and industrial strength. Open markets and rapidly changing global environment put a lot of pressure especially on our traditional industrial base. We must respond to these challenges by adaptation, flexibility and investments in upskilling and reskilling programmes. Europe's industrial future can be secured only by ensuring that our workforce meets the highest criteria when it comes to skills and knowledge. As a striking example, it is estimated that more than a million jobs are vacant due to a lack of digital skills in the European workforce. The COVID-19 crisis and the unprecedented development of teleworking also shone a light on the social and regional digital gaps both within and across Member States.

At the same time, the transition to a more digital, circular and sustainable industry must be a "just transition", leading to a prosperous and inclusive society.

Above all, we must improve **the connection between our R&I activities, industrial ecosystems and the educational systems**. This approach must ensure that we:

- Promote entrepreneurship education and initiatives, aiming to start the dissemination of entrepreneurial skills at the foundational levels of curricula. In this respect, Renew welcomes the new mission assigned to the European Institute of Innovation and Technology towards increasing the innovation capacities and entrepreneurial skills of higher education institutions and European Research Council grant recipients.
- Have a connection between these initiatives and the programmes financed by the Youth Guarantee Programme and the Erasmus+ Programme.
- Develop and implement the European Skills Agenda and the Digital Education Action Plan. The challenges of digitisation and decarbonisation should constitute the central elements of learning curricula in both the formal and non-formal educational processes, from education to training. Emphasis should be placed on tackling digital literacy, creating specific curricula for Advanced Digital and technological Skills in close cooperation with industrial partners to make sure that the innovation processes can count on an available and properly skilled workforce. In this context, Renew strongly advocates for the promotion of lifelong learning practices, both inside and outside the workplace.
- Furthermore, we believe that the Union must promote the principle of smart specialisation as a model for cooperation among strategic sectors as well as a tool to enable cooperation among regions whose territories specialise in areas of knowledge, given their available resources and their industrial development.
- Renew recalls the importance of promoting equal gender opportunities, underlining the importance of communication and information on education and training opportunities in the STEM fields.

Governance

Renew believes that the industrial transformation will be driven above all by bottom up initiatives from the private sector. At the same time, we consider it essential that, in addition to having a smart regulatory framework, the Union provides a comprehensive governance structure, based on the principles of transparency and accountability, that fosters synergies between businesses. The EU should above all ensure the consistency of the industrial transformation with the relevant EU legislation and strategies, in particular the objectives of the European Green Deal. Thus, Renew welcomes the identification of **14 industrial ecosystems** by the Commission and the inclusive approach of bringing together all actors operating in a value chain.

We also welcome the mandate given by the Member States to the Commission to carry out an accurate ecosystem-based needs assessment. The revised European Industrial Strategy must be built on an analysis of the ecosystems and the challenges they face in the twin green and digital transitions and should result in a dedicated policy toolbox designed for each ecosystem when the need is identified. This new method of analysis will enable a truly **European approach**.

At the same time, we call on the Commission to clarify the concept of industrial ecosystem in order for the European business community to reach a common understanding. It should be noted that several industries already operate in natural industrial ecosystems. Political interventions remain the absolute exemption in order to prevent disruption amongst functioning and existing ecosystems. Therefore, we underline the need for ensuring transparency in the industrial ecosystems especially concerning the criteria that define them, the number and nature of actors in each identified ecosystem as well as the role of the **Industrial Fora and the Alliances** in relation to these ecosystems. An overall sectoral approach has to guarantee that the full potential of European industry is developed.

Conclusion

Renew members are determined to continue to work for an ambitious industrial strategy. We pledge to keep up the efforts to fully implement policies that will help the Union recover from the COVID-19 crisis as swiftly as possible, while taking on the biggest challenge that European industry has faced: its transition to a competitive green and digital industry. We are confident that the best pathway to climate neutrality is one in which European industry will play an active role, notably through its disruptive innovation capacity.

To this end, the Union should make the best use of the tools at its disposal to foster research and innovation and the development of well-integrated and competitive European markets for digital, circular and sustainable technologies and services. While private entrepreneurship and investments should stay the guiding principle, we acknowledge that in a time of pandemics and profound economic transformation incentivising sustainable investments through rules on state aid and public procurement, as well as directly through Union own financial instruments and cooperation mechanisms, are an exceptional measure to tackle the crisis. The Commission and Member States should make the best use of these mechanisms to support the greening of industry.

Renew is adamant that the Union should set clear and ambitious objectives towards the twin transition, while setting up the necessary regulatory frameworks to keep and enhance the principles of the Single market. This is especially true for digital policies, where we should continue to strive for the achievement of a digital single market.

We call on the EU to foster international cooperation to achieve the Paris Agreement, while protecting European businesses against unfair commercial practices and standing up against the non-compliance of social and environmental standards and competition rules.

With this new Industrial Strategy, the Union has entered a new era of industrial policies and has adopted a more forward-looking perspective. We stress that the development of a European strategic foresight is a unique opportunity to ensure the long-term competitiveness of our industry. The Commission should seek to implement the industrial strategy in full synergy with the Member States and the results of the ongoing resilience analysis.

More information

For more information, please see our Renew Policy Papers on:

- [Artificial Intelligence](#)
- [SMEs](#)
- [Skills](#)

ELFpapers

 RenewEurope

 @RenewEurope

 /europeanliberalforum

 @eurliberalforum

liberalforum.eu
reneweuropengroup.eu

DOI: 10.53121/ELFPOS11

ISSN: 2736-5816

Cover image: Simone Hutsch on Unsplash



Copyright 2022 / European Liberal Forum EUPF.

This publication was co-financed by the European Parliament. The European Parliament is not responsible for the content of this publication, or for any use that may be made of it.