



**European Committee
of the Regions**

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DRAFT OPINION

A New Industrial Strategy for Europe

Rapporteur: **Jeannette Baljeu (NL/Renew E.)**
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Deadline for tabling amendments:

3 p.m. (Brussels time) on Friday 25 September. Amendments must be submitted using the online tool for tabling amendments (available through the Members' Portal at <https://memportal.cor.europa.eu/>).

Number of signatures required: 32

Reference document

Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions: A New Industrial Strategy for Europe COM(2020) 102 final

Draft opinion of the European Committee of the Regions – A New Industrial Strategy for Europe

I. POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS

1. underlines that industry is vitally important for European regions and cities and for the tens of millions of jobs it creates and by its nature operates in a global context where trade is an important driver of growth which brings both benefits and challenges;
2. welcomes the European Commission's Communication on the new Industrial Strategy for Europe¹ and its focus on industrial ecosystems; stresses that these ecosystems are often regional and that these are often linked to other regional ecosystems through supply chains or knowledge exchange networks; underlines that a new Industrial Strategy for Europe should therefore be based on multi-level governance where each level is given clear responsibilities and resources for implementation, and stresses that the support of all stakeholders is necessary to reach the goals of the dual transition to a green and digital industry;
3. underlines that the new EU Industrial Strategy therefore needs to reinforce the place-based dimension in order for regions and cities, as the governments closest to citizens and ecosystems, to take ownership of the twin green and digital transitions of their industry, with due regard for the ongoing training and upskilling that workers will need, given the possible risk of exclusion as a result of the transition;
4. underlines that regional and local authorities have important competences in policy areas that impact on industrial development and can mobilise a wide range of instruments to enable the implementation of a holistic and ambitious EU industrial policy strategy aimed at ensuring economic resilience at a time of structural change; requests that the Commission include the local and regional level in the future designing of the new EU Industrial Strategy;
5. stresses that regions are able and willing to lead by example in testing new approaches and tools to achieve the green, digital transition, and help to strengthen regional clusters that are the building blocks of strong European Innovation Ecosystems, where interregional collaboration between actors helps to build European value chains; the framework conditions on the part of the EU create a level playing field for the internal market;
6. is convinced that it will not only be necessary to stabilise supply and production chains for medical devices, medical material and drugs, but also to realign them into a fully operational ecosystem;
7. stresses that Europe is facing an unprecedented pandemic with serious consequences that could trigger a global economic crisis; urges that the recovery must be in harmony with green, digital and social conditions;

1 COM(2020) 102 final.

8. welcomes the European Parliament Resolution² on EU coordinated action to combat the COVID-19°pandemic and its consequences; supports the Commission in its objective of designing a new EU Industrial Strategy in an effort to achieve a more competitive and resilient industry when contending with global shocks, calls on the Commission to make 'reinforcing the single market' a priority;
9. proposes using a two-stage industrial strategy, the first stage concentrated on the survival of industry, the second on the reconstruction and renewal phase for a green, decarbonised and more digitised economy; underlines that these stages need to build in the concept of "regional resilience": "to enhance the ability of regions to withstand, absorb or overcome internal or external economic shock"³;
10. confirms the goal for Europe to embark on a prompt and consistent transition towards climate neutrality and digital leadership; underlines that the Green Deal has to be included at the core of the new EU Industrial Strategy to reach these goals; stresses the importance of the regional and local dimension; believes that creating and development of the new markets for climate-neutral and circular products should remain the main objective of the Industrial Strategy for Europe;
11. stresses that the goal to meet climate neutrality objectives must be achieved on a local and regional scale and that the transition will have the greatest effect on energy-intensive regions;
- 12.
13. notes that energy-intensive primary industries, which are dependent on trade and create value and employment locally, need a level playing field for all domestic and third-country market operators on competition policy grounds. This concerns not just trade policy but also EU climate protection and energy policy provisions. The many EU plans and legislative measures must above all provide adequate protection against carbon leakage for primary industries;
14. welcomes the Commission proposal for a Just Transition Mechanism⁴ which will mobilise up to EUR°100°billion to ensure a fair transition for carbon-intensive regions as they continue to transform their industries and economies;
15. welcomes the new Circular Economy Action Plan⁵ which puts forward a series of measures to allow the EU's industries to seize the opportunities of a more circular and bio-based approach that will ensure a cleaner and more competitive industry by reducing environmental impacts, alleviating competition for scarce resources and reducing production costs; it can further reduce the dependency on energy and resource imports; underlines the importance of the transition to a

² https://www.europarl.europa.eu/doceo/document/TA-9-2020-0054_EN.pdf

³ ECR2: Economic Crisis: resilience of regions: www.espon.eu/programme/projects/espon-2013/applied-research/ecr2-economic-crisis-resilience-regions

⁴ COM (2020) 22 final.

⁵ COM (2020) 98 final.

bio-based and circular economy also for employment, and of a sustainable built environment as a key element of that transition;

16. underlines that the new EU Industrial Strategy should be an inclusive strategy; advocates including the group of innovation followers that struggle to keep up with the changes and bringing them along⁶;
17. stresses the need for a real single market for services to help facilitate the servitisation of industry; emphasises the role of regional authorities in facilitating the localisation of industry that results from this shift and from disruptive technologies; stresses that supply chains in circular manufacturing will be more concentrated on a regional scale;
18. agrees therefore that businesses should adapt their business models and develop new forms of work fit for the digital and sustainable age; emphasises that accelerated growth comes from start-ups as well as from established firms; asks the Commission to provide assistance for innovation uptakes and to provide a framework in which clusters of firms can learn from each other, with or without assistance from entrepreneurship consultants, intermediaries or regional development agencies;
19. underlines the relevance of investing in R&D and innovation and ensuring that this investment is converted into marketable products and services and productivity-enhancing industrial processes that take account of the EU's objective of achieving climate neutrality by 2050;
20. acknowledges the importance of standardisation and certification, especially for new products, processes and services speeding up the transition to a green, digital and resilient economy; asks the Commission to ensure that SMEs are involved and taken on board in the standardisation process;
21. welcomes the ambition to create lead markets in clean technologies in the entrepreneurial spirit of the strategy, and agrees that 'those who move first and fastest will hold the greater advantage'; stresses that regional ecosystems offer the best environment to innovate because of the high level of trust offered to opportunity-driven entrepreneurs;
22. agrees that Europe must pool its strengths to do collectively what no one can do alone; stresses that interregional cooperation aimed at stimulating and facilitating interregional value chains based on "smart complementarities" between regional cross-sectoral ecosystems linked to the transition to a green, digital and resilient economy, as is done in the regional Smart Specialisation Strategies, are essential for that; stresses that Regional Smart Specialisation Strategies are the best tool available to enable cooperation within regional ecosystems and with other regional ecosystems with complementary skills, thus enabling Europe-wide value chains and innovation pathways to be created;

⁶ A geographically fair EU industrial strategy:
https://wms.flexious.be/editor/plugins/imagemanager/content/2140/PDF/2019/Geographically_fair_EU.pdf

23. underlines the need for a clear monitoring and evaluation system as recommended in the Smart Specialisation Strategies; stresses that this should be carried out at all three levels: EU, Member States and regions should evaluate every two years; suggests that the Commission include this in the European Semester and link it to the National Reform Plans for Member State level; suggests that regions include this evaluation as a learning tool supporting a more diagnostic monitoring, checking on progress and facilitating problem-solving; suggests that the Regional Innovation Scoreboard could be accompanied by recommendations on EU tools that can contribute to the improvement of indicators;
24. supports the Commission in the development of an ambitious EU cluster policy; stresses the importance of linking regional clusters and networks from different regions; asks the Commission to support these interregional networks as complementary to the matchmaking on an individual level in the Enterprise Europe Network and the European Cluster Collaboration Platform; suggests making the EU cluster policy an integral part of the new EU Industrial Strategy;
25. underlines that cohesion policy should be an important instrument for implementing a place-based approach to industrial development to account for the regionally divergent impacts of the transition to a new economy, and calls for the development of suitable objectives and support instruments in the context of planning for the next phase of cohesion policy;
26. acknowledges that regions need strategic guidance for this industrial transition in order to efficiently and effectively recognise current gaps in their industrial transition readiness; therefore asks the Commission to help develop tools which can provide a clear roadmap for regions with a tailor-made approach to secure industrial leadership; such a tool should be complementary to the new EU Industrial Strategy and should help regions to target related cohesion policy investments in the post-2020 programming period;
27. stresses the potential role of public administrations in innovation-oriented green public procurement, for instance with respect to sustainable and smart mobility or in the construction industry, and the need to minimise the risks involved for regional governments;
28. acknowledges that the global share of R&D spending by European companies has decreased; stresses the slow rate of adoption and dissemination of innovations in Europe; points out that many innovations in industry revolve around new business models combining digital technology and service concepts; emphasises that regions have an important role to play when it comes to speeding up adoption and dissemination of innovations, for instance through the European network of Digital Innovation Hubs, pilot plants and field labs; stresses the need for the new tool as proposed in the Interreg Regulation for Interregional Innovation Investments;
29. asks the Commission to support European industry, in particular in energy-intensive regions, in the transition towards climate neutrality by 2050 and to set ambitious medium and long-term sectoral targets that are in line with the European Green Deal and to provide roadmaps to reach them in cooperation with regional and local stakeholders, and stresses the importance of a transition that is fair for businesses and citizens, as stated in the Just Transition Mechanism;

30. calls for the European Innovation Council to help the scale-up of all fast growing businesses, not just start-ups; underlines that the very fast growing SMEs are not new companies but established companies that have found a new way to grow through digitalisation and/or by making their product, process or service more sustainable;
31. agrees that Europe should make the most of economies of scale, speed and scope, but would like to stress that the role of regions is not just to offer an arena for place-based innovations but also for "cooperating regions" to help galvanise the rich variety of competences in Europe into interregional value chains that can compete against larger companies outside Europe; asks the Commission to further enable interregional value chain cooperation by ensuring funding for interregional industrial demonstration cases;
32. underlines the need for higher and vocational education to become more suited to the digital age; stresses the role that Digital Innovation Hubs can play not only in speeding up and disseminating innovations, but also in training the workforce for the industry of the future; stresses the need to make these hubs accessible to SMEs; encourages the Commission to give more support for capacity building and exchanges of experience as is being done for example in the call for "Centres of Vocational Excellence" (COVE);
33. supports the need for a Pact for Skills; asks the Commission to include the regions as an important partner in such a pact; underlines that the regional scale is the best organised level to coordinate upskilling and reskilling and ensure the mobility of employees from sectors in decline to sectors in ascent, and the importance of equal access to retraining for employees as well as managers and entrepreneurs as a result of the effects of the COVID-19 epidemic;
34. acknowledges the potential of the IPCEIs and alliances; requests that the Commission make them more inclusive by allowing regions and SMEs to participate;
35. acknowledges the geopolitical risks of foreign investment and an overdependence on "global" supply and value chains; asks the Commission to enrich the strategy with measures to help cope with the current COVID-19-induced crisis and to prepare for new pandemics in the future to ensure the resilience of Europe's society and economy, for instance by preparing for alternative European supply chains for medical supplies based on low costs and frugal innovations in case of new pandemics or serious epidemics;
36. underlines the importance of the Circular Economy Action Plan as this is providing the impetus for geographically shorter supply chains; stresses that the circular economy impacts almost every type of cluster and industry; despite ongoing efforts to transform traditional economic and business models, many SMEs are not ready for this shift, many are willing to act but do not know how; underlines that smaller companies face disadvantages when embracing circularity, given their limited capacities, resources, time and available knowledge to invest and deal with the related administration and compliance with regulations and standards; asks the Commission for more favourable policies to boost the circular shift; asks the Commission to adapt legislation to enable this shift rather than hinder it; in this respect the circular economy would benefit from a single market for waste;

37. believes that in order to maintain technological leadership and gain digital and technological sovereignty, the EU and its Member States should retain the right to block hostile takeovers of strategic EU companies by non-EU state or state-backed actors, and asks the Commission to reform the competition policy in order to maintain a vital European single market while strengthening the position of EU-based companies in world markets;
38. agrees that we must step up investment in innovation; asks the Commission to promote a culture in which failure is accepted; underlines that failure in innovation can be very valuable as a way to learn how to succeed, but only if companies get the opportunity for a second chance to apply the lessons learned about the pathways that are not viable; therefore asks the Commission to facilitate the dissemination of lessons learned between regional clusters and networks;
39. asks the Commission to provide assistance to regions helping businesses to find suitable European partners if they wish to diminish their dependence on global supply and especially value chains, as regions can help locate partners and facilitate matchmaking;
40. asks the Commission to also take applications of key digital technologies like quantum computing in strategic sectors into account as part of the strategic digital infrastructure; underlines that these applications are essential for Europe's digital transformation, to ensure maximum economic and social impact; without applications, digital technologies are solutions looking for a problem, while companies are looking for ways to seize business opportunities;
41. underlines the importance of the involvement of regional governments and regional clusters or networks in alliances, and requests that regional governments, or at least a representative of the Committee of the Regions, be part of the Industrial Forum, especially in analysing the risks and needs of industry when it comes to industrial ecosystems, which, in the opinion of the Committee of the Regions, are made up of "regional" ecosystems for entrepreneurship and innovation;
42. reiterates its calls for strengthened EU support for regional ecosystems and clusters in the framework of Interregional Innovation Investments, the compatibility with the Green Deal should be considered and building on the Smart Specialisation approach and enlarging and broadening existing initiatives such as the Smart Specialisation Platform on industrial modernisation and the pilot initiative on regions in industrial transition; also considers it important to develop instruments for implementing collaborative interregional industrial investment projects in close collaboration with regions and Smart Specialisation partnerships;
43. calls on the Commission to introduce measures aimed at companies adapting their production, as a need arising from the COVID-19 pandemic and thus from the changing needs of society;
44. calls on the Commission to include regions and cities in the process of designing a new Industrial Strategy for Europe, reiterates that regions and cities are willing and able to lead by example in shaping the place-based dimension of the twin transitions European industry is facing.

Brussels,

II. PROCEDURE

Title	A new Industrial strategy for Europe
Reference(s)	
Legal basis	Rule 41 (b)(i)
Procedural basis	Article 307(4) TFEU
Date of Council/EP referral/Date of Commission letter	N/A
Date of Bureau/President's decision	
Commission responsible	Commission for Economic Policy (ECON)
Rapporteur	Jeannette Baljeu (NL/Renew E.), Member of the Council of the Province of South Holland
Analysis	
Discussed in commission	
Date adopted by commission	23 June 2020
Result of the vote in commission (majority, unanimity)	Unanimity
Date adopted in plenary	12-14 October 2020
Previous Committee opinions	A place-based approach to EU industrial policy (ECON-VI/042), adopted on 26 June 2019
Date of subsidiarity monitoring consultation	N/A