



Our position

Industrial Vision for the EU

Pathways towards ensuring a comprehensive European Industrial Strategy



AmCham EU speaks for American companies committed to Europe on trade, investment and competitiveness issues. It aims to ensure a growth-orientated business and investment climate in Europe. AmCham EU facilitates the resolution of transatlantic issues that impact business and plays a role in creating better understanding of EU and US positions on business matters. Aggregate US investment in Europe totalled more than €2 trillion in 2018, directly supports more than 4.8 million jobs in Europe, and generates billions of euros annually in income, trade and research and development.

Executive summary

Industry is a critical driver of economic growth, innovation and prosperity. Europe's strong industrial foundation, its skilled workforce, and Single Market of more than 500 million consumers continue to position Europe as one of the top investment destinations. US companies invested more than €2 trillion in Europe last year with many American companies operating here for more than 100 years.

The contribution of industrial manufacturing to European gross domestic product (GDP) is on the rise, after a dramatic drop following the 2008 economic crisis. However, its 16% added value to EU GDP remains well below the 2020 target of 20% set by the European Commission in 2014.

Therefore, the American Chamber of Commerce to the EU (AmCham EU) underlines the need for a European industrial strategy that will truly enable global competitiveness. This will allow the EU to respond to current challenges such as increased global trade tensions, technological transformation and a skills shortage.

Looking at the internal EU dimension of industrial development, boosting manufacturing must be embedded in all areas of EU policy and regulatory competence in order to make the EU more attractive to foreign investment and to avoid the risk of undermining industrial competitiveness. In addition, the EU industrial strategy must also have a strong external dimension, such as equal opportunity for market players. This is particularly important for companies to remain competitive globally. To this end, the EU and the US should work together to address the unfair trading practices of third countries and continue to encourage the reinforcement and reform of the World Trade Organization (WTO).

AmCham EU has identified four priorities for an EU industrial strategy:

1. Digitising European industry: fostering investment and innovation in people, technologies and processes
2. Creating the right environment for a clean future
3. Accelerating the EU circular economy
4. Reinforcing the rules-based trading system and reinvigorating the transatlantic partnership

1. Digitising European industry: fostering investment and innovation in people, technologies and processes

The EU is home to cutting-edge industries with high added value and competitive value chains. The rapid and disruptive changes driven by technological and data transformations can further boost this, if supported by a strategic approach encompassing people, new technologies and industrial processes.

Boosting the development and uptake of emerging technologies, such as artificial intelligence (AI), Blockchain, Internet of Things (IoT) and 5G, is crucial to the sustained competitiveness of the manufacturing sector in Europe. To achieve this, Member States and the EU need to join forces to optimise public and private investments and R&D projects. Moreover, further regulatory harmonisation is required, to remove barriers to the free movement of data and digital services.

- To avoid undermining the digitisation of EU industrial value chains, the digital transformation of industry must be thoroughly considered when formulating EU digital policies. In particular, it is important to distinguish between B2B and B2C applications and avoid the risk that business-to-business digital services are limited by regulations that seek to address consumer-facing issues. Machine-to-

machine communication in the context of IoT or business application of AI do not pose the same potential risk to people as consumer-facing applications and therefore these should not be over-regulated.

- Availability of data is essential in the development of innovative digital technologies. Policy guidance for data sharing platforms can support voluntary industry initiatives, when developed in direct cooperation with the relevant industrial players. Contractual freedom must be respected here, as it is essential to investments in the area of data-driven innovation.
- AI will revolutionise manufacturing. Industry players and policy-makers must work together to carefully consider how best to address ethical concerns in the context of AI applications. The ethics guidelines adopted by the High-Level expert group of the European Commission are a step in the right direction but now need to be translated into concrete business recommendations. In addition, international discussions should continue, in order to define consistent approaches, notably at a transatlantic level.
- The Digital Europe programme proposed by the European Commission as part of the Multi-Annual Financial Framework, with an allocated budget of €9.2 billion, will be vital to the deployment of digital technologies. The EU is facing an unprecedented shortage of skilled workers, and the area of industrial digital transformation is no different, with a risk that this area could further widen the skills gap. To facilitate the industrial transition, ensuring workers are equipped with the skills required for a changing labour market, the EU should prioritise the following actions:
 - Develop a policy framework that anticipates the workforce transition, which will make some skills obsolete. Although education is a national competence, the EU can play a key role in supporting cooperation and alignment across Member States to foster skills, talent development and life-long learning. Thus, a comprehensive and coordinated EU skills strategy is needed to match industry's needs for skills, based on an active cooperation among institutions, education providers and business.
 - Facilitate access to training tools and to financial incentives schemes to support employee reskilling and upskilling. Increased communication should be further boosted to ensure companies are aware of tools readily available to them. EU initiatives to support sharing of best-practices should continue to be strengthened.
 - Build a Europe-wide system of micro-credentials by harmonising existing skills development frameworks at national level to foster talent movement across the continent.

2. Creating the right environment for a clean future

AmCham EU recognises the need for urgent action to achieve a low-carbon economy and mitigate climate change. That is why our companies are researching, investing in and developing a wide range of low-carbon technologies in Europe, and further afield. In order to achieve a low-carbon economy, the EU's three facets of sustainability must be prioritised: environmental, economic and social. These elements should be considered as part of a broader industrial strategy.

EU industry is very well placed to turn sustainability into a competitive advantage in the future, but this will require an adjustment of EU and national regulatory frameworks. Predictability and regulatory stability are, and will be, essential to attract and secure the necessary investments in the EU, including in renewable energy projects, which require high levels of certainty about future revenue streams. Furthermore, infrastructure funding, including in energy, information and communications technology (ICT) and transportation networks, is vital to keep Europe globally competitive. The proposal to create a new 'InvestEU' umbrella fund should simplify and optimise access to infrastructure funding.

Some of the necessary regulatory changes include:

- Secure availability of funding mechanisms for clean technologies at each project stage, up to the industrialisation phase, and selection criteria which should not be based on predefined technological options to avoid lock-in and lock-out effects.
- Revise EU incentive schemes and envisage a system of differentiated schemes for SMEs and larger companies. This will increase Europe's attractiveness for investment, helping to secure further strategic investments.
- Increase support for the development of an EU-wide market for green products and services through a harmonised and cost-effective regulatory framework.
- Facilitate the use of Green Public Procurement to support new technologies and create a market for sustainable products and services, with sustainability criteria included in purchasing decisions.
- Ensure infrastructure funding at the EU level is complemented by ambitious commitments and investments at the national level by Member States.
- Ensure companies use life-cycle approaches and thinking in their internal environmental systems, and that these are based upon robust methodology and international standards. This would allow for emissions and energy consumption to be effectively measured and taken into account.
- Remove administrative barriers to long-term energy contracts to increase corporate demand for renewable energy and secure access to clean and affordable energy.

3. Accelerating the EU circular economy

The EU must continue to lead the global transition towards a more circular economy. Such an ambitious programme could give EU industry a competitive advantage, as access to high quality recycled materials could reduce dependence on raw materials, and help reduce some of these critical resources' price volatility.

There is no doubt that circularity should be reflected in an EU industrial strategy. However, the EU must also recognise that moving from a linear to a circular economy will be a significant undertaking. This transition requires a profound political, economic and psychological change in our society. The involvement of all stakeholders is also necessary for its success. Only collaboration between business and government will overcome the hurdles and deliver an ambitious industrial strategy:

- Industry has the expertise to determine the design and materials necessary to increase production and performance, while maintaining product integrity. As competition for the world's resources increases, it is crucial that recycled materials are used in new products. Recycling policies should therefore be developed, and updated, in cooperation with industry to maximise the best use of limited resources.
- EU-wide recycling and reuse policies must operate smoothly across borders to be effective. Currently, many national obstacles get in the way, including national differences in requirements for transboundary shipments: requirements for repair facilities; diverging methodologies to calculate waste targets; and differences in calculation methodologies. Therefore, harmonising these requirements at the EU level is critical.

- The private sector is developing sustainable solutions for effective recycling: these include the development of automated sorting processes to increase the ease, efficiency, and cost-effectiveness of recycling. EU and national governments must do the same and adapt their regulatory frameworks, which were designed with the linear economy in mind. New circular EU initiatives should include the harmonisation of labelling for secondary products, and incentives to increase the inclusion of recycled materials, plastics in particular, in goods sold on the market.

4. Reinforcing the rules-based trading system and reinvigorating the transatlantic partnership

Trade brings significant benefits to consumers and businesses in Europe, the US and around the world. Today, the EU is the world's largest trading bloc and the largest exporter of manufactured goods and services. This is a success story built on a commitment by the EU to open, rules-based and sustainable trade with investment from global partners. However, this multilateral trading system has been confronted with major challenges, calling into question its effectiveness and the WTO's ability to guarantee the respect of international trade rules.

- The EU needs to continue engaging with its global partners to strengthen the principles of the multilateral trading system and address current flows that distort competition globally. The joint effort by the EU, the US and Japan to reform the WTO's industrial subsidies regime is an important step in this direction.
- The EU should strengthen its competitiveness by effectively negotiating equal treatment and market access with major trade partners.

The transatlantic economic relationship is the largest and most integrated of its kind in the world. Responsible for one-third of world GDP and supporting 16 million jobs, it has guaranteed the prosperity and security of successive generations of Europeans and Americans. Further opening of the transatlantic marketplace would bring substantial economic benefits. Closer cooperation would also allow the EU and the US to set global standards and to retain their technology leadership. EU policy-makers should work with their counterparts in the US Congress and with transatlantic stakeholders to:

- Deepen transatlantic regulatory cooperation and remove barriers to trade and investment, including tariffs.
- Promote open investment and procurement markets and increase access for EU and US companies to each other's markets.
- Facilitate transatlantic industrial cooperation, such as cooperation on technology standards and certification of products, and Transatlantic Defence Technological and Industrial Cooperation (TADIC).
- Position small and medium-sized enterprises (SMEs) at the heart of EU-US initiatives, as they stand to gain most from greater transatlantic cooperation.
 - Continue to develop transatlantic sector-specific cooperation initiatives with a strong focus on research and development and innovation (R&D&I), including, but not limited to, improved cooperation on energy, transportation, security, defence and space.

Maintaining Europe's attractiveness for foreign investment will depend on its ability to protect EU innovation and investment decisions. Whilst Intellectual Property Rights (IPR) intensive industries are key drivers of

competitiveness, jobs and growth in Europe, IPR infringements such as counterfeiting and piracy continue to grow both in size and in scope. In this respect, it is essential that the EU continues to support a strong enforcement system for European IPR and increased cooperation with international partners such as the US. The EU industrial strategy in this regard should focus on:

- Strengthening the fight against IPR infringements on- and offline, in order to build European consumers' trust in the Single Market.
- Addressing unfair market practices at a global level, such as forced technology transfers, through increased transatlantic and international cooperation.
- Promoting multilateral collaboration between the EU and the US, and working together towards the dissemination of their IPR protection standards in third countries. This includes avoiding signing international agreements that may weaken IPR protection in Europe and the US.

Conclusion

AmCham EU's recommendations for an effective European industrial strategy address current challenges faced by manufacturing companies and the potential impact on their global competitiveness. The EU faces a context of ongoing societal, economic and geopolitical challenges. EU policy-making covering both internal and external dimensions must converge in order to allow industry to remain globally competitive and deliver sustainable growth. Emphasis should be put on boosting investments in the digitisation of European industry and supporting the transition to a low-carbon and circular economy. Moreover, ensuring a cross-sectorial approach to the EU's industrial policy will be key to ensure the efficient and effective funding that will lead the EU towards its technological and industrial future. Lastly, AmCham EU supports the need to maintain a strong transatlantic partnership and facilitate EU-US trade relations to safeguard industry from unfair competition and infringement of international trade rules.