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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN  
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL  
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

**For a European Industrial Renaissance**

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## **1. INTRODUCTION**

The European Union is emerging from its longest-ever recession. EU28 GDP grew by 0.2% in the third quarter of 2013. The upturn in business sentiment and confidence indicators suggests that structural reforms, macroeconomic governance improvements and measures in the financial sector have succeeded in stabilising Europe's economy. The EU is on the right track, but the recovery remains modest, with Commission forecasts of 1.4% GDP growth for the EU28 in 2014 and unemployment rates close to 11% for the next two years. That is why **fostering growth and competitiveness to sustain and strengthen recovery and to achieve the goals of the Europe 2020 agenda have become the top priority for the Commission and EU Member States.**

The crisis has underlined the importance of the real economy and a strong industry. Industry's interactions with the rest of Europe's economic fabric extend far beyond manufacturing, spanning upstream to raw materials and energy and downstream to business services (e.g. logistics), consumer services (e.g. after-sales services for durable goods) or tourism. Industrial activities are integrated in increasingly rich and complex value chains, linking flagship corporations and small or medium enterprises (SMEs) across sectors and countries.

The **economic importance** of industrial activities is much greater than suggested by the share of manufacturing in GDP. Industry accounts for over 80% of Europe's exports and 80% of private research and innovation. Nearly one in four private sector jobs is in industry, often highly skilled, while each additional job in manufacturing creates 0.5-2 jobs in other sectors.<sup>1</sup> **The Commission considers that a strong industrial base will be of key importance for Europe's economic recovery and competitiveness.**

**Overall, EU industry has proved its resilience in the face of the economic crisis.** It is a world leader in sustainability and returns a EUR 365 billion surplus in the trade of manufactured products (EUR 1 billion a day),<sup>2</sup> generated mainly by a few high- and medium-technology sectors. They include the automotive, machinery and equipment, pharmaceuticals, chemicals, aeronautics, space and creative industries sectors, and high-end goods in many other sectors, including food.

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<sup>1</sup> Rueda-Cantuche, José M.<sup>a</sup>, Sousa, N<sup>b</sup>., Andreoni, V<sup>a</sup>. and Arto, I<sup>a</sup>. "The Single Market as an engine for employment growth through the external trade", Joint Research centre, IPTS, Seville, 2012. In this Communication, manufacturing refers to Section C and divisions 10 to 33 of NACE Rev. 2. Industry refers to a broader set of activities including also mining and quarrying and energy activities.

<sup>2</sup> Estimate based on Eurostat trade statistics. This figure refers to manufactured products only and therefore, it does not include trade flows of energy and raw materials where the EU presents a negative trade balance.

Nonetheless, the legacy of the crisis is severe: since 2008, 3.5 million jobs have been lost in manufacturing; the share of manufacturing in GDP has fallen from 15.4% to 15.1% in the last year<sup>3</sup>; and the EU's productivity performance continues deteriorating in comparison to that of our competitors.

Two recent Commission reports<sup>4</sup> have identified a number of weaknesses hampering growth. **Internal demand** remains weak, undermining European companies' home markets and keeping intra-EU trade subdued after the crisis. The **business environment** has improved in the EU overall but progress remains uneven. Inflexible administrative and regulatory environments, rigidities in some labour markets and weak integration in the internal market continue to hold back the growth potential of firms, especially SMEs. **Investment in research and innovation** remains too low, holding back the necessary modernisation of our industrial base and hampering future EU competitiveness. EU firms face higher **energy prices** than most of our leading competitors,<sup>5</sup> and have difficulties to **access basic inputs** such as raw materials, qualified labour and capital in affordable conditions.

Against this background, the Commission has been pursuing an integrated industrial policy approach as outlined in the Industrial Policy Communications of 2010 and 2012<sup>6</sup> and has issued growth-enhancing recommendations to Member States in the context of the European Semester. **Full implementation** of this policy approach at European and national levels is critical to ensure our future competitiveness and to increase our growth potential. To be effective, policy actions must be well co-ordinated and consistent from regional to the EU-level.

As a contribution to the European Council debate on industrial policy, **this Communication sets out the Commission's key priorities for industrial policy**. It draws on the Annual Growth Survey, provides an overview of actions already undertaken and puts forward selected new actions to speed up the attainment of these priorities. **It shows that industrial policy and other EU policies are getting gradually more and more integrated as indicated in the flagship industrial policy communication in 2010 and why this mainstreaming process must continue. Most importantly, this communication stresses the importance of full and effective implementation of industrial policy in the EU and aims to facilitate this.**

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<sup>3</sup> It is worth noting that while in some countries (Slovakia, Lithuania, Austria, Germany and the Netherlands) the share of manufacturing in GDP has increased since 2007, it has fallen in the rest.

<sup>4</sup> European Competitiveness Report 2013 'Towards knowledge-driven Reindustrialisation' at [http://ec.europa.eu/enterprise/policies/industrial-competitiveness/competitiveness-analysis/european-competitiveness-report/files/eu-2013-eur-comp-rep\\_en.pdf](http://ec.europa.eu/enterprise/policies/industrial-competitiveness/competitiveness-analysis/european-competitiveness-report/files/eu-2013-eur-comp-rep_en.pdf) and 'Member states Competitiveness Performance and Implementation of EU Industrial Policy' at [http://ec.europa.eu/enterprise/policies/industrial-competitiveness/monitoring-member-states/files/scoreboard-2013\\_en.pdf](http://ec.europa.eu/enterprise/policies/industrial-competitiveness/monitoring-member-states/files/scoreboard-2013_en.pdf).

<sup>5</sup> For both electricity and gas, the price differential with external competitors (with the main exception of Japan) is increasing.

<sup>6</sup> COM(2012) 582 final "A Stronger European Industry for Growth and Economic Recovery" of 10.10.2012 and COM(2010) 614 final "An Integrated Industrial Policy for the Globalisation Era Putting Competitiveness and Sustainability at Centre Stage" of 28.10.2010. Several Member States including France, Spain, Germany or the UK have also defined industrial policies or strategies at national and regional level in recent years.

In this process of implementation of reforms to improve competitiveness, Member States will play a capital role. The development of new instruments such as the “Partnerships for Growth, Jobs and Competitiveness”, can be very helpful to improve effectiveness in the implementation of those reforms.<sup>7</sup>

## **2. AN INTEGRATED, SINGLE EUROPEAN MARKET: CREATING AN ATTRACTIVE PLACE FOR ENTERPRISES AND PRODUCTION**

The internal market remains the centrepiece of the EU’s economic success. In the mid-1980s, the internal market changed the outlook for the European economy and after the crisis, the internal market can once again play this role to revitalise the EU economy making the EU a more attractive location for the production of goods and services.

The internal market provides EU companies with a large home market, facilitates productivity improvements by reducing input costs, allowing efficient business processes and increases returns on innovation. But the internal market still has significant potential for growth and further simplification of internal market rules can further improve economic efficiency. Deepening the internal market can bring about faster technological change. Integrating EU firms more firmly into regional and global value chains is key for productivity gains. Well-designed, timely European standards will accelerate the diffusion of innovations and EU reforms in the field of intellectual property rights will also encourage creativity and innovation. But releasing the full potential of the internal market requires better integration of infrastructure networks, better implementation and simplification of rules for goods and services, and a predictable, stable regulatory framework, combined with modern, efficient public administration.

### ***2.1. Completing the integration of networks: information networks, energy and transport***

The internal market cannot work seamlessly without an integrated infrastructure. The Single Market Act II put forward four actions to foster the development of maritime, air and rail transport, as well as an initiative to strengthen the implementation and enforcement of the Third Energy Package to liberalise and integrate European energy markets. Early in 2013, the Commission proposed the Fourth Railway Package to make it easier for rail operators to enter and operate in the EU market.<sup>8</sup> In the maritime sector, the Commission set out plans in July 2013 to ease customs formalities for ships, reducing red tape, cutting delays in ports and

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<sup>7</sup> These mutually agreed contractual arrangements by Member States could support the implementation of relevant aspects of industrial policy reflecting the economic policy priorities identified in the European Council's shared analysis of the economic situation in the Member States and the euro area as such on the basis of the country-specific recommendations.

<sup>8</sup> The package is a major step to create a functioning Single European Rail Area, where standardised trains and rail components progressively replace the wide array of customised rolling stock and rail vehicle authorisation procedures are streamlined. The Shift2Rail joint undertaking will support this process by pooling public and private funds to speed up the development and deployment of new technologies and solutions.

making the sector more competitive. The Commission is also taking steps to enforce the Single European Sky obligations in Member States.<sup>9</sup> **At present, the adoption, full implementation and/or enforcement of these initiatives are suffering delays.**

The development of an internal market for energy requires both full implementation of the legislative framework by all Member States and integrated **energy networks**, which should promote competition within the internal market and reduce energy costs for European companies. Significant investments are required to modernise Europe's energy infrastructure to connect energy 'islands', enabling flows of energy within the internal market, and enabling EU industry to benefit from more security of supply and lower prices.<sup>10</sup>

EU infrastructure must respond to social demands and accommodate technological change. The emergence of **clean vehicles and waterborne vessels** is a key challenge for EU industry as it tries to maintain its competitive edge. Such development depends both on the supply of new technology and on the installation of the necessary infrastructure for users. The adoption of the proposed Directive<sup>11</sup> on the deployment of alternative fuels infrastructure will mandate Member States for a minimum coverage of alternative fuel infrastructure, including electric recharging stations with common interface standards.

*The Commission calls on the Council and the European Parliament to adopt this proposal early in 2014.*

As stated in the conclusions of the October 2013 European Council, digital products and services are very important for the upgrading of European industry. To support the development of communication services, the Commission proposed in September 2013 an ambitious programme towards a single market in telecommunications that aims at promoting investment and taking steps to further reduce regulatory fragmentation in the EU while promoting competition in broadband provision.

Beyond infrastructure developments, the convergence of **information and communication technologies** with energy and logistics networks is creating new opportunities and challenges for industry. The challenge is to roll out digitally enabled networks with the level of security and resilience required to support the businesses in their operations. The impact of these

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<sup>9</sup> In the road haulage sector, better enforcement of market access provisions is necessary for further market opening. Harmonisation of safety and technical rules in road haulage has already taken place setting the stage for a possible liberalisation of this sector at EU level.

<sup>10</sup> On 14 October 2013, the Commission adopted a list of 248 key energy infrastructure projects, which on the basis of the new guidelines for trans-European energy infrastructure (TEN-E) will benefit from faster and more efficient permit granting procedures and improved regulatory treatment. In addition, the Council and the European Parliament agreed in December 2013 on the creation of the **Connecting Europe Facility** (CEF), a €33.2-billion fund to finance and attract investment to improve Europe's transport, energy and digital networks. The CEF will contribute to create high-performing and environmentally-sustainable interconnected networks across Europe. In the CEF, €5.85 billion have been allocated to trans-European energy infrastructure for the period 2014-20 that will contribute to market integration and supply security in the EU's energy system.

<sup>11</sup> COM(2013) 18 final of 24.1.2013 "Proposal for a Directive of the European Parliament and of the Council on the deployment of alternative fuels infrastructure".

changes is starting to emerge and will provide market opportunities, notably for key enabling technologies. The layout of intelligent networks will also require a fit for purpose regulatory framework as well as the development of appropriate interoperability standards. The EU, Member States, regions and industry have all a role to play in fostering the digitalisation of business processes and in developing the industrial dimension of the digital agenda.

**Space infrastructures and related industrial and service applications** offer the potential to enhance industrial competitiveness, generate growth and create jobs. The EU has a substantial role to play in this domain, as the high cost of space projects renders it more economical for Member States to pool investments and jointly benefit from the opportunities arising from them. In cooperation with the Member States and dedicated organisations and agencies (such as European Space Agency and the European Agency for the Global Navigation Satellite System (GSA), the Commission is completing the space infrastructures of its flagship projects, Galileo and Copernicus, during the next multi-annual financial planning framework. It will propose rules creating the technological and regulatory conditions for their commercial exploitation.

*As a matter of priority, the Commission invites the Council and the Parliament to adopt and implement the aforementioned measures and legislation on information, energy, transport, space and communications networks in the EU, following the proposals made by the Commission.*

Delaying the deployment of these infrastructures will hamper our future competitiveness. As the current economic environment is not favourable for long-term investment, the Commission will make further use of **project bonds** to facilitate the financing of these infrastructure projects.

## **2.2. An open and integrated internal market in goods and services**

The Commission provided new impetus to market integration across the EU through Single Market Acts I and II and calls on the co-legislators to adopt the proposals in these, especially on initiatives such as the market surveillance and product safety package.

The Commission continues actively promoting a seamless market for goods. The Review of the Internal Market for industrial goods has shown that the internal market for industrial goods is fit for purpose<sup>12</sup>. Industry has benefited from its development and intra-EU trade in manufactured goods has increased over the years.

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<sup>12</sup> Commission Communication COM (2014) 25 final of 22.01.2014 ‘A vision for the internal market for industrial products’ of 22.01.2014.

The Single Market for Green Products initiative proposes a set of actions to overcome problems in the free circulation of these products.<sup>13</sup> However, unless Member States take further steps on implementing the current framework, business will continue facing unnecessary higher costs and cost differences that risk growing. The Commission will ensure that harmonisation is enforced and will, first and foremost, **concentrate on implementing and enforcing the legislative framework in place** and facilitate the participation of SMEs in the internal market.

*The Communication “A vision for the internal market for industrial products” presents actions to achieve a more integrated internal market based on rationalising the existing regulatory framework. The Commission will consider elaborating a legislative proposal on how to streamline and harmonise economic sanctions of an administrative or civil nature for non-compliance with Union harmonisation legislation to ensure equal treatment of all businesses throughout the internal market for industrial products. To strengthen support for SMEs in the internal market and further develop assistance for access to finance, to improve their energy and resource efficiency and to increase the innovation management capacity of SMEs, the Enterprise Europe Network will be reinforced.*

Industry trades both goods and services. Full implementation of the Services Directive remains important for Europe’s industrial competitiveness. There is a clear imbalance between the level of integration in goods and services markets, and for industry to be able to modernize effectively the **functioning of the internal market for services must be further improved**.<sup>14</sup>

Much has been achieved but Member States must still deliver reforms and improve implementation of Internal Market rules in some areas. Already in its 2012 Communication<sup>15</sup>, the European Commission invited the Member States to make additional efforts towards an ambitious implementation of the Services Directive. Full implementation of the Services Directive would significantly improve the smooth functioning of the internal market, in particular for small and medium sized countries and for consumers. Enhancing competitiveness could lead to an additional total economic gain of about 2.6% of the EU GDP. Progress is being monitored in the European Semester and the Commission has established a dialogue with Member States to achieve politically agreed targets.

The competitiveness of industry would benefit from a more integrated internal market for services, particularly for business services that represent about 12% of EU value added. This is a good example of an area where the mainstreaming of industrial competitiveness can

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<sup>13</sup> This initiative proposes common methods to measure the environmental performance of products and organisation. By providing comparable and reliable environmental information about products will facilitate the integration of markets for those goods across the EU.

<sup>14</sup> Single Market Integration Report at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2013:0785:FIN:EN:PDF>

<sup>15</sup> Communication of 8 June 2012 (COM (2012) 261 final "A partnership for new growth in services 2012 – 2015)



contribute to increase the overall competitiveness of the EU economy. Business services should be properly taken into account in the design and implementation of industrial policy strategies. Following the 2012 Industrial Policy Communication, the Commission set up in the beginning of 2013 a High Level Group on Business Services. The Commission will examine the need for further action when this group issues its recommendations in March 2014.

The recently updated **European Standardisation System** will be closely monitored in order to assess whether it needs to be further adapted to the fast-changing environment so that it can continue to contribute to Europe's strategic objectives, in particular in the field of industrial policy, services, innovation and technological development.

In addition, effective standard setting and the protection of intellectual property (which represents 50 % of total intangible assets in the EU) are crucial for promoting innovation and the development of new technology areas. **The Commission will closely follow the ongoing debate about the use and role of IPR in standards and assess whether it needs to address the issue in a dedicated initiative.**

### ***2.3. Business Environment, Regulatory Framework and Public Administration in the EU***

The EU's competitive strength has always been built on a solid and predictable institutional environment, quality infrastructure, a strong technological knowledge base and a healthy and educated labour force. Europe has traditionally ranked well as a place for business and industrial production, but is now losing competitiveness as compared to other regions in the world.<sup>16</sup>

The fact that the internal market (particularly in services) is not fully integrated is an important factor holding back productivity gains. As a whole, Europe has not been sufficiently adaptable to changing circumstances. Administrative burdens and regulatory complexity are being eliminated too slowly and unevenly and some labour markets are not flexible enough. Following the financial crisis, the legacy of deleveraging is further affecting business sentiment and holding back further investment and fresh credit to business thereby hurting the modernisation of EU industry.

The Commission monitors the EU's competitiveness performance and business environment on a regular basis, notably through the European Semester process and the Member States' Competitiveness Report under Article 173 of the TFEU. Recent reports show signs of improvement as structural reforms start to have an effect, but progress remains uneven across Member States.

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<sup>16</sup> In 2008, the World Bank's Doing Business listed eight Member States in the top 20, three of them in the top 10. In 2013, there were only 6 Member States in the top 20, and two in the top10.

From 2014, the ‘**Report on Member States’ Competitiveness Performance and Policy’ under Article 173 TFEU** will be strengthened to evaluate and clearly link the impact of improvements in the business environment on the progress in Member States’ actual competitiveness performance, and the scope of its annual reports will be extended to monitor efforts at national level to mainstream competitiveness aspects into other policy fields.<sup>17</sup>

At EU level, the Commission continues improving the quality of legislation and the regulatory environment to make it fitter, more stable and predictable. The implementation of the **Regulatory Fitness and Performance Programme (REFIT)** and the follow-up to the Top 10 regulatory burdens (as perceived by business organisations and stakeholders) will simplify EU legislation and reduce regulatory burden on businesses. **Competitiveness Proofing** has been fully integrated into the Commission’s impact assessments for all major proposals with significant effects on competitiveness. Studies on **cumulative Cost Assessments** have been conducted in a number of sectors (steel, aluminium) and will be performed in others (e.g. chemicals and forest-based industries) in an effort to estimate ex-post the joint costs of different strands of national and EU regulations on industrial sectors. A **fitness check** of legislation in the oil-refining sector will be finalised in 2014. In the future, the Commission will gradually undertake comprehensive reviews of the competitiveness and regulatory frameworks in each of the main industrial value chains, using fitness checks and cumulative cost assessments.<sup>18</sup>

*The Commission calls on Member States to take comparable measures at national level to help ensure that policy efforts increase competitiveness throughout the EU. The Commission will monitor progress in this area.*

There are significant variations in the 28 Member States’ public administration’s approach towards the private sector. To enable all Member States to tap into the experiences of others, the Commission will present an initiative on **Growth-Friendly Public Administration**, providing a comprehensive overview of best practices in public administration available across the EU, in particular with regard to e-government tools and public procurement.

### **3. INDUSTRIAL MODERNISATION: INVESTING IN INNOVATION, NEW TECHNOLOGIES, PRODUCTION INPUTS AND SKILLS**

With scarce natural and energy resources and ambitious social and environmental goals, EU companies cannot compete on low price and low quality products. They must turn to

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<sup>17</sup> See Competitiveness Council Conclusions of 2-3 December 2013.

<sup>18</sup> In addition, other initiatives are undertaken to facilitate the implementation of regulations in specific areas. For instance, EU waste legislation is under review with a view to make it clear and easily enforceable and to facilitate the recycling of secondary raw materials.

innovation, productivity, resource-efficiency and high value-added to compete in global markets. Europe's comparative advantage in the world economy will continue to lie in high value-added goods and services, the effective management of value chains and access to markets throughout the world. Thus, innovation and technological advancement will remain the main source of competitiveness for EU industry. For this reason, further efforts are needed to achieve the Europe 2020 target of spending 3% of GDP on research and development (R&D).

In particular, digital technologies are at the heart of increases in productivity of European industry. Their transformative power and growing impact across all sectors is redefining traditional business and production models and will result in a range of potential new product and notably service innovations by industry ('servitization of industry'). A digital transition is underway across the global economy and industrial policy needs to integrate new technological opportunities such as cloud computing, big data and data value chain developments, new industrial applications of internet, smart factories, robotics, 3-D printing and design.

### *3.1. Stimulating investment in innovation and new technologies*

Since the onset of the economic crisis, dramatically reduced levels of investment in innovation are a major concern for Europe's industrial future.

The Commission has put an increasing share of its policy, regulatory and financial levers at the disposal of Member States, regions and industry to foster investment in innovation. The **Horizon 2020 Programme**, in particular through its industrial leadership pillar, will provide close to EUR 80 billion for research and innovation. This includes support for key enabling technologies that will redefine global value chains, enhance resource efficiency and reshape the international division of labour. To facilitate the commercialisation of research results, Horizon 2020 will also finance closer-to-market prototypes and demonstration projects than to date. A key element of the new Framework Programme is joining forces with the private sector through public-private partnerships in key industrial domains, so as to leverage further private investment.

In addition, with the adoption of the new multiannual financial framework 2014-2020 at least EUR 100 billion of European Structural and Investment Funds (ESIF) are available to Member States to finance investment in innovation, in line with industrial policy priorities. In 2014-2020, investments in innovation by **ESIF** will be guided by the concept of '**Smart Specialisation**', to allow Member States and regions to concentrate investment on their comparative advantages and to encourage the creation of cross-European value chains. Many of the themes proposed under Smart Specialisation Strategies by the Member States and regions are related to the six strategic areas identified under industrial policy, putting a comprehensive financing package at the disposal of regions.

As Member States increasingly look to stimulate investment in strategic industrial areas, the Commission is **modernising the State Aid Framework for R&D&I** and **reforming public procurement rules** to create a critical mass on the demand side and improve efficiency in the allocation of resources in full respect of competition and internal market rules.

The need to speed up investment in breakthrough technologies in fast-growing areas was the main reason the Commission decided to identify in the 2012 Industrial Policy Communication the six areas in which investment should be encouraged.

These strategic, cross-cutting areas are: advanced manufacturing, key enabling technologies, clean vehicles and transport, bio-based products, construction and raw materials and smart grids. The work of the six task forces that were set up a year ago has enabled the Commission to identify opportunities as well as obstacles to innovation requiring further policy action. Based on this work, **the Commission will pursue the following priorities:**

- **Advanced manufacturing:** implementing the Knowledge and Innovation Community on value-added manufacturing and establishing a Public Private Partnership on Sustainable Process Industry through Resource and Energy Efficiency, Factories of the Future, Photonics and Robotics, upgrading innovation capacity and competitiveness of Europe's manufacturing sector. The integration of digital technologies in the manufacturing process will be a priority for future work in light of the growing importance of the industrial internet. The use of "big-data" will be increasingly integrated in the manufacturing process.<sup>19</sup>
- **Key Enabling Technologies (KETs):** this task-force is working on the identification of potential KETs projects of European interest in a number of areas, e.g. batteries, intelligent materials, high performance production and industrial bio-processes; facilitating pan-European access of SMEs to technological infrastructure; and exploiting further the possibilities of the Memorandum of understanding signed with the European Investment Bank.
- **Bio-based products:** granting access to sustainable raw materials at world market prices for the production of bio-based products. This will require the application of the cascade principle in the use of biomass and eliminating any possible distortions in the allocation of biomass for alternative uses that might result from aid and other mechanisms that favour the use of biomass for other purposes (e.g. energy).<sup>20</sup>
- **Clean Vehicles and Vessels:** adoption and full implementation of the Commission's proposal on alternative fuels infrastructure, implementing the Green Vehicle Initiative and other H2020 initiatives promoting clean and energy efficient transport, pursuing

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<sup>19</sup> See forthcoming Staff Working Document "Advancing Manufacturing – Advancing Europe.

<sup>20</sup> For a description and interpretation of the cascading principle, see

[http://ec.europa.eu/research/bioeconomy/pdf/201202\\_commission\\_staff\\_working.pdf](http://ec.europa.eu/research/bioeconomy/pdf/201202_commission_staff_working.pdf) - Commission Staff Working Paper that is accompanying the Commission's Communication on the Bioeconomy Strategy – see pages 25-26, 2nd paragraph in section 1.3.3.1. and

<http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+REPORT+A7-2013-0201+0+DOC+PDF+V0//EN> – European Parliament Opinion on the Commission Communication on the Bioeconomy Strategy – see item 28 on pages 6 & 7.

global standards for electric cars and implementing the priorities identified under CARS 2020.

- **Sustainable construction and raw materials:** setting up a EUR 25 billion EIB lending capacity for energy efficiency in residential housing; and improving recycling and sustainable waste management in construction.
- **Smart Grids and Digital Infrastructures:** defining further targets for the development of smart grid components; revising and broadening standardisation mandates and development and guidance on performance indicators.<sup>21</sup> The infrastructure and connectivity software for industrial internet is a priority area in the light of its growing importance and should help integrate high performance processes including cloud computing.

*Building on the work of the task forces, the Commission proposes to Member States to combine regional and industrial policy tools to create Smart Specialisation Platforms to help regions roll out smart specialisation programmes by facilitating contacts between firms and clusters, enabling access to the innovative technologies and market opportunities.*

Finally, based on an analysis of Europe's industrial strengths and main assets, the Commission will explore areas of industrial activity in which Europe is likely to have a comparative advantage in future. In addition, the monitoring of investment trends will play an increasingly important role in the assessment carried out in the European Semester.

### ***3.2. Increasing productivity and resource efficiency and facilitating access to affordable production inputs***

EU firms need to have access to essential inputs in a sustainable way and on the best possible terms, but there are still significant problems in capital, energy and raw material markets.

#### **a) Access to finance**

Regulatory reforms in financial markets, a judicious monetary policy and the new supervisory structure provided by the Banking Union have succeeded in restoring financial stability. But bank deleveraging is making it harder for firms to access bank credit, especially for SMEs in Member States where the crisis has had a particularly severe impact.

Policy actions are contributing to alleviating capital needs for specific purposes. In 2014-2020 cohesion policy will continue providing access to finance to enterprises through financial instruments. The new programming period envisages, in addition to traditional financial instruments set up at national/regional or transnational or cross-border level, the possibility to contribute resources to financial instrument set up at Union level. This includes

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<sup>21</sup> The Commission recently selected two smart grid projects as Projects of Common Interest for trans-European energy infrastructure.

the SME initiative which is a risk-sharing instrument with EU guarantees, as requested by the October 2013 European Council. It is the result of an **initiative** proposed by the **Commission and EIB** which allows Member States, on a voluntary basis, to use the ESIF to support financial instruments providing lending to SMEs. **Member States are invited to contribute European Structural and Investment Funds from their national allocations to this initiative**, so that the instrument can achieve critical mass and have a significant impact to increase lending to SMEs.

The adoption of the COSME and Horizon 2020 programmes will also multiply the financing capacity of public sector funds with equity investments through financial intermediaries, such as venture capital funds and a well-functioning pan-European venture capital market. The full implementation of the Late Payments Directive <sup>22</sup> will also improve financing for companies. Recent legislative changes will facilitate SMEs' access to finance. For example, the **Capital Requirements Regulation** includes a correcting factor lowering the capital requirements related to credit risk on exposures to small and medium enterprises; the revised Market in Financial Instruments Directive (MiFID) will create dedicated trading platforms labelled "SME growth markets"; the revised Transparency Directive abolishes the requirement to publish quarterly financial information; and the new rules on European Venture Capital Funds and European Social Entrepreneurship Funds create a special EU passport for fund managers investing in start-up SMEs and social businesses.

Despite these measures, access to finance is expected to remain problematic. Although large corporations have increasingly sought financing in bond markets, European SMEs are still heavily dependent on banks as their main source of financing, much more so than in other parts of the world. The crisis has fragmented the internal market for bank credit in the EU and borrowing rates have risen disproportionately in some countries. **An internal market for capital where SMEs can have cross-border access to finance still remains an objective to achieve.**

Against this background, efforts continue to improve credit transmission channels and to diversify corporate financing sources. Progress has been made in several initiatives included in the 2012 industrial policy update. The analysis of the replies to **the Green Paper on Long-Term financing** will now lead to proposals for measures to diversify sources of financing for SMEs and facilitate long-term investments.

Additional measures are also needed to reduce the impact of financing shortages faced by some firms and the Commission will continue working with the EIB Group and support bi-lateral initiatives between Member States addressing these shortages.

b) Energy

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<sup>22</sup> European Directive 2011/7/EU on combating late payment in commercial transactions of 16.2.2011 at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:048:0001:0010:en:PDF>

Despite efficiency gains and the progressive opening of energy markets to competition that have led to reduced wholesale electricity and gas prices, retail prices for these essential energy inputs to industry have increased. EU retail electricity prices for industry grew on average by 3.5% a year and gas prices 1% between 2008 and 2012. As a result, EU industrial electricity prices are estimated to be twice higher than in the USA and Russia and 20% higher than in China according to the International Energy Agency data<sup>23</sup>. The price gap is greater in gas: EU gas is three to four times more expensive for EU industry than for US, Russian and Indian competitors, 12% more expensive than in China but cheaper than in Japan. Nevertheless, the prices effectively paid by industrial users may vary from one Member State to another.

The Energy Price Communication and its accompanying Staff Working Document present a well-documented account of the evolution of energy prices and their three main components i.e. energy, network costs and taxes and levies, including RES support. The energy cost element remains the largest component, though its share is diminishing, and there are notable differences across Member States. Network costs and taxes and levies are the main drivers of energy price increases taking a greater share of the final retail price.<sup>24</sup>

The evolution of energy costs is a matter of concern for the competitiveness of energy intensive industries. Energy costs account for considerable shares in the total costs of paper and printing products, chemical goods, glass and ceramics, iron and steel and non-ferrous metals, although there are variations across plants, technologies and countries.

Industrial competitiveness and energy efficiency remain major objectives of the Union as acknowledged in the Europe 2020 strategy. Different EU policies work to achieve our objectives in the most cost efficient way.

- On the supply side, the Horizon 2020 provides funding directly available to energy and climate-related research and innovation, mainly through the ‘Secure, clean and efficient energy’ Societal Challenge and industrial leadership initiatives, such as SPIRE (Sustainable Process Industry through Resource and Energy Efficiency), the SET (Strategic Energy Technology) Plan and SILC II (Sustainable Industry Low Carbon Scheme), which aim to develop and promote the uptake of breakthrough technologies needed to reach climate and energy goals.
- Completing a fully integrated internal market for energy and increasing competition in energy markets will allow industrial and residential users to benefit from lower wholesale prices for energy.
- The further development of an efficient pan-European infrastructure for gas and electricity as well as for transporting major feedstock building blocks such as ethylene and propylene would help reduce transport costs and risks for energy-intensive sectors.

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<sup>23</sup> These prices are not corrected by quality differences, as EU electricity supply is more reliable with fewer cuts than in these countries.

<sup>24</sup> COM (2014) 21 final of 22 January 2014 "Energy Prices and Costs in Europe". See this Communication for a detailed account of the evolution of energy costs and prices.

Existing pipelines should be linked in particular with Southern and Eastern Europe to improve synergies between industries from different Member States and achieve higher energy efficiency across Europe.

- It is important to avoid disproportionate cost energy increases due to taxes, levies or other instruments introduced by Member States to implement different policies. This is essential to ensure cost effectiveness and contribute to improving EU competitiveness.

Alongside with this communication, the Commission has adopted a package on climate and energy defining its position until 2030<sup>25</sup>. Except in one case, it is a non-legislative package that will allow discussions in the European Council and the European Parliament to contribute to finalising the position of the European Union as regards the fight against climate change and how that interacts with energy policy and the competitiveness of the EU economy.

### c) Raw materials and resource efficiency

EU industry is mostly dependent on the supply of raw materials from international markets,<sup>26</sup> especially unprocessed minerals and metals. It faces a number of challenges regarding access to both primary and secondary raw materials throughout the whole value chain (exploration, extraction, processing/refining, recycling and substitution). The Commission has been engaged in a raw materials strategy (the ‘Raw Materials Initiative’) since 2008. The Commission is also fostering the efficient use of resources and the development of circular business and production models.

The Commission’s Raw Materials Initiative has a strong external dimension to ensure fair and reliable access to raw materials worldwide, ensuring a level playing field for all actors in the raw materials trade. The EU has been successful in negotiating rules on export of raw materials in bilateral and multilateral trade agreements and in monitoring and enforcing rules on trade barriers affecting raw materials. .

The Commission will continue using all instruments at its disposal, including a mapping exercise of raw materials diplomacy currently underway, to safeguard access to raw materials

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<sup>25</sup> [COM\(2014\) 15](#) final “A Policy Framework for Climate and Energy in the period from 2020-2030”, [COM\(2014\) 20](#) final “Proposal for a decision of the European Parliament and of the Council concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading scheme amending directive 2003/87/EC”, [COM\(2014\) 23](#) final, “On the exploration and production of hydrocarbons (such as shale gas) using high volume hydraulic fracturing in the EU” and C(2014) 267 final “Commission recommendation on minimum principles for the exploration and production of hydrocarbons (such as shale gas) using high volume hydraulic fracturing in the EU”, all of 22.01.2014.

<sup>26</sup> Materials costs represent more than 40% of the manufacturing costs on average according to the VDI (The Association of German Engineers) "Cost Structure of the Manufacturing Sector". It is estimated that resource efficiency improvements could reduce material inputs needs by 17 to 24% by 2030. See "Macroeconomic modelling of sustainable development and the links between the economy and the environment" (2011), GWS et al for the Commission at

[http://ec.europa.eu/environment/enveco/studies\\_modelling/pdf/report\\_macroeconomic.pdf](http://ec.europa.eu/environment/enveco/studies_modelling/pdf/report_macroeconomic.pdf)



in a sustainable way. Special attention will be paid to this chapter in ongoing and future trade negotiations.

The Commission **will consider elaborating a Communication on the European Innovation Partnership (EIP) on raw materials** to explain how the European Commission, Member States, industry and academia intend to work together to take forward the 2013 Strategic Implementation Plan of the partnership towards improvements in research and innovation, legislative environment or standardisation.

Concrete targets will include the launch of up to 10 pilot projects to promote technologies for the production and processing of primary and secondary raw materials, to find substitutes for at least three applications of critical and scarce raw materials, as well as to create better framework conditions for raw materials in Europe<sup>27</sup>.

To facilitate industry in making this shift, the Commission will present in 2014 a legislative initiative on resource efficiency and waste. The initiative will build on progress in the implementation of the Roadmap to Resource Efficient Europe and set out the key building blocks needed to unlock EU economic potential to be more productive whilst using fewer resources and advancing towards a circular economy. It will include conclusions drawn from the development of suitable indicators and targets, and the review of the key targets in EU waste legislation (in line with the review clauses in the Waste Framework Directive, the Landfill Directive and the Packaging Directive) and carry out an ex-post evaluation of waste stream directives, including an assessment of options to enhance coherence between them.

In addition and based on preliminary assessments, the Commission will wherever necessary propose measures to eliminate price distortions that prevent EU firms to have **access to key inputs for industry at international market prices**. The Commission will ensure policy neutrality in access to biomass for different purposes to enable efficient application of the cascade principle in the use of the biomass to ensure an efficient and sustainable use of natural resources. Also if deemed necessary, it will consider measures to enable industry to have access at global market prices to key inputs such as bio-ethanol or starch for bio-based industrial activities emerging from traditional sectors such as chemicals, paper and other forest-based industries.<sup>28</sup>

### ***3.3. Upgrading skills and facilitating industrial change***

Skills feature as a major policy element in the Europe 2020 agenda. The Commission has put in place an overall strategy for improving education and training systems via anticipation and investment in human capital supported by EU financial instruments, tools to monitor skills and training needs and trends, and specific initiatives to bring together the relevant actors

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<sup>27</sup> In the context of the second pillar of the Raw Materials Initiative the Commission will publish a Report on National Minerals Policy Indicators in 2014 on Member States performance on the permit licensing and the land use planning as well as launching a public consultation in order to explore with all stakeholders the political options towards a possible harmonisation of some aspects of permitting procedures and land use planning.

<sup>28</sup> See sections on the chemicals and forest-based industries in the accompanying Staff Working Document.

dealing with apprenticeships, especially those with crucial information and communication technologies skills, including the social partners.

**Skills mismatches** and training issues are likely to remain a key challenge for EU industry in the coming years, especially as progress in manufacturing technologies will increase demand for specific skill and training sets. There are significant differences in skills achievements and in the effectiveness of vocational training systems across Member States. These, as well as the high unemployment rates in crisis-hit Member States require immediate action to invest more in education and training. It also requires improving cross-border mobility. To this end, the Commission has adopted a comprehensive reform of EURES that will lead to tighter cooperation among the European Public Employment Services of the EU and EEA with a view to facilitating mobility and skills-based matching, through a range of new services and products.

The contribution of apprenticeships to supporting industrial competitiveness is widely recognised. Large differences in skills achievements and in effectiveness of **vocational training** systems across Member States correlate with acute unemployment in crisis-hit Member States. Initiatives such as the European Alliance for Apprenticeships will continue supporting the development of quality and effective apprenticeships resulting from strong partnerships between employers and education across the EU.

In addition, the Commission is developing a new generation of the Erasmus for young Entrepreneurs programme, as well as other instruments to make available **traineeships in firms on a cross-border basis**<sup>29</sup> through the active involvement of industry and SMEs. The Rethinking Education Communication<sup>30</sup> calls for a strong focus on aligning skills supply with labour market needs across Europe, now reinforced and supported by the new Erasmus+ funding programme. **The Commission invites the Member States to support these efforts.**

Currently, only 0.3% of the EU's population moves to another Member State annually for professional purposes, compared to 2.4% in the USA. The EU has a unique role to play, to **facilitate learning mobility between both education and training institutions through the Erasmus+ programme at all levels: apprenticeships, traineeships, and higher education exchanges.** Industry and SMEs' participation in such initiatives will be further encouraged. In emerging sectors and areas of economic activity, **Knowledge and Innovation Communities** will help to make available the skills needed in these new markets.

Stakeholders at all levels should strive to anticipate and manage skills and training needs. Industrial policy must also facilitate industrial change and help modernise industrial structures to avoid drastic, wasteful restructuring situations. .

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<sup>29</sup> See the Proposal for a Council Recommendation on a Quality Framework for Traineeships, of 4 December 2013, COM (2013) 857 final

<sup>30</sup> COM (2012) 669 final, "Rethinking Education Investing in skills for better socio-economic outcomes" of 20.11.2012.

Since the impact of restructuring is most directly felt at regional level, managing and anticipating change requires regions to be actively involved. In the vein of successful ‘smart specialisation’ strategies, policy initiatives at that level (on infrastructure, training, research and innovation) should therefore take into account the effects of forthcoming restructuring.

To help regions modernise the industrial base through the channelling of resources towards more productive sectors and to support efforts that minimise possible social impacts, **the Commission will propose a comprehensive approach to anticipating and facilitating industrial change at regional level.**

Finally, the Commission will present early in 2014 a Communication on job creation in the green economy to focus efforts on key economic sectors with job creation potential and the development of related emerging skills.<sup>31</sup>

#### **4. SMALL AND MEDIUM SIZED ENTERPRISES AND ENTREPRENEURSHIP**

EU industrial policy has traditionally paid much attention to SMEs, which have been mainstreamed into our policy approach. By the end of 2013, the Competitiveness and Innovation Programme (CIP) had assisted financial institutions in providing about EUR 30 billion of new finance for more than 315 000 SMEs and have created or maintained directly about 380 000 jobs. In addition, in the same period, Structural Funds provided some EUR 70 billion in support of enterprises, predominantly SMEs. Nearly 200 000 projects have been funded supporting several SMEs each, including 78 000 start-ups and the creation of at least 268 000 permanent jobs (and safeguarding many more).

**Regulatory and administrative costs** can impact SMEs up to ten times more than larger companies. The Commission has systematically promoted simplification for SMEs through exemptions for micro-enterprises and the application of the Think Small First principle. Framework conditions for SMEs have been improved considerably since the Small Business Act (SBA) was adopted five years ago. The average time and cost of starting up a business have been cut (from nine to five days and from EUR 463 to EUR372). However, the time and cost to obtain all the licences required to start commercial operations remain very high in some Member States.

The new financial perspectives for 2014-2020 make available new, more powerful instruments in support of entrepreneurship and SMEs. For the first time, they include a programme, COSME, specifically targeting SMEs. It has a budget of EUR 2.3 billion to add to the contributions made by other EU policies. The new cohesion policy pays particular attention to SMEs’ competitiveness. A dedicated instrument in Horizon 2020 provides

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<sup>31</sup> Employment and social aspects of anticipation of change and restructuring have been dealt with in the 13 December 2013 Commission Communication (COM/2013) 882 final).

funding for early-stage, high-risk research and innovation by SMEs. The new rural development policy further boosts start-ups and the competitiveness of SMEs in rural areas.<sup>32</sup>

In addition to this financial support, the Risk Finance State Aid Guidelines are particularly sensitive to the problems that SMEs face in financing their activities.

Still, to release their full potential, **SMEs must overcome the barriers that limit their growth**. The average SME is smaller in Europe than in the U.S. There are also differences between SME-sizes within the EU: The average SME in Germany has 7.6 workers, compared to 3.6 workers in Spain and 3.2 in Italy. This has significant consequences: the smaller the company, the greater its difficulty in investing in innovation, exporting and integrating global value chains, thus compromising their competitiveness.

The potential of **clusters** to create favourable innovation ecosystems for mutually reinforcing groups of SMEs needs to be better exploited as a means of promoting growth. The Commission will facilitate the matchmaking of SMEs wishing to integrate into world-class clusters aiming for excellence and cross-European value chains. The focus will not be limited to industrial sectors, but on facilitating cross-sectoral and cross-border collaboration and innovation.

Value-added chains, from the procurement of raw materials to business services and distribution, as well as links with research, training and education centres must be better integrated. Cluster-facilitated demonstration projects for value chain innovation will also be financed through Horizon 2020 in support of the implementation of smart specialisation strategies. In addition, the Commission will reinforce the Entrepreneurship Action plan to develop entrepreneurial skills and attitudes and to facilitate individuals in developing new ideas commercially.

*An updated Small Business Act (SBA) could create more synergies with the reform process under the European Semester, helping SMEs to grow and create jobs. The Commission will consider actions and if appropriate propose new legislative measures, to ensure that it is possible to start up a company in any Member State at a maximum cost of EUR 100 and within three days. A target of one month to have the necessary licences will also be considered. Finally, the Commission is studying measures to reduce the duration of court litigation on credit recovery for companies, to recover from financial difficulties and avoid insolvency by having access to cost-effective debt restructuring procedures and to give a second chance to honest entrepreneurs and to facilitate the transfer of business. The*

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<sup>32</sup> For the specific potential of "blue growth" see COM(2012) 494 final "Blue Growth - opportunities for marine and maritime sustainable growth" of 13.9.2012.

***Commission strongly requests Member States to introduce an SME Test or an equivalent system in their decision-making process and to reduce the administrative burden.***<sup>33</sup>

Finally, the Commission is exploring further possibilities to help SMEs develop cross-border synergies while maintaining a flexible and light regulatory framework for SMEs. Business networks present interesting business opportunities in particular to strengthen cross-border cooperation. Through enhanced intra-community specialization, business networks could also be an important factor contributing to innovation. The Commission will explore to what extent, e.g. by way of practical guidelines, some targeted measures could be proposed (e.g. standards issues, terminology or labelling) which can foster the development of business networks.

## **5. INTERNATIONALISATION OF EU FIRMS**

EU's exports and trade surplus have played an important role in mitigating the impact of the crisis. With an estimated 90% of global growth coming from overseas by 2015, access to third country markets will remain a key feature for Europe's competitiveness. EU industry has largely remained competitive on international markets, yet continued strong export performance cannot be taken for granted. European firms need to stay innovative and to integrate into the growing web of value chains extending around the world. Integration in the global economy must go hand-in-hand with promoting open, fair markets worldwide.

Trade policy is at the core of the EU's internationalisation agenda, not only to open markets but also to defend EU interests and actively promote a level playing field in third markets. The EU is committed to further promoting free trade through WTO, as shown by the recently adopted agreement on trade facilitation. In parallel, the EU is pursuing an unprecedented bilateral trade and investment agenda with Free Trade Agreements (FTAs) that is currently the most important means to improve market access. The completion of on-going FTA negotiations could potentially boost EU GDP by 2% (EUR 250 billion). The Commission has also proposed an amendment of the Trade Defence Instruments (TDI) and calls on the Council and Parliament to reach rapid agreement to reinforce the TDI system and reduce associated costs to make it more effective in enforcing fair competition.

### ***5.1. Market access***

Following the advances in common foreign policy, the start of Missions for Growth and the development of the Market Access Strategy the EU should step up its efforts to engage in economic diplomacy, based on solidarity between Member States, and to speak with a stronger voice to economic partners to defend European investments and interests abroad.

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<sup>33</sup> These proposals will be coordinated and complement other actions in preparation in the field of Justice to facilitate cross-border debt recoveries. Also in that field and as a follow-up to the 2012 Communication on "A new approach to business failure and insolvency", minimum standards will allow companies in financial difficulties to restructure efficiently their debts and avoid their insolvency.

Competition conditions are not even across global markets and unfair conditions are imposed on European companies operating in key emerging markets.

The European public procurement sector is the most open in the world, yet EU firms encounter difficulties entering public procurement markets abroad. In recent FTAs the EU has obtained good improvements in accessing procurement markets. For example, bilateral negotiations with Canada have yielded significant advances in the opening of procurement markets at sub-federal levels. Similar advances will be pursued in other bilateral negotiations, notably with the United States and Japan.

On top of that, the Commission has proposed a new instrument that will, if approved by Member States and the European Parliament, allow the EU to tackle imbalances in international public procurement markets.<sup>34</sup> Through this procedure, contracting authorities in Member States would be able to exclude bidders for large contracts that use goods and services originating in a non-EU country where procurement markets are highly protected. This is a good example of how reciprocity can deliver positive results for the EU in an international context.

Services represent about 40% of the value added in European manufactures exports. About a third of the jobs generated by these exports are actually located in companies that supply the exporters of goods with auxiliary services. Therefore, better, cheaper services are a key variable in the industrial competitiveness equation. Improving EU firms' integration in global value chains will facilitate access to high quality services and improve the competitiveness of EU goods and services exports.

Efforts to increase the internationalisation of SMEs stand out as a particular priority. In the EU, the top 10% of exporting firms typically account for 70-80% of export volumes and the Commission will seek to increase not only export volumes, but also the number of exporting firms to facilitate the integration of EU firms in global value chains.

Enhancing access to markets requires the use of a mix of trade policy instruments that address the concrete problems faced by our companies when exporting or investing in third countries. The Market Access Strategy plays a key role in addressing these challenges through the joint efforts of the Commission, Member States and Business. Strengthening cooperation among the different stakeholders will increase effectiveness and success in tackling those barriers.

***To promote access to markets around the world, the Commission will:***

<sup>34</sup> COM(2012) 124 final of 21.3.2012, Proposal for a Regulation of the European Parliament and of the Council on the access of third-country goods and services to the Union's internal market in public procurement and procedures supporting negotiations on access of Union goods and services to the public procurement markets of third countries.

- *continue within our overall FTA negotiating strategies with key bilateral trade partners, inter alia the U.S., Canada, Japan and India, to pursue improved market access for European industry and follow up on existing FTAs through regular monitoring, assessment and implementation.*
- *continue to pursue Deep and Comprehensive Free Trade Agreement negotiations and agreements on accreditation and acceptance of industrial products between the EU and Southern Mediterranean countries and the countries of the Eastern Partnership.*
- *continue to work within the WTO bodies to prevent and counter third countries creating technical barriers to trade, including through the use of dispute settlement when needed.*
- *reinforce Missions for Growth and capitalise on the services of the Enterprise Europe Network to promote the internationalisation of SMEs and to support the organisation and follow-up actions of Missions for Growth.*
- *conduct SME dialogues and foster cooperation with our international partners — bilaterally with the U.S., China, Russia, and Brazil and multilaterally in the Eastern Partnership, the EU-MED Industrial Cooperation, the enlargement and ACP countries.*
- *continue implementing the Market Access Strategy as an instrument to address the concrete problems face by European companies, with a particular focus on SMEs, which often face the greatest challenges in addressing trade barriers in third countries.*

## *5.2. Standardisation, regulatory cooperation and intellectual property rights*

The Commission will continue to promote **international standards and regulatory cooperation**, building on the EU's role as a de facto standard setter and to take a leading role in reinforcing the international standardisation system. Regulatory cooperation with other countries will continue to be a priority, especially in on-going bilateral negotiations with the United States and Japan where the primary focus will be on 'behind-the-borders' obstacles to trade and investment. Raising the level of transparency and regulatory convergence will significantly enhance overseas opportunities for EU companies and help reduce the costs of accessing markets.

In a world where competitiveness often derives from first-mover advantage and branding, it is increasingly important for EU companies to uphold their industrial property rights in all relevant markets, especially in creative industries where counterfeiting is a serious problem. To extend support provided to businesses, the Commission has already expanded its industrial property rights helpdesks network to ASEAN and MERCOSUR to offer services across a broader geographical area and will consider further geographical extensions of such support services.

## **6. CONCLUSION**

Europe urgently needs to strengthen the basis for **post-crisis sustainable growth and modernisation**. To that end, it must send a clear signal of its commitment to reindustrialisation, the modernisation of Europe's industrial base and the promotion of a competitive framework for EU industry.

The importance of the challenges ahead for Europe's future calls for attention and policy guidance at the highest political level, the European Council. This is vital to ensure the coherence and prioritisation of all instruments at the EU's disposal. An industrial strategy cannot be put into practice as a stand-alone policy as it has numerous interactions and overlapping effects with many other policy areas.

*Consequently, the Commission calls on Member States to recognise the central importance of industry for boosting competitiveness and sustainable growth in Europe and for a systematic consideration of competitiveness concerns across all policy areas.*

*To that end, the Commission considers that the following priorities should be pursued to support the competitiveness of European industry:*

- *Continue deepening the mainstreaming of industrial competitiveness in other policy areas to sustain the competitiveness of the EU economy, given the importance of the contribution of industrial competitiveness to the overall competitiveness performance of the EU. For instance, particular attention must be paid to increasing productivity in business services to increase industrial competitiveness and the competitiveness of the EU economy in general.*
- *Maximising the potential of the internal market by developing the necessary infrastructures, offering a stable, simplified and predictable regulatory framework favourable for entrepreneurship and innovation, integrating capital markets, improving the possibilities for training and mobility for citizens and completing the internal market for services as a major contributing factor to industrial competitiveness.*
- *Decisively implementing the instruments of regional development with national and EU instruments in support of innovation, skills, and entrepreneurship to deliver industrial change and boost the competitiveness of the EU economy.*
- *To encourage investment, businesses require access to critical inputs, and in particular, energy and raw materials, at affordable prices that reflect international cost conditions. The design and implementation of policy instruments for different objectives both at EU and national levels must not result in price distortions that imply disproportionately higher relative prices for these inputs. Action should also be taken in the internal market and at international level to ensure the adequate*



*provision of these inputs, as well as to increase energy and resource efficiency and to reduce waste.*

- *Do the utmost to facilitate the integration of EU firms in global value chains to boost their competitiveness and ensure access to global markets on more favourable competitive conditions.*
- *Finally, the objective of revitalization of the EU economy calls for the endorsement of the reindustrialisation efforts in line with the Commission's aspiration of raising the contribution of industry to GDP to as much as 20% by 2020.*