

Belgium Position Paper – Towards an ambitious Industrial Strategy for Europe

As the European economy and its resilience are put under pressure, the European leaders have identified the basis of the new EU strategic agenda. One of the priorities is to *‘renew the basis for long-term sustainable and inclusive growth and strengthen cohesion in the EU’*. The EU Council calls for *‘a more assertive, comprehensive and coordinated industrial policy’*. This confirms the EU Council request of March 2019 to the Commission to *‘present by the end of 2019, a long-term vision for the EU’s industrial future, with concrete measures to implement it’*. The European Commission published in March 2020 a renewed European Industrial Strategy as a central initiative in delivering the new EU growth strategy – the European Green Deal.

The green transition should be at the heart of all our initiatives and guide the transition and model transformations in all policy domains. **Belgium emphasizes the role of Europe’s industrial policy as a core piece of the broader reflection on the future of Europe, and its contribution to the EU objectives of prosperity, competitiveness, sustainability, climate neutrality and employment creation.** This is needed to promote industrial transition and make Europe more resilient to crises. Specific actions are needed to boost innovation, investments and modernisation in industrial priority areas such as digitisation, health, circular economy, eco-innovation, artificial intelligence and clean energy.

With this position paper building on previous papers¹, Belgium wishes to feed into the process of reflection about the future European industrial policy strategy.

European sectors and regions are facing **opportunities and challenges** resulting from ongoing trends in globalisation, digitalisation, automation, climate change, demographic and social change, migration, mobility,.... Globalised and digitalised value chains lead to blurred frontiers between countries, sectors (especially industry and services) and technologies. This is also where new opportunities and new solutions to societal challenges will emerge. Digital and technological trends are accelerating the speed of change and entail risks for our economic and social conditions, particularly in terms of widening skills gaps and deepening social and regional divides within Europe. To remain competitive on a global scale and take the leadership in the development of new technologies, Europe needs to invest in research and innovation, in skills at all educational stages, in interconnected and efficient infrastructures, in automation, in digitisation, and in the transition towards a resource-efficient and climate neutral economy and to contribute to the objectives pursued by the European Green Deal.

Overcoming the ‘innovation paradox’ and fostering the uptake of innovation by industry, with a special focus on **SMEs**, will be a key element in rejuvenating EU economic prosperity and bringing new solutions for global challenges to the market. Europe isn’t facing a lack of innovative business ideas but only few of our numerous innovative European companies scale-up and expand in Europe or shape the global markets. In this regard, Belgium strongly supports the mission-oriented innovation policy approach that should focus on the whole innovation cycle in areas where the EU-added value is the greatest.

The level of ambition of other major players, that often benefit from state support, lower standards or lower tax rates, presents a risk to Europe’s influence on global technological and market developments. These major players also often challenge our democratic values, ethical principles, environmental ambitions and our interests on issues such as data economy, security and privacy. It also threatens to undermine the security of the digital supply chain and potentially other critical raw materials.

¹ Belgian Concept paper ‘A new step for European Industrial Policy’ (2013) and Belgium Position paper ‘Consolidating an ambitious industrial strategy for Europe (2017).

No single Member State, no single region, no single company can provide solutions to those challenges or seize those new opportunities on its own. More than ever, **collaboration is needed across Europe to imagine new solutions, bringing together our tremendous capacities in different areas, sectors, technologies and build the solutions for the future.** We need an European approach and an European framework to shape European collaborations between companies – big and small ones – researchers, knowledge institutions, innovators, users and civil society, financial institutions, the public sector with the aim to develop innovative and resilient European value chains. **Europe's strength lies in its diversity and its capacity to combine the best potentials from across the whole EU.** Belgium's view of European industry for the future consist in a **strong network of innovation ecosystems driving the development of innovative value chains, where SMEs and start-ups can flourish, grow and participate in the climate and digital transition.**

Interregional networks, such as the [Vanguard Initiative](#), aim to develop new approaches to industrial modernisation based on smart specialisation principles and inter-regional investments. As experienced by the Vanguard Initiative pilot projects and also by S3 thematic partnerships, there is an urgent need to further develop, in a synergetic way, **new funding mixes and financial tools** that allow joint investments in shared innovation infrastructure across borders. It is crucial to install state-of-the-art pilot infrastructures, demonstrators, and shared facilities with open access to European SMEs. This vision was also recently defended by the [Strategic Forum for Important Projects of Common European Interest](#) and by the [Industry 2030 high level roundtable](#).

As part of this approach, the development of **European world-class clusters** connecting regional clusters, networks and ecosystems through an ambitious cluster policy is a key priority. Building on bottom-up, collaborative and multi-disciplinary approaches, clusters constitute a powerful lever for achieving critical mass in Europe. A strong European smart specialisation policy can contribute to this process by promoting bottom-up mobilisation of Europe's innovative and entrepreneurial potential, and fostering co-investments, based on strategic European priorities and value chains. These European world-class clusters will also be instrumental in the mission-oriented innovation policy.

Given that the necessary transition of our socio-economic model brings along **important investment needs and a redirection of financial flows**, a consensus has been reached among stakeholders on the necessity to consolidate a **common, updated and holistic long-term European Industrial Strategy**, as a core piece of the growth and investment agenda for Europe.

European industrial policy must be based on **shared objectives**, such as the aim to achieve a 20% industrial share, through the **activation of all relevant policy levers and efficient multi-level governance**. Mainstreaming policy objectives related to green and digital transition is also essential to facilitate a cost-effective transition. New coordination mechanisms should be developed in that perspective, allowing a more effective combination of funding and financing instruments to leverage private investment through public resources, within an appropriate regulatory framework and efficient Single Market. Impact assessments that will be launched for the Commission's substantial initiatives should be thorough and identify several ways of action, helping to make the best decisions. It is also important to involve all actors, from the European institutions all the way to the regional and local authorities, clusters, companies and citizens.

13 Priorities for an Ambitious European Industrial Strategy

Belgium strongly supports a new and ambitious European Industrial Strategy, as part of the new EU growth Strategy, the European Green Deal. It shall also contribute to implement the Paris agreement. The following priorities should constitute the framework for consolidating such a strategic policy agenda.

1. Adopt a **comprehensive industrial strategy with an action plan**, paving the way towards an inspirational **policy objective for 2030**. The approach should be based on European industrial value chains analysis taking into account inter-sectoral linkages (notably between industry and (digital) services) and global competition. The Competitiveness Council should have a clear role in the discussions on themes related to industrial competitiveness and should also lead on the development and implementation processes of the EU industrial strategy. This strategy, as a central element in the EU strategic agenda for growth and investment, should be fully part of the revamped EU semester process.
2. Develop a **coordinated and holistic approach for industrial competitiveness** through all relevant EU and national policies, with special attention to R&D and Innovation, digitisation, investment, cohesion, competition, trade, State aid, Internal and digital market, energy, environment and climate, circular economy, eco-innovation and resource efficiency, tax, education and training, and employment policies. New coordination mechanisms that allow a more effective combination of instruments to leverage private investment, notably in SMEs and start-ups should be developed.
3. Develop a **multi-level approach**, aimed at stimulating and connecting innovative ecosystems across Europe, based on smart specialisation principles. Innovation and industrial dynamics have a strong **regional and urban dimension**. Experience has shown that economic and financial crises as well as industrial transitions have asymmetric effects on European regions and sectors. Therefore, a deeper involvement of European regions in the implementation of the EU industrial policy and its governance mechanisms is a must.

Experience of the Vanguard Initiative and the Thematic Smart Specialisation Platforms should be scaled-up and supported through a mix of appropriate policy measure and clear funding solutions. This bottom-up approach should **foster co-investments at interregional level around key EU priorities**, complementing more top-down approaches. In that perspective, the newly proposed tool for **Interregional Innovation Investment** as part of the Cohesion Policy package 2021-2027 could be a strong catalyser for co-investment and synergies with other EU programmes.
4. Develop a **strong European cluster policy** that integrates regional clusters into cross-European world-class clusters, based on smart specialisation principles. Existing initiatives, such as the INNOSUP calls for clusters collaboration, or Strategic Cluster Partnerships for S3 and internationalisation, must be scaled up to support the emergence of new European value chains. The objective of a cluster policy should be twofold. Firstly, connecting actors (especially SMEs and small-scale actors, as providers of innovative solutions) within and beyond cluster domains and beyond regional boundaries, that capture cross-sectoral linkages. Secondly, an ambitious cluster policy should also facilitate innovation-based transitions, contribute to a mission-oriented innovation policy and focus on the deployment and uptake of new technologies by SMEs. The Joint Cluster Initiative proposed under the future Single Market Programme will be a key priority in that perspective, which should benefit of an ambitious budget.
5. Identify and tackle barriers (related to funding, regulatory, trade and innovation) in **key emerging industries**, e.g. cloud computing, Internet of Things, 3D printing, clean energy, advanced manufacturing, circular economy, sustainable mobility, biotechnology, e-health with a view to develop EU leadership and autonomy. A high level of intellectual property protection should also be ensured, notably through the support of new global standards. The approach of the **European Forum on Strategic value chains** (IPCEI Strategic Forum) is key for developing further this approach on the identified strategic value chains. This should be done on the basis of a coherent joint action plan across Member States, Regions, the Commission and Industry, mixing different support tools and policies, including rapid standardization and harmonization measures, in combination with value-chain specific action plans and tailor-made solutions. This should also incorporate non-technological

innovation and user- and demand-driven approaches for addressing societal and citizens needs, and societal acceptance issues.

The IPCEI State aid framework is an important instrument and should also be accessible for innovative SMEs. Therefore, the procedure should be simplified and guidelines for Member states and SMEs should be elaborated, highlighting the added value for the SMEs. A specific scheme for collaboration between SMEs could be elaborated. The complementarities with other European instruments should also be clarified.

6. Define an ambitious approach for **investment support** and bolster sustainable investment orientations (through among others the EU taxonomy), as part of the EU strategic agenda; this is a key element to be embedded in the EU semester process. With the challenges ahead of us, investment needs are huge, be it in R&I, skills, low carbon economy transition, digitalisation of industry,... An investment-friendly framework should be developed in Europe, including through reformed fiscal rules that should enable public investment in those priorities.

New funding mixes (EU, national, regional and private, subsidies and financial instruments) are also needed to support complex, cooperative and close-to-the-market projects, which generally face a significant funding gap due to their risky character (when bridging the ‘valley-of-death’). In that sense, the **set-up of open access and shared pilots, demonstrators, and innovation infrastructure, new sustainable production lines, and related networking activities, on an interregional scale is key**. SMEs face specific barriers that must be considered and addressed, therefore these mechanisms should benefit in the first place to innovative SMEs, start-ups and scale-ups, helping them to access state-of-art expertise across Europe. A user-centric approach should be developed in that perspective. The Digital Innovation Hub approach could be for example expanded to other technology fields.

The EIC should support the development of high-risk innovations (bottom-up), and should be implemented in close synergy with regional ecosystems.

7. Continue to improve and to address **synergies between EU instruments** (e.g. ERDF, ESF, InvestEU & EIB/EIF, H2020/Horizon Europe, COSME, Digital Europe Programme, Interreg, EIT-KIC), and between EU, national, regional and private funding instruments, especially within the context of joint, inter-regional investments in industrial and innovation projects. Define clear and concrete modalities for the combined use of different financing sources and clarify State aid rules regarding those financing mechanisms.
8. Deepen the **Single market**, as a key framework condition for industries to operate across the EU, to build partnerships and commercial relations but also strengthen confidence of consumers and businesses. A well-functioning and efficient Single market, rules-based free trade and up-to-date and better regulation of a high standard will guarantee the EU’s competitiveness and enable innovation, including in services. To that end, a European action plan for better enforcement of internal market rules and a well-functioning market surveillance policy are required. In parallel, correct performance indicators should be developed.

Digital solutions are also to be better exploited to ensure high quality framework conditions for our businesses and high degree of wellbeing for our workers, as a driver for fair, sustainable and equitable growth. The digital by default approach must be further developed when adopting new regulations, while taking into account workers’ wellbeing and environmental objectives.

9. The **modernisation of State Aid Policy** considering the new global context, which is characterised by an increased competition, technological and digital acceleration and new innovation dynamics is essential for an ambitious European Industrial policy. European

State Aid Policy should be designed in a way that allows our European players to compete on international markets, have access to these markets, as well as taking into account potential competition outside the EU in the long term while preserving intra-EU competition. Our rules should be designed in a way that they allow effective policies for addressing emerging needs and state-of-the-art innovation policies and funding solutions, especially for start-ups and scale-ups. The European Framework for State Aid should be reassessed to further stimulate innovation, especially concerning pilot and demonstration projects, go-to-the-market phases and deployment of Key Enabling Technologies (KET).

The rules should enable collaborative approaches across borders, notably through cross-cluster collaboration, or by facilitating participation in European Partnerships. In that perspective, the GBER revision process should facilitate drastically synergies between programmes and funding sources and open new exemptions for collaborative approaches (eg. IPCEI scheme for SMEs, cross-clusters collaboration, interregional vouchers schemes, European Territorial cooperation,...).

In the reflections, a fair competition in the internal market must be preserved, while ensuring that our companies face a level playing field at the global stage. The competition on the internal market and the access of SMEs to European and global value chains must remain an essential element of balanced, effective and independent EU competition rules, as well as the international competitiveness of our European players.

10. Hand in hand with an internal integrated approach, a reinforcement of our competitiveness on the global stage requires **an ambitious and assertive EU trade agenda**. The EU must continue widening and deepening market access and deliver on concluded agreements and measures, while continuing all efforts to promote a strong, transparent, fair and predictable multilateral trading system with a modernised WTO at its core. It also means ensuring fair competition within the EU and on the global stage, fighting unfair practices, using trade defence instruments and securing our strategic supply chains. Belgium supports the work of the Commission to identify gaps in rules ensuring fair competition with regards to foreign operators.

The EU must also be more assertive in setting international quality standards at global stage and in trade agreements as well as in binding mechanism to enforce them. Our strength on the global markets is our capacity to innovate, to develop high quality solutions that are characterised by sustainability, ethics, environmental and social standards. **Europe should exploit more widely first movers' advantages** in those fields. In that framework, it is essential for the EU to maintain its high level of intellectual property protection within its territory while striving to level up the protection outside the EU. Robust Intellectual Property Rights, which take into account the new and promising industrial assets (AI, Data economy, etc.) are a guarantee for a thriving European industry.

11. Focus on the importance of ensuring **energy security and a fully integrated internal energy market** enabling the free flow of energy. Efficient market coupling adequate infrastructures and interconnections result in competitive energy prices. There is also a need to further modernize the European energy system through the promotion of innovative technologies, digitalization, sector coupling and smart sector integration. In addition to the legislative framework, Belgium is in favour of further developing the enabling framework with support measures to **enable a smooth transition for European industry**. At the same time, it will be crucial to seize the economic opportunities of the clean energy and climate transition by identifying and investing in important strategic value chains and in R&I.
12. The transition to a circular and bio-based economy must be a priority of the EU's new Industrial Strategy. In order to reach higher levels of **resource productivity**, the deployment of efficient technologies should be complemented with systemic and structural changes in industrial processes (especially through eco-design, industrial symbiosis, the

economy of functionality, reuse and recycling). The European **Circular Economy** strategy is a key element to be further developed and implemented without delay. Europe must remain a global leader in developing a climate neutral economy.

Such an approach should be firmly integrated into Europe's industrial policy, while considering **transition costs** – and gains – for industry, especially for energy-intensive sectors and regions, but also for SMEs. Adequate attenuation and accompanying measures must be investigated and adopted to avoid **carbon and investment leakage**.

13. Tailor **education and training initiatives** to the needs of the European labour markets, while focusing on a number of strategic emerging value chains. Put more emphasis on soft, creative, analytical and digital skills in European policies and projects. Encourage lifelong training, upskilling and re-skilling of the existing working population, also in new upcoming technologies and emerging sectors. Support businesses, and notably SMEs, to detect transitions, technologies and innovations in their business and to act on the (future) needs on skills, training and education of European workers and SMEs. This way industries become more agile, powerful future-proof and competitive.