

Position Paper – Consolidating an ambitious industrial strategy for Europe

Building on its concept paper ‘A new step for European Industrial Policy’ (2013), Belgium wishes to feed into the process of reflection about the future European industrial policy strategy¹. Belgium emphasizes the role of Europe’s industrial policy as a core piece of the broader reflection on the future of Europe, and of the EU’s growth, competitiveness, and employment creation objectives.

As pointed out in the European Commission’s reflection paper on ‘*Harnessing Globalisation*’, all European sectors and regions are facing **opportunities and challenges** coming from ongoing trends in globalisation, digitisation, automation, climate change, migration, mobility, and skills shortages. Moreover, frontiers between countries, sectors (notably industry and services), and technologies are blurring within increasingly global and digitalised value chains. In order to remain competitive on a global scale, Europe needs to invest in research and innovation, in skills, in interconnected and efficient infrastructures, in automation, in digitisation, and in the transition towards a resource-efficient and low-carbon economy.

Given that these evolutions in our socio-economic model bring along important investment needs, 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. Belgium strongly supports new impetus given by the European Commission towards a renewed industrial policy and innovation agenda through its recent communications, notably ‘*Harnessing globalisation*’, ‘*Investing in a smart, innovative and sustainable Industry*’, and ‘*Strengthening Innovation in Europe’s Regions*’, as well as through its recent initiatives related to smart specialisation and cluster collaboration, partly inspired by the Vanguard Initiative. It is now time to act, based on a shared policy agenda.

European industrial policy must be based on **shared objectives**, such as the aim to achieve a 20% industrial share by 2020², through the activation of all relevant policy levers and efficient multi-level governance. New coordination mechanisms should be developed in that perspective, allowing a more effective combination of instruments to foster private investment. It is also important to involve all actors, from the European institutions all the way to the regional authorities, clusters, companies and citizens.

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.

Belgium focuses its industrial strategy on innovation capacity and industrial renewal, including urban manufacturing. Through our cluster policies, smart specialisation strategies and financial incentives, we aim to boost research and innovation along the entire value chain. In line with the European Commission’s communication ‘*Strengthening Innovation in Europe’s Regions*’, Belgium recognizes the importance of **cross-border innovation investments and collaborations**. International networks, such as the [Vanguard Initiative](#), aim

¹ Cf. Council conclusions on a European industrial policy strategy adopted in May 2017, the Commission’s reflection paper on ‘*Harnessing globalisation*’ and the recently published Communication on a renewed industrial policy for Europe.

² In line with the « Berlin Declaration », a joint declaration on industrial policy signed by Belgium and 19 other countries on 30 June 2017, Belgium requests a new strategic target for the European industrial sector to be achieved by 2030.

to develop new approaches to industrial modernisation based on smart specialisation principles and inter-regional investments.

As pointed out in the Vanguard Initiative position paper³, there is an urgent need to further develop, in a synergetic way, **new funding mixes and financial tools** (e.g. ERDF, EFSI, H2020, Interreg, EIT-KIC, in combination with regional funding) 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 SMEs on the European territory. The ‘Friends of Industry’, in their “Berlin declaration” (adopted in June 2017 and co-signed by Belgium), also point to the need to improve access by SMEs to the latest knowledge, expertise and technology services.

Belgium strongly supports a new and ambitious European Industrial Strategy, as part of the Future Strategy for Europe. The recently published communications are first steps in that direction. The following priorities could constitute the framework for consolidating such a strategic policy agenda, going beyond 2020, with specific actions to boost innovation, investments and modernisation in industrial priority areas such as digitisation, circular economy and clean energy.

11 Priorities for an Ambitious European Industrial Strategy

1. Adopt a **comprehensive industrial strategy with an action plan** in the Competitiveness Council, paving the way towards an inspirational **policy objective for 2030**. The Competitiveness Council should have a clear role in the discussions on themes related to industrial competitiveness and lead on the industrial growth strategy.
2. Develop a coordinated and holistic approach of **industrial competitiveness** through all relevant EU policies, with special attention on R&D and Innovation, digitisation, investment, cohesion, competition, trade, state aid, internal and digital market, energy, environment and climate, circular economy and resource efficiency, tax, education and training, and employment policies. New coordination mechanisms should be developed in that perspective, allowing a more effective combination of instruments to foster private investment, notably in SMEs and start-ups.
3. Overhaul the present approach of the **modernisation of State Aid Policy** by putting a stronger focus on the answer to industrial competitiveness challenges, and giving a long term investment perspective to the markets. 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 external dimension of competitiveness must be duly taken into account in the reflections, with a view to ensuring a level playing field with all economic blocks.
4. Develop a **multi-level approach**, aimed at expanding and connecting innovative ecosystems across Europe. Innovation and industrial dynamics have a strong **regional and urban dimension**, and past experience has shown that economic and financial crises have asymmetric effects on European regions and sectors. There must be a deeper involvement of the regions in the implementation of the EU industrial policy and its governance mechanisms. We also need further reflections on the way to better take into account the regional and urban dimension in the policy tools and to better articulate industrial, innovation and cohesion policies.

³ Regions and future EU policies for Growth and Investment, 2016, Vanguard Initiative
http://www.s3vanguardinitiative.eu/sites/default/files/contact/image/vi_position_paper_post2020_final_7nov2016.pdf

5. Develop a **strong European cluster policy** that links up regional clusters into cross-European world-class clusters, based on smart specialisation and internationalisation 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 value chains across Europe. Cluster policy should be aimed at connecting actors (especially SMEs and small-scale actors, as providers of innovative solutions) within and beyond cluster domains, and within and beyond regional boundaries.
6. Create an industrial strategy based on European **industrial value chains analysis** taking into account inter-sector linkages (notably industry/services/digital services linkages) and global competition. Identify regulatory, trade and innovation barriers in key emerging industries, e.g. cloud computing, Internet of Things, 3D printing, clean energy, advanced manufacturing, circular economy, sustainable mobility, biotechnology, e-health. Adopt rapid standardization and harmonization measures accordingly, in combination with value-chain specific action plans and tailor-made solutions.
7. In order to reach higher levels of **resource productivity**, complement the deployment of efficient technologies with systemic and structural changes in industrial processes (especially through eco-design, industrial symbiosis, the economy of functionality, reuse and recycling). Such an approach should be firmly integrated into Europe's industrial policy, while taking into account transition costs for industry, especially for energy-intensive sectors.
8. Consistently accompany the analytical reports of the European Commission on energy prices and costs in the EU with appropriate policy initiatives, in order to **reduce structurally the energy price gaps** with non-EU areas. Improve the governance framework and increase coordination and cooperation within the EU, taking into account increasing interdependencies between Member States' energy systems.
9. Define **new funding mixes** to support complex, collaborative and close-to-the-market projects, which generally face a significant funding gap due to their risky character (when bridging the 'valley-of-death'). European industrial policy should include an adequate mix of funding sources and financing tools (EU, national, regional and private, subsidies and financial instruments) to set up pilots, demonstrators, shared infrastructure, new production lines, and related networking activities, at the interregional level. A user-driven approach should be developed in that perspective.
10. Continue to improve and to address **synergies between EU instruments** (e.g. ERDF, ESF, EFSI, EIB/EIF, H2020, COSME, Interreg, EIT-KIC), especially within the context of joint, inter-regional investments in industrial and innovation projects. Emphasize potential synergies between EU, national, regional and private funding for financing industry-led innovation projects. Define clear and concrete modalities for the combined use of different financing sources and clarify State aid rules regarding those financing mechanisms, in particular to leverage the investments in priority domains.
11. Tailor **education and training initiatives** to the needs of the European labour markets, while focusing on a number of strategic emerging industries. Put more emphasis on soft, creative, analytical and digital skills in European policies and projects.