

Belgium Position Paper – Towards an ambitious Industrial Strategy for Europe

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

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 central initiative in delivering the new EU growth strategy – the European Green Deal, and its contribution to the EU objectives of prosperity, competitiveness, sustainability, climate neutrality and employment creation.** This is also needed to promote industrial transition and make Europe more resilient to crises.

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. 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. A special focus on **SMEs**, will be a key element for success. Action is also needed at the global level to ensure a **level playing field** for our businesses.

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. Belgium's view of European industry for the future consist in **a strong network of innovation ecosystems driving the development of innovative and resilient value chains, where SMEs and start-ups can flourish, grow and participate to the digital and climate transition.**

Belgium strongly supports the adoption of a **comprehensive industrial strategy with an action plan**, paving the way towards an inspirational **policy objective for 2030**. A coordinated and holistic approach for industrial competitiveness through all relevant EU and national policies should be adopted. Mainstreaming policy objectives related to green and digital transition is also essential to facilitate a cost-effective transition. 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, while involving all actors, including smaller ones such as SMEs.

The following priorities should constitute the framework for consolidating such a strategic policy agenda.

1. Develop a **multi-level approach**, aimed at stimulating and connecting innovative ecosystems across Europe, based on smart specialisation principles. A deeper **involvement of European Regions in the implementation of the EU industrial policy and its governance mechanisms is a must**, allowing to build on bottom-up innovation dynamics.
2. 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. We need to identify and tackle barriers (related to funding, regulatory, trade and innovation) in **key emerging industries and strategic value chains** 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) should be

further developed on the basis of coherent joint action plans across Member States, Regions, the Commission and Industry, mixing different support tools and policies.

3. 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. 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’).

4. 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.

This bottom-up approach should **foster co-investments at interregional level around key EU priorities**. In that perspective, the newly proposed tool for **Interregional Innovation Investment** could be a strong catalyser for co-investment.

In that perspective, we also need to improve and to address **synergies between EU instruments** and between EU, national, regional and private funding instruments.

5. Develop a **strong European cluster policy** that integrates regional clusters into cross-European world-class clusters, based on smart specialisation principles. The Joint Cluster Initiative proposed under the future Single Market Programme will be a key priority.
6. 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.
7. The **modernisation of State Aid Policy** is essential for an ambitious European Industrial policy. It should be designed in a way that allows our European players to compete on international markets, as well as taking into account potential competition outside the EU in the long term while preserving intra-EU competition. Our rules should allow effective policies for addressing emerging needs and state-of-the art innovation policies and funding solutions (pilot and demonstration projects, go-to-the-market phases and deployment of Key Enabling Technologies (KET)), especially for start-ups and scale-ups. They should also enable collaborative approaches across borders (cross-cluster collaboration, IPCEI scheme for SMEs, interregional vouchers schemes, European partnerships, innovation infrastructure networks...) and facilitate synergies between EU and national funding. The IPCEI procedure should be simplified and guidelines for Member states and SMEs should be elaborated, highlighting the added value for the SMEs. 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.

8. 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 all efforts to promote a strong, transparent, fair and predictable multilateral trading system with a modernised WTO at its core. 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.
9. **Modernize the European energy system** through the promotion of innovative technologies, digitalization, sector coupling and smart sector integration. 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 key element to be developed and implemented without delay.

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**.
10. Tailor **education and training initiatives** to the (future) needs of the European labour markets, while focusing on a number of strategic emerging value chains.