

A NEW INDUSTRIAL STRATEGY FOR EUROPE

У статті здійснено спробу проаналізувати нову промислову стратегію Євросоюзу. Окреслено зміст та перспективи реалізації нової стратегії, розглянуто її основні положення, показано відмінність нинішньої стратегії від попередньої.

***Ключові слова:** нова промислова стратегія, Європейська зелена угода, цифрова трансформація, малий та середній бізнес, промислові екосистеми.*

The article attempts to analyze the new industrial strategy of the European Union. The content and prospects of implementation of the new strategy are outlined, its main provisions are considered, the difference of the current strategy from the previous one is shown.

***Keywords:** New industrial strategy, European Green Deal, digital transformation, small and medium-sized businesses, industrial ecosystems.*

1. Introduction

On March 10, 2020, the European Commission (EC) published three documents forming an idea of the new industrial strategy of the European Union, designed to replace the previous one adopted in May 2017. Their motive is to increase the competitiveness of the economic and political space of the EU at the expense of the industrial sector in the conditions of the so-called “double transition” – environmental and digital transformation. The EC pays special attention to sovereignty, industrial ecosystems, new alliances, breakthrough technologies, the role of small and medium-sized businesses, as well as the elimination of existing obstacles for business in the single internal market. [2]

The new industrial strategy will help to implement three key priorities: maintaining the global competitiveness of European industry and a level playing field, both domestically and globally, ensuring the climate neutrality of Europe until 2050, and shaping the digital future of Europe. [1]

The given article analyzes the main provisions of the new strategy, evaluates their content and prospects for implementation.

2. Main Body

1.1. «Double transition»

At the end of 2019 – the beginning of 2020, the new composition of the European Commission presented to the European Parliament and the Council of the EU several

fundamental documents defining the economic development of the European Union in the long term. [2]

The most important among them was the European Green Deal, which involves fundamental changes in the activities of the EU and member states by 2050. It was supplemented by a draft Law on climate and concretized by several adopted programs explaining its main provisions. The main target group of the deal is the industry – one of the most important foundations of the European economy. It should ensure the transition to a climate-neutral national economy, which implies additional significant costs for economic entities and, accordingly, a possible decrease in their competitiveness. To prevent this, the EC decided to provide an integrated approach to the creation of framework conditions that motivate economic players to simultaneously solve the task of environmental and digital transformation to long-term increase and maintain the competitiveness of the economic and political space of the European Union. [3]

The next installation is to ensure global leadership in the development of digitalization processes. The achievement of these goals is designed to increase the EU's international competitiveness and its strategic autonomy in the context of geopolitical shifts and increased competition in world markets. The package of initiatives proposed by the European Commission, which go far beyond the traditional framework of this industry, reflects a new approach to European industrial policy, keeping unchanged, as it is emphasized in the document, the basic provisions of European values and traditions of the social market economy. This package includes a set of measures to support economic entities of industry and related sectors of the economy with innovative potential, including large and small companies, research centers, manufacturers and service providers, newly created firms. [3]

The main motivation for the development of the initiatives proposed by the European Commission comes from the need to create an industry that would be more environmentally friendly, waste-free, highly digitalized, and at the same time able to maintain leadership in the international competitive environment.

1.2. Main documents

The previous industrial strategy, developed in 2014 and adopted in 2017, no longer met such requirements. Based on the proposals of the business, scientific and political communities made in 2017-2019, as well as the recommendations of the EU Council (March 2019), a new industrial strategy was developed. Its provisions are collected in three documents adopted on March 10, 2020, and sent to the European Parliament, the Council of the EU, the European Economic, and Social Committee, as well as the Committee of the Regions.

1. "The New Industrial Strategy for Europe". [6]
2. "SME Strategy for a sustainable and digital Europe".
3. "Identification and removal of barriers to the single market".

The first document is the main one. The other two organically complement it. Taken together, they represent a single package of measures of the EU's new industrial strategy, designed to allow its economy and industry to become climate-neutral digital leaders by 2030, remaining the most competitive in the world, including in the field of innovation.

Below are two statements – by the President of the European Commission, Ursula von der Leyen, and the EC Commissioner for the Internal Market, T. Breton. From the point of view of the EC PR service, they are crucial for bringing the essence of the new strategy to the public.

Leyen: “Europe’s industry is the motor of growth and prosperity in Europe. And it is at its best when it draws on what makes it strong: its people and their ideas, talents, diversity, and entrepreneurial spirit. This is more important than ever as Europe embarks on its ambitious green and digital transitions in a more unsettled and unpredictable world. Europe’s industry has everything it takes to lead the way and we will do everything we can to support it.” [6]

Breton: “Europe has the strongest industry in the world. Our companies – big and small – provide us with jobs, prosperity, and strategic autonomy. Managing the green and digital transitions and avoiding external dependencies in a new geopolitical context requires radical change – and it needs to start now.”

According to two leading EC politicians, the basis of the current strong EU industry is provided by: its progressive development, strategic autonomy, citizens with an entrepreneurial spirit, diverse ideas, and talents, to which small and large companies provide jobs. Existing challenges: “double transition” – ecological and digital – to a new economy; instability and unpredictability in the world/new geopolitical context; the need to reduce dependence on external factors. It is they who determine the need for urgent changes, the implementation of which will be supported by Brussels.

These provisions run like a red thread through all the documents, in which, among the foundations and advantages of the EU industrial sector, the principles of social market economy, high social, labor, and environmental standards, not only small but also medium-sized businesses, often family-owned, as well as the EU's leading positions on environmental and high-tech patents are also additionally indicated.

2. Key provisions of the new strategy

Let's highlight the main points of the new medium-term Industrial Strategy of the European Union, which, in experts' opinion, are key in terms of novelty and importance for its implementation.

The EC, along with the European Green Deal, sets an equally ambitious goal of simultaneously becoming a world leader in digitalization. In February 2020, two policy documents were published defining the main directions of work in this area for the next five years: “Shaping the digital future of Europe” and “European Data Strategy”. [7]

So far, the EU lags behind China and the United States in innovative R&D. In 2018, only every tenth company in the EU countries used big data technology, and only every fourth used cloud computing.

Brussels, counting on maintaining a leading position in the use of industrial data, plans to create “leading clean technology markets”, where production processes with a “low environmental footprint” will be the main ones. For him, digital leadership is inextricably linked with the strategic sovereignty of Europe: “Digital transformation, the security of Europe and our future technological sovereignty depend on strategic digital infrastructures.” [4] Therefore, the central element of the industrial data wave for the EC is 5G networks, where the leading positions in both technologies and patents belong to foreign companies, primarily Chinese ones, dependence on which should be reduced. A qualitatively new goal has been set – in addition to 5G security initiatives, over the next ten years, to create a “certified, secure, and sustainable infrastructure” based on quantum encryption to protect EU digital resources.

The European Union expects to make a qualitative breakthrough in this direction and become the leader of the next generation of 6G networks. Therefore, the bet is also on the accelerated implementation of all key technological elements, namely: microelectronics, robotics, photonics, high-performance computers, quantum, industrial bio- and nanotechnology, cloud solutions, biomedicine, blockchain, data and metadata analysis, artificial intelligence, advanced materials.

An Action Plan will be developed to protect intellectual property, including patents, trademarks, samples, scientific knowledge, data, and algorithms; a strategy for digitalization of the financial sector; a law on digital services. One of the key roles in digital transformation is assigned to small and medium-sized businesses, most of whose representatives have not yet decided on their strategy in this area. In addition to improving the “digital qualifications” of employees (artificial intelligence, cybersecurity), various support is provided for high-tech enterprises in this sector in the field of digitalization.

The strategy assumes a significant increase in the economic sovereignty of the EU industrial space, implying an increase in the degree of independence from the supply of raw materials, components, semi-finished products. We are talking about the transition to a policy of import substitution/localization of several goods that are critically important for the economy of the member countries through the use of the principles of circular economy and the latest production technologies. A new EU strategy in the field of medicines will be developed, which will take into account the critical situation in the EU countries in connection with the coronavirus pandemic.

At the same time, Brussels, within the framework of compliance with the principles of “free trade”, is ready to continue the policy of protecting EU markets from “undesirable” foreign investors and participants, for example, Chinese Huawei, American Google, and Apple receiving state support, i.e. non-market competitive advantages.

By 2021, a “White Paper of instruments against foreign subsidies” should be prepared, in which specific protective measures will be prescribed.

Special attention is paid to industrial ecosystems built on network principles and uniting representatives of education, science, and business within the value chains. It is supposed to strengthen effective interaction between them. If necessary, some of these systems will receive support from Brussels. Among other things, he expects to get a synergistic effect from the organization of interaction between the civil, defense and space industries at the level of programs, technologies, innovations, and startups.

The EC will continue the practice of public-private partnerships and industrial alliances that have proven themselves in the field of batteries, artificial materials, and microelectronics. Among the immediate goals is the creation of the “European Alliance for Clean Hydrogen”. The projects of Common European Interest (IPCEI) will be amended regarding the conditions of their state support in key sectors of the EU economy. The EC meets the wishes of Berlin and Paris, among other things, indicating the possibility of revising the provisions of cartel law in favor of creating national champions. Small and medium-sized enterprises, including startups, are considered as a key element of the implementation of the “double transition”. They are provided with de-bureaucratization, easier access to support programs, financing, markets, and access to stock exchanges. It seems that this is the most developed part of the new industrial strategy.

The key role in the proposed new industrial strategy should be played by the support of scientific research, technology, and innovation, which are the main objects of funding under the planned Ninth (2021-2027) framework program of scientific research of the EU. Some of the activities have already been included in the strategic development plan of this framework program for the period 2021-2024, others are waiting for their turn. Among them are measures being developed within the framework of the EU Strategy on Clean Steel, Chemicals Strategy for Sustainability, which will significantly reduce the use of chemical pesticides, fertilizers, antibiotics, and therefore reduce the possible dangers from their use. A waste management plan (Circular Economy Action Plan) and measures for continuous monitoring of the artificial environment (Strategy on the Built Environment) are also being prepared. As an additional incentive for the implementation of the industrial strategy, experts call the EC report “The Future of scientific research, innovation and the European Research Space”, scheduled for publication shortly. It will present new concepts of innovation development and plans for budget financing of innovative transformations. [2]

3. Distinctive features of The New Industrial Strategy for the European Union

The difference between the current strategy and the previous one is a more comprehensive approach, wider coverage of the industry, digitalization, and ecology-related areas, as well as higher quality and quantity of various documents and proposals prepared

on its basis. It should be noted that their preparation began under the previous composition of the European Commission. A high level of continuity is evident in this regard.

The strategy is designed to create prerequisites for preserving and increasing the international competitiveness of the industrial core of the economic and political space of the EU in the context of the implementation of the ambitious goals of the European Green Deal and digital transformation. Many companies, especially large ones, reasonably fear that achieving these goals will lead to a decrease in their competitiveness due to the inevitable increase in costs that will not be compensated by Brussels. There is no direct answer to how to resolve this contradiction in the EC documents.

The authors of the strategy count on the successful implementation of the declared mechanisms and tools at the national level and effective interaction of the member countries among themselves and with the main institutions of Brussels. In addition to the existing discussion platforms, a new platform “Industrial Forum” is provided. But this may not be enough to achieve the goal and coordinate the often multidirectional vectors of industrial policies of individual countries.

An important role in this regard should belong to the tandem of Berlin and Paris, which initiated the inclusion in the strategy of several fundamental and not always indisputable provisions. However, for now, they are taking a wait-and-see attitude. The main financing of the planned projects is provided at the expense of specialized EU funds/programs and national public-private partnership mechanisms. Such an approach in the current crisis, which required the diversion of enormous financial resources to combat the coronavirus pandemic, will certainly face new post-crisis realities that will lead to difficulties in forming a new EU budget, the need to change national budget policies and in the medium term will determine the priority allocation of existing resources. [8]

About the coronavirus pandemic, the authors of the documents only managed to insert a passage about the need to increase the degree of self-sufficiency of the EU with the necessary medicines. The lack of an assessment of its consequences for the industrial strategy is a clear weakness of the submitted documents.

The strategy assumes a significant strengthening of the network interaction of all target groups within industrial ecosystems (including within individual territories), as well as new and existing European specialized alliances. At the same time, Brussels is ready to increase the level of protection of EU markets, while maintaining the necessary degree of freedom of external and internal competition. It is unclear whether he will be able to find a “golden mean” here.

The EC pays special attention to the role and place of small and medium-sized businesses – a separate document contains a comprehensive approach to improving the framework conditions for its functioning. Priority is fairly given to innovative companies and startups capable of ensuring the development and commercialization of breakthrough technologies. This, in the opinion of experts, is the most detailed part of the strategy.

Brussels has identified as an important priority the identification of existing obstacles and barriers to business in the single internal market, which have accumulated over 35 years of its existence. With a high degree of probability, the EC will be successful in this task. Their actual elimination in practice will become more difficult. There will certainly be difficulties and problems here.

The proposals of the European Commission on the content of the new industrial strategy are of undoubted interest both for the relevant ministries and departments of the Russian Federation and for the Eurasian Economic Commission. The Institute of Europe of the Russian Academy of Sciences is ready to become one of the platforms for scientific discussion of this issue, including in the context of developing proposals on possible areas of interaction with the European Commission on specific issues (space, breakthrough technologies, etc.).

4. Conclusion

These data strongly indicate the strengthening of the innovation trend in the area of economic activity, which the EU designates as industrial policy. The rapid renewal of this sphere shows that it has become an urgent tool for implementing urgent adjustments to the economic course of the region by the objective requirements of modern development. There is a radical expansion of the range of its innovative priorities to ensure the formation of a regional innovation economy of sustainable development. As a result, this policy has become the most important organic component of innovation policy. This circumstance is important for domestic theory and practice – it indicates the secondary nature of measures to regulate industry itself as such (conventionally designated as industrial policy), their apparent subordination to the goals of innovation policy.

To increase the effectiveness of these measures during their development and implementation, it is necessary to actively use advanced European achievements in terms of analytical and methodological support of innovation policy in those areas where there are significant reserves. The European experience is particularly important in the development of strategic development priorities (foresight forecasting, strategic information), the creation and widespread use of indicators for the formation and improvement of innovation systems at various levels, and their monitoring (innovative scoreboards and indexes, often absent regular reporting on the results of projects, programs, etc.).

REFERENCES

1. <https://www.euointegration.com.ua/rus/news/2020/03/11/7107362/>
2. <https://www.ceps.eu/wp-content/uploads/2020/12/Proposal-Prospectus-Industrial-Policy-Task-Force.pdf>

3. https://ec.europa.eu/growth/industry/strategy_en#:~:text=In%20March%202020%20the%20Commission,plates%20and%20increasing%20global%20competition.
4. https://ec.europa.eu/info/strategy/priorities-2019-2024/europe-fit-digital-age/european-industrial-strategy_en
5. A New Industrial Strategy for Europe. – Brussels, 10.3.2020. COM (2020) 102 final. COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE EUROPEAN COUNCIL, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS. – 16 p.
6. https://ec.europa.eu/commission/presscorner/detail/de/ip_20_416
7. A European strategy for data. COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS. Brussels, 19.2.2020 COM (2020) 66 final. – 34 P.
8. См.: Белов В.Б. Германия – сложный поиск новой промышленной стратегии // Современная Европа. № 4. 2019. — С. 27-36