



# Proposals for the EU's Industrial Policy

A Leader in Sustainable, Smart and Fair Economy

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# Executive summary

The future of the European Union lies in its ability to create a better Europe for its citizens. The new Commission, Parliament and Council form the Orchestra that will play the Symphony of the future, together. Due to the fast, often unpredictable changes in the global environment the Orchestra needs to set ambitious targets, adopt new working methods and dynamically adjust to changes to achieve desired objectives and maximize the European handprint. Otherwise the European audience will lose their interest in the EU, and their faith in the European idea.

**New generation, new ideas, new work, new technology, and new world order shall all be addressed by the EU.** The tools are of course the new Commission's work program and the new budget for 2021–2027. The Orchestra must drop the old notes, stop protecting their short-term interests, and focus on the future. Every action and all funds must be somehow targeted at the renewal of Europe.

Industry is the backbone of European prosperity and success. As the world is, once again, in the middle of an industrial revolution, the EU needs a strong industrial strategy that will take our industry forward to the next level, enabling European success also in the future. An integrating approach is necessary for the EU Industrial Policy to benefit from the synergies and maximise the impact of relevant policies, e.g. the ones for research and innovation, single market, climate, energy and trade and employment. The key elements for the new EU Industrial Policy are presented in this document, including some recommendations for immediate action. A summary is here:

1. Innovation and research form the basis for future wellbeing of European citizens. The EU must focus its action and budget to innovation with impact, financing research and innovation networks with strong industry participation. The investments should be targeted at trailblazer networks and strategic value chains and cover the whole innovation cycle.
2. Europe is the natural world leader in the transformation to climate neutrality and sustainable circular economy. This transition calls for fundamental changes to all sectors and players in our society and gives our industries a leading position in the development and offering of sustainable technologies.
3. The EU must rapidly create a digital, sustainable single market, respecting European values and enabling free flow of data. It will form the basis for European digital businesses to scale up and grow their muscles, making them fit for global competition.
4. Europe must be the winner in the global competition for talent, and this requires concerted action from the EU and the Member States. Our ageing continent will need new professionals, and roughly hundred million employees will need upskilling or re-skilling in very near future.
5. European tax system must be fair and compatible with the rest of the world, and it must not hamper the competitiveness of European companies or countries.
6. Europe is the second biggest economy in the world. The EU must use its economic power boldly to ensure fair competition and level playing field in all global markets.
7. Partnership with Africa and African countries must become a strategic goal for the EU.

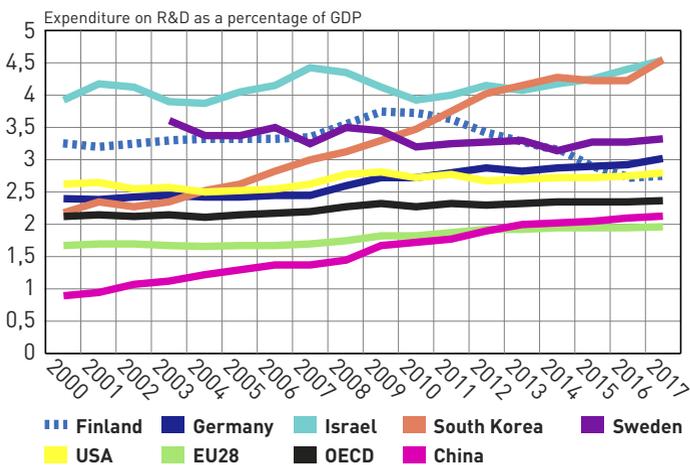
# 1 Putting innovation at the heart of the EU

Research and innovation (R&I) shape the future. Industry plays a pivotal role in turning research results into high-value solutions: ones that proactively respond to societal needs, meet the future demand and create new market opportunities. Industry is the engine of innovation, productivity growth and exports, and it offers quality jobs to Europeans.

**The EU's ambition must be to at least align its investments in R&I with that of its main competitors.** The Commission's strategy and work plan shall be targeted towards the future. Every action and all funds of the EU should be used to foster the renewal of Europe instead of sustaining the past. We must seek the biggest positive impact when we target e.g. at the development of new technologies, the best use of digitalisation and data, or paving the way for a low-carbon and resource-efficient society.

Strategic collaboration between public sector and private business often delivers the best solutions. Therefore, the EU's investments in R&I need to be designed for industry-led partnerships with greater impact. The monitoring and evaluation systems and processes need to be developed accordingly to discover the emerging evidence of outcome and impact.

## Increasing and leveraging investments in research and innovation needs to be at the very heart of the EU's agenda



Source: OECD

Only one fifth of companies in the Member States are highly digitised according to the Digital Economy and Society Index DESI. The Horizon Europe and Digital Europe programs complement each other and play an important role in strengthening digital capabilities along entire industrial value chains.

Digital Economy and Society Index Report 2018.

<https://ec.europa.eu/digital-single-market/en/integration-digital-technology>



## Action points

- Prioritize research and innovation in the EU and national budgets. Increase the budget for the post-2020 EU research and innovation investments in the Multiannual Financial Framework (MFF) to the level proposed by the EU Parliament. Direct the use of EU cohesion funding and agriculture funding increasingly for renewal and sustainability, and adopt a more strategic approach to facilitate innovative, public procurement.
- Make Horizon Europe more attractive to European industry.
  - Give a high weight to Pillar II in Horizon Europe and ensure that the industry's requirements drive the agenda, the European Partnerships and the individual projects;
  - Emphasise a bottom-up approach and topics rather than top-down complex call texts;
  - Ensure faster decision-making and speed to money;
  - Give scope for higher technology readiness levels (TRL) that are important for impact, without losing focus on radical innovation;
  - Accept smaller consortia when closer to market;
  - Make IPRs available for industry licencing free or with very reasonable terms.
- Foster industry-led ecosystems and partnerships that bring together industries (global companies, SMEs, start-ups), innovators, researchers and governments, and promote and invest in R&I collaboration and innovative ideas with true scale-up potential. Involve the industry in the design of European Partnerships.
- Ensure a strong focus on advanced technologies, their faster adoption and new business solutions in Horizon Europe, Digital Europe, Innovation Fund as well as in the other EU funding instruments to make European industry and the EU stay at the forefront e.g. in the combat against climate change. Leading the fast, technological revolution will benefit Europe through the opportunities related to sustainable technologies, AI and digitalisation, data economy, clean and circular economy, etc.
- Foster together with industry ambitious development of strategic value networks that are key to the EU's industrial competitiveness and strategic autonomy. Ensure that the selected Important Projects of Common European Interest (IPCEI) have positive spill-over effects across Europe and are carefully designed to build up European competitive edge without protectionism.



## 2 EU as a Climate Union based on Technologies and Data

**The EU has set itself an ambitious goal to become the world leader in climate neutrality by 2050.** The European Green Deal calls for an urgent need to build a green, fair and social Europe. The EU should set herself a legally binding objective of reaching a carbon-neutral society by 2050 and to plan its technological and regulatory roadmap respectively. In order to achieve this goal, it is paramount that EU industry can build required competences for realizing the transformation.

Transformation to climate neutrality and sustainable circular economy calls for fundamental changes to all sectors and players in our society. In order to enable the mandatory industrial transformation, it is necessary to modify also the regulatory framework to ensure a level playing field globally and enhance the operation of EU's single market. Rethinking the Emissions Trading System mechanism should be an option to ensure the goals.

All Member States should proceed concurrently with their national plans for transforming their energy production to low carbon or even zero-emission technology. European electricity production and markets must be transformed into emission free, smart and flexible.

### Action points

- Climate change is a global challenge. Use the economic power of EU to accelerate a creation of global carbon pricing mechanism on its bilateral and multilateral relations.
- Align the European Green Deal and the Climate Law with the public-private-partnerships to activate all stakeholders. Seek for innovative ideas from the Member States and include incentives for co-creation and collaboration.
- Make the MFF implementation coherent with the ambitious climate goals by securing increased financing for relevant research, technology development and innovation for all contributing stakeholders.
- Make technology neutral regulation. e.g. electric mobility, low emission, biofuel combustion engines and hydrogen solutions are equally important for decarbonizing the traffic and logistics sectors.
- Make sustainability and a life cycle approach a core criterion in public procurement regulation.
- Foster a market for sustainable and low emission products that support the development of carbon-neutral industrial products.
- Revise eco-design principles to meet relevant scientific evidence of actual risks and usage, e.g. definitions of 'waste', or risk classifications for certain chemicals and metals.



# 3 Single Market and the Data Union

The status of the European Union in the digital geopolitics has changed tremendously within the last five years. The Commission has also taken a note on this development by asking what the European sovereignty in the new world order is going to be about. We emphasise the dynamic side of sovereignty: the EU must build on its strengths and values, such as high-quality academic research, world-class manufacturing and the tradition that respects privacy of individuals as a core-value.

**The Single Market must address the interlinkages of industrial and green policies and provide a coherent vision on how the fair data economy will transform European industries and societies so that everyone has a part to play.** Full operationalisation of the GDPR will open new, human-centric models to use personal data on a way that is balanced and transparent.

Europe must develop soft infrastructure that supports ability to have right data at the right place: data-driven models are the key to competitiveness of European industries. Soft infrastructure consists of solutions that combine business, legal and technical aspects that are needed to put data on the move. The European approach must be based on minimum amount of regulation and bottom-up development with the necessary coordination. This model should be based on open standards and APIs.

The four freedoms (goods, services, capital, people) of the Single Market are rather incorporated. The fifth integrating element is the free movement of data. Data also plays a key role in guaranteeing our safety in digital realm.

**Data-driven models are the key to competitiveness of European industries.**





## Action points

- Strive for a future in which every arterial stream is accompanied by a data stream. Digital European Union must be built by close coordination of different policy initiatives. Funding programs that support investments and scaling of new technologies are of key importance.
- At least double the budget for Digital Europe program from the previous Commission proposal in order to make Europe a competitive environment for digital businesses to evolve and grow. Ensure competitive infrastructures and common regulation that enable effective mobility, sharing and use of data. Support the development of data-platforms to seize leadership in the sustainable data economy, particularly in B2B, G2B and G2C sectors. Develop European cybersecurity infrastructures that enable resilient, flexible and market-based cybersecurity solutions for a connected Europe. Facilitate the Europe-wide roll-out of first-class communication networks.
- Make enabling regulation that opens monopolistic and public data and enforces APIs that enable the use of public data.
- Foster Real-Time Economy (RTE) that will provide annual operational savings of hundreds of billions of euros to the enterprises and the public sector, thus improving the competitiveness of Europe by radically enhancing effectiveness of B2G interactions and G2B services. Development of European real-time economy environment must be included in the commission working plan and e.g. standardisation of electronic receipts should be carried out forthwith.
- In the upcoming SME-strategy, set easy steps for companies to scale up. We need European unicorns! Build up European digital platforms for SMEs to scale their business in the European market.
- Enable the benefits of Artificial Intelligence. Regulation of applying AI must be general and serve for building and driving AI solutions on an accountable manner. Only the regulation ensuring European values is needed, leaving room for developers to innovate and find best practices to implement it.

## 4 The lack of skilled labour - the greatest threshold to European industry

Europe is facing challenges in its labour market, some of them greater than in Asia and the US. The ageing societies, the brain-drain, the skills mismatch in the labour market and the fast development of technologies are making it more difficult to anticipate the future of work and to respond to new demands. This all affects the European trade, growth and wellbeing of the people.

**Skilled labor and mobility are key factors for successful and vigorous growth in the EU.** We must fight for the global talent and create new policies for making Europe world's best place to work and live, to invest in and to do business.

The evolving sustainable digital economy is shifting parameters in working life. The platform economy, new professions and skills needs, disappearance of set working place and time, as well as rapid disruption of businesses are challenging the boundaries of the labor market regulation.

**Skilled labor and mobility are key factors for successful and vigorous growth in the EU.**

### Action points

- Build up an immersive work-related immigration program. We must come up with ambitious plan to ensure the availability of world's top talent for European research, innovation and business.
- Change the EU labor market regulation to meet the needs of the digital era; be reduced when necessary, redeveloped when necessary.
- Do not interfere national mechanisms, when it comes to wage setting and social security. Such interventions would risk social partners' autonomy.
- Make Europe ready to seize the opportunities offered by digitalisation and empower its citizens to do the same. About hundred million current employees need re-training. The EU should support national education and training systems in digital re- and upskilling.
- Target funding at creating smart schools. Erasmus+ program should be retargeted in support of creating new education and training in fast changing areas.
- Make efforts to improve European competitiveness, which requires flexible regulation in the labor market. The direction must be towards deregulation. 'One-size-fits-all' models do not work in advancing local solutions for employment contracts.



## 5 European tax system must be fair

The main goals of the EU for a tax system suitable for the Digital Single Market are **fairer taxation, level playing field for all businesses, sustainability of public revenue, preventing tax avoidance, enhancing more effective, efficient taxation and tax certainty**. All these targets, if reached, would benefit the EU, Member States and companies.

The OECD has introduced proposals for updating international taxation due to impact of the digitalisation to the economy. Yet the new Commission is proposing to implement an EU digital tax in case an OECD agreement is not reached. Such a regional digital tax would inevitably cause counter actions from EU's trading partners.

The EC's CCCTB directive proposal (Common Consolidated Corporate Tax Base) would change corporate taxation entirely EU wide. As a first step, CCTB (Common Corporate Tax Base) would harmonise calculation of the corporate tax base. Next step is to sum up the tax bases of all group companies. This consolidated tax base would be allocated to Member States based on "last century" factors: sales, tangible assets, employees (and users), not taking into account intangible assets like IPR. The digitalised economy relies heavily on intangible assets. They must be given fair weight when determining where the taxation rights lie.

**Such a regional tax would inevitably cause counter actions from EU's trading partners.**





## Action points

- Cooperate with the OECD in the development of taxation instead of introducing regional tax systems. All changes to international taxation should be done at a global level, creating a sustainable and neutral taxation system.
- Make a sound and thorough impact analysis beforehand on how the intended changes to the taxation systems would affect issues such as trade, jobs and growth of the Member States, and what the costs of implementing would be.
- Take into account the environmental aspect when drafting a tax system. For example, digitalising enables more efficient and sustainable ways of doing business. Taxation should not slow down European investments to digitalisation, e.g. by introducing additional EU digital tax.
- Assess and develop the global taxation system holistically taking into account all types of taxes, such as value-added taxation and taxes on energy.
- Foster the digitalisation, automation and gradual harmonisation of taxation procedures in the EU, with the result of more effective and efficient taxation. Gradual and predictable harmonisation of tax base calculation (CCTB) might boost this process. The proposed R&D incentive in the CCTB should be mandatory in order to support R&D investments and growth and ensure level playing field in Europe.

## 6 EU in the world – WTO and Africa

Well formulated EU trade policies will promote peace and stability on a global level by forging deeper and closer political and economic ties between world economies. The type of relation and level of integration should be adapted to the specificities of the trading partner whilst enforcing the multilateral trade agreements.

**The EU must leverage its economic power boldly in order to safeguard fair competition and level playing field in all markets.** The EU is a natural leader in the development of global carbon pricing system and setting of standards for sustainable and ethical use of natural resources, thereby creating strong financial incentives to reduce emissions and waste. This will promote innovation and improve opportunities for doing responsible business profitably.

Defending the benefits of open and rules-based trade is an integral part of the EU's policies. The role of WTO is essential in framing and enforcing an international level playing field for European industry. Hence, the modernization of the WTO is paramount in introducing more transparency, new rules and disciplines and enforcement mechanism.

**Defending the benefits of open and rules-based trade is an integral part of the EU's policies.**





## Action points

- Build up European strategic autonomy and technical sovereignty. However, the chosen instruments must not reduce fair competition nor include protectionist elements that would in the long run only hamper European competitiveness. A comprehensive impact assessment is needed for every action.
- Create and enforce clear rules for reciprocity in trade relations and e.g. in public procurement in order to eliminate discriminatory practices and distorting government subsidies.
- Make partnership with Africa and African countries a strategic goal for the EU. Cooperation in the development of new sustainable technologies and solutions, as well as partnerships between European and African businesses must be strengthened as the African digital leap is taking place.
- Create an effective policy on foreign investment, covering both market access and protection in bilateral trade negotiations.
- Keep the re-creation of a functional, transparent and independent multilateral dispute settlement mechanism a top priority of EU trade policy.
- Negotiate a new EU-US treaty to solve the trade disputes, lowering trade barriers and duties and encouraging investing across the Atlantic. A partial treaty would be better than no deal.
- Rebalance the EU:s bilateral trade relations with China by negotiating a framework that ensures improved market access and fair and equal treatment for European companies. The conclusion of an ambitious and comprehensive Bilateral Investment Treaty should remain a priority. Engage with China also to address key multilateral challenges like the WTO reform.



**Technology Industries  
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