



Questions & Answers: EUROPEAN INDUSTRIAL STRATEGY PACKAGE

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INDUSTRIAL STRATEGY

Why is the EU putting forward a renewed industrial policy now?

The Commission is setting a clear direction for a globally competitive, climate-neutral and digitalised industry. The Strategy is about enabling Europe's industry to do what it has always done best: drive our economies forward, provide a fair living for millions and stay at the cutting edge of innovation. It is about supporting industry to lead on the green and digital transitions and stay competitive at a time of geopolitical uncertainty. The EU needs to have a clear industrial vision for 2030 and beyond, and a new partnership to turn this ambition into reality. Coordinated decisions and actions at all levels (European, national and local) and by all players (public and private) are needed now to set the right enabling conditions for this transition. This Strategy was a key part of President **von der Leyen's** [Political Guidelines](#) and responds to a request from the European Council in March 2019.

What is new about this Industrial Strategy?

The Strategy shows the direction of travel and the route we will take to lead the green and digital transformation. This twin transitions requires new products and services, markets and business models, which must be grounded in our European values and our social market economy.

Firstly, the Strategy sets out the fundamentals for industry. This reflects the fact that there is no silver-bullet or standalone solution – all measures are inter-connected and reinforce each other. Some of these renew or expand on existing approaches in innovation, investment, standards or levelling the playing field. Others reflect the need for new ways of working for Europe to strengthen its industry for the transitions, whether it be on skills or circularity.

Secondly, the Strategy underlines the importance of the single market for Europe's industry to scale up and to prosper. The single market needs to function for businesses of all sizes. Therefore, the Commission will review single market legislation to ensure it is fit for purpose, and propose actions to ensure consistent application on the ground and a rigorous enforcement of existing rules.

Thirdly, the Strategy sets out an ambitious plan for Europe to uphold its values and -secure a level playing field. This is about Europe's sovereignty. For example, the Commission will take measures on the supply of critical raw materials and pharmaceuticals to enhance Europe's strategic autonomy. The Commission will also address the distortive effects caused by foreign subsidies within the single market and tackle the issue of access of foreign, state-owned companies to procurement markets and EU funding.

The Commission will look closely at the opportunities and challenges facing industrial ecosystems. These ecosystems encompass all players operating in a value chain: from the smallest start-ups to the biggest companies, from academia to research, service providers to suppliers. And they each have their own features.

The Strategy reflects the need for new ways of thinking and working to lead the twin transitions. The Commission is ready to co-design and co-create solutions with industry, social partners and all other stakeholders. The Commission will create a new forum to work closely with all public decision-makers and private stakeholders and monitor progress on the Strategy on a rolling basis.

What are the key actions mentioned in the Strategy?

The Industrial Strategy proposes a set of actions to address the following fundamental enabling conditions for the twin industrial transformations:

- Creating certainty for industry through a deeper and more digital single market;
- Upholding a global level playing field;
- Supporting industry towards climate neutrality;
- Building a more circular economy;
- Embedding a spirit of industrial innovation;

- Ensuring skilling and reskilling;
- Investing and financing the transition

How will the Industrial Strategy support the objectives of the European Green Deal?

The Industrial Strategy is firmly grounded in the objectives of the European Green Deal. The main goal is for a competitive industry to help Europe become the first climate-neutral continent by 2050.

The Strategy will include specific measures to accompany industry's green transition. It will support breakthrough technologies, and propose a dedicated Strategy for a sustainable built environment. A new Circular Economy Action Plan to promote sustainability and resource productivity will follow the Industrial Strategy. New ways of working with stakeholders in business areas that support the green transition will ensure comprehensive action, such as the launch of a Clean Hydrogen Alliance. The Strategy underlines importance of empowering consumers to play an active role in the circular economy. It will ensure that no one is left behind and that there is a just transition for all.

The European Union is leading the way for the implementation of the Paris agreement. Should differences in ambition around the world create a significant risk of carbon leakage, the Commission will propose a Carbon Border Adjustment Mechanism. It will also use its existing instruments to steer and accelerate the transition of industry towards cleaner production processes while ensuring the absence of duplication of mechanisms tackling carbon leakage.

How can the new industrial policy benefit European businesses and society?

EU industry is well placed to lead and makes the most of the green and digital transformation process. The transformation offers many opportunities for businesses of all size to scale and prosper. Innovation will be the key to success.

Industry is highly important for communities and social cohesion. Maintaining a competitive and sustainable industry in Europe will provide quality jobs and make our social market economy more sustainable.

The green transformation of industry supported by the Strategy will reduce the environmental footprint of our industrial activities and empower industry to provide effective solutions for the societal challenges of the future such as smart cities and health as well as sustainable mobility.

How will the Commission foster key technologies? Will State aid always be necessary?

Industrial sectors should be invited and incentivised to define their own roadmaps for climate neutrality or digital leadership, enabled by high quality research and skills. A number of sectors have already taken this approach since the launch of the European Green Deal. A lot can and should be done by market players with private financing. In the co-design and entrepreneurial spirit of this Strategy, this should be supported through cooperation between the public and private sector to help industry develop the technologies to meet their goals, as has been successfully in industrial alliances. Alliances have already delivered benefit in the area of batteries, plastics and microelectronics. Building on this success, the Commission will shortly propose to launch a new European Clean Hydrogen Alliance bringing investors together with governmental, institutional and industrial partners. The Alliance will build on existing work to identify technology needs, investment opportunities and regulatory barriers and enablers. Future potential candidates for alliances also include low-carbon industries, Industrial Clouds and Platforms and raw materials.

In certain cases, mobilising public finance in addition to private investment can be necessary where there are market failures, especially for development of innovative technologies. One tool with a proven track record in this area is Important Projects of Common European Interest (IPCEIs). Member States can use IPCEIs to pool financial resources, act quickly and connect the right players along key value chains. They are a catalyst for investment and allow Member States to fund large-scale innovation projects across borders which could otherwise not be funded because of a market failure.

To help make the most out of this tool, the Commission will put in place revised State aid rules for IPCEIs. This review seeks to clarify the conditions under which Member State-led projects in key sectors can move forward in a timely and in a pro-competitive manner. It should also help SMEs to participate fully in future IPCEIs.

How can it be ensured that the objectives of the Strategy are delivered?

Only a shared commitment from the EU, its Member States and regions, industry players and all other relevant stakeholders in a renewed partnership will allow Europe to make the most of the industrial transformation.

The Commission will strive to increase the political ownership of the Strategy. Progress in delivering on the Strategy needs to be monitored on a rolling basis. The Commission will work closely with an Industrial Forum to be set up by September 2020 consisting of representatives from industry, including

SMEs, big companies, social partners, researchers, as well as Member States and EU institutions. Where needed, experts from specific sectors will be called upon to share their knowledge. The Commission's annual Industry Days will continue to be an important event to bring all players together. The Commission will propose that Council Presidencies and interested Member States host Industry Days in their own countries.

The Commission will strive to increase the political ownership of the Strategy, suggesting a standing progress point at the Competitiveness Council and at the European Parliament. This will be done on the basis of a regular monitoring of the Strategy's implementation and analysis of a set of key performance indicators.

The Commission will systematically analyse the different industrial ecosystems and assess the different opportunities and challenges of industry as it embarks on the twin transition in a more competitive world. It will look at issues including research and innovation skills, the role of SMEs and big companies, as well as any external pressures or dependencies. This work may show that some of the ecosystems, because of their specific nature or needs will require dedicated, bespoke support.

SME STRATEGY

Why do we need a dedicated SME Strategy?

Europe's 25 million SMEs are an essential part of the EU economy. They employ around 100 million people, account for more than half of Europe's added value and play a key role in every sector of the economy. SMEs bring innovative solutions to challenges like climate change, resource efficiency and social cohesion. They help spread this innovation throughout the economy across Europe's regions. They are therefore key to Europe's competitiveness and prosperity, economic and technological sovereignty, and resilience to external shocks. They help the achievement of the EU Industrial Strategy.

How will the EU support its SMEs to unfold their full potential?

Europe's SMEs and start-ups are key to the twin transition to a green and digital economy, to creating decent jobs, and to supporting our communities. In order to support them realise their full potential, we need to make Europe the most attractive place to start and grow a business.

To achieve this objective, the Strategy puts forward actions along the following three pillars:

- Capacity-building and support for the transition to sustainability and digitalisation;
- Reducing regulatory burden and improving market access;
- Improving access to financing.

A robust partnership for delivery between EU and Member States, including regional and local authorities, is pivotal. Member States should inter-link their services in a one-stop-shop in order to provide SMEs with a coordinated reply to all such queries. Entrepreneurs should also seize the opportunity of EU investment programmes to make their business more digital and sustainable, as well as to grow in the single market and beyond.

How will EU support SMEs in becoming more sustainable and digital?

Key actions the Commission proposes in the SME Strategy to help businesses become more sustainable and digital include:

Introducing dedicated Sustainability Advisors and other sustainability services to provide SMEs with the necessary support in the twin transition;

- Developing Digital Crash Courses for SME employees;
- Launching a "digital volunteers" programme to allow young skilled people and experienced seniors to share their digital competence with traditional businesses;
- Expanding geographical coverage and services provided by Digital Innovation Hubs in connection with Start-up Europe and the Europe Enterprise Network to provide a seamless service within local and regional ecosystems;
- Allocating at least 300 million Euros to encourage breakthrough innovations delivering Green Deal objectives under the European Innovation Council (EIC).

Notably efforts to build capacity will be complemented by the 2020 reinforced Skills Agenda for Europe, which foresees a Pact for Skills with dedicated component for SMEs.

How will the EU cut red tape for SMEs and support them in growing in the single market and beyond?

The Commission will support the SMEs through, among others:

Better enforcement of the Late Payments Directive to ensure that prompt payment is the norm not the exception;

- Partnerships among border regions to encourage them to jointly improve, align or coordinate the rules and procedures on cross-border provision of services, for example, on posting of workers and using digital tools and make it simpler and less costly for SMEs;
- Partnership with Member States on an EU Start-up Nations Standard to promote best practices for a dynamic start-up and scale-up environment such as one-stop shops, favourable employee stock-options arrangements and visa processing so that it is easier to start up and grow cross-border;
- Facilitating cross-border cooperation with and among SMEs in the defence sector, notably through a bonus and targeted calls for proposals under the European Defence Fund;
- Launching the Space Entrepreneurship Initiative 'CASSINI' to ensure European technical sovereignty;
- Creating opportunities in third country markets, through dedicated SME chapters in Free Trade Agreements (FTAs), use of dialogues to exchange good practices with partners, a new information portal and EU Delegations providing support on SME queries linked to the FTAs;
- Expanding the Erasmus for Young Entrepreneurs Global scheme.

How will the EU improve access to finance for SMEs?

The Commission also proposes a number of key actions to facilitate access to finance for SMEs for investments in the twin transition, and to scale up and grow. These include:

Establishing an SME Initial Public Offering (IPO) Fund supporting SMEs to go public in Europe, and to be developed under the InvestEU programme starting 2021;

- Introducing a first-of-a-kind risk/reward mechanism (the ESCALAR initiative) aiming at helping high-potential enterprises scale up by boosting the size of the venture capital funds that invest in them and attracting more private investments;
- Launching a gender-smart financing initiative under InvestEU to stimulate funding for women-led companies and funds and to empower female entrepreneurship. Launching a green tech investment initiative to pool funding from the EU, Member States and the private sector to increase the access to equity finance for innovative SMEs and start-ups that develop and adopt green tech solutions;
- Launching a block chain-based initiative to enable the issuance and trading of SME bonds across Member States, utilising the European Block chain Services Infrastructure;
- Co-funding tech due diligence services to improve valuation of high-tech start-ups and later stage tech SMEs based on their technology and Intellectual Property portfolio;
- Further simplifying the existing State aid framework to enable Member States' targeted support of SMEs and start-ups in light of the twin transition.

Does the SME Strategy target any type of SMEs – e.g. start-ups – in particular?

The Strategy targets all kinds of SMEs, at each life cycle stage and in all sectors: some bring innovative solutions to challenges like climate change, resource efficiency and social cohesion while others help spread this innovation throughout the economy across Europe's regions. The Strategy proposes horizontal actions for the benefit of all SMEs, such as on cutting red tape, as well as targeted actions for a specific group of SMEs such as an EU Start-up Nations Standard and an SME IPO Fund for SME that want to go public.

SMEs are extremely diverse in terms of business models, size, age, and entrepreneurs' profiles. They range from microenterprises in the services sector to middle-range industrial companies, from traditional craft to high-tech start-ups and social economy enterprises. The Strategy recognises their different needs and leaves no one behind, helping companies not just to grow and scale up, but also to be competitive, resilient, and sustainable.

What will be the role of the EU SME Envoy?

The Commission will appoint a dedicated **high-level EU SME Envoy** who will drive the work of the network of national SME envoys to ensure the implementation of the Strategy and the application of the Think Small First principle in all EU policies:

- The EU SME Envoy will filter EU initiatives to signal to the Commission those that merit close attention from an SME perspective. The EU SME Envoy will raise awareness on SME-related aspects in the Commission's Better Regulation agenda in a regular dialogue with the Regulatory Scrutiny Board and will have a specific role in the new Fit for Future Platform. The EU SME Envoy

and the network of national SME Envoys will also contribute to the work of the Commission's single market Enforcement Task Force.

- In order to facilitate the mainstreaming of the SME Strategy across all policy areas, the EU SME Envoy will be closely involved in the European Semester process.

SINGLE MARKET BARRIERS REPORT

How does the single market help businesses to grow and benefit consumers?

The single market brings tangible benefits to EU citizens and businesses every day. It brings wider choice of goods and services, more employment and entrepreneurial opportunities, enhanced safety and reliability for products and services. Thanks to the free flow of goods and services, it has already provided a positive impact on GDP, with estimated economic benefits ranging between 8% and 9% higher GDP on average for the EU. The effect of increased competition contributed to an additional 2% of GDP.^[1] The Single market improves productivity, raises quality, and helps cut prices. This led also to a positive impact on employment, with up to 56 million jobs in the EU depending on trade within the single market^[2]. The number of employees dependent on cross-border services may have almost doubled in the EU since 2000, recording a 94% increase as compared to a 5.5% raise in total employment^[3]. Moreover, by virtue of its scale and integration, the single market has boosted the standing and influence of the EU in the world.

What are the main barriers in the single market identified by EU businesses?

Businesses and consumers still face barriers or practical obstacles in their daily life. The Commission has therefore analysed the concerns that are raised most frequently, in order to identify the most relevant areas where the single market needs further deepening and strengthening. The Communication, drawing on the evidence gathered through a range of sources, takes a wider perspective focusing on the experience of both businesses and consumers. It focuses on the 13 most often mentioned barriers to cross-border activity, following the key steps of the "journeys" that businesses and consumers make in the single market.

These barriers are linked to five underlying root causes:

- Regulatory choices at EU level and national level;
- Implementation and enforcement of EU legislation;
- Administrative capacity and practices;
- General shortcomings in the business and consumer environment in Member States;
- Other root causes not linked to public policy, such as different consumer preferences or languages.

What are the proposed key actions to strengthen the single market?

If we want to bring additional benefits to Europeans, as many of these barriers as possible need to be removed. Doing so is a joint responsibility of the Member States, the European Parliament and the Commission.

The Member States and the European Parliament are invited to:

- Swiftly adopt all single market, and e-government-relevant Multilateral Financial Framework proposals;
- Swiftly adopt pending legislative proposals, which aim at tackling barriers identified in this Communication.

In addition, Member States should:

- Fulfil their legal duties and take their responsibility to address the root causes within their remit;
- Direct enough resources to administrations key for implementing the single market;
- Ensure the effectiveness of one stop shop with a view to assisting in particular SMEs.

On its part, the Commission:

- Adopts the Long term enforcement and implementation action plan of single market rules to start addressing the barriers deriving from incorrect application and violations of European law;
- Will report in one year on possible additional regulatory actions to address the other barriers;
- Will collaborate with Member States to address the root causes of national barriers in the single market, including in terms of prevention.

Which benefits can be expected?

There is great, untapped economic potential in the better functioning of the existing legal framework

underpinning the single market. A recent update of the [European Parliament's "Cost of non-Europe"](#) study estimates that the benefits of removing the remaining barriers to a fully functioning single market for goods and services could amount to €713 billion by the end of 2029. Removing the obstacles analysed in the package, would make it easier for firms (especially SMEs) and consumers to benefit even more from the single market, making it easier and less costly to supply and purchase goods and services throughout the EU.

What are the main issues regarding the implementation of EU legislation?

The Commission Staff Working Document "*Business Journey on the single market: Practical Obstacles and Barriers*" published today identifies regulatory choices by Member States and inadequate implementation of EU legislation as one of the root causes behind the creation of unnecessary or disproportionate barriers for business in the single market. Member States legislation and administrative practices often create barriers in the single market. Several existing principles to overcome these obstacles (e.g. mutual recognition, administrative simplification such as the points of single contact, etc.), while potentially formally transposed by Member States, often lack (full) implementation.

One particular issue is when Member States "gold-plate" by adding an unjustified excess of norms, guidelines and procedures at either national, regional and local levels, creating additional burden for market operators that interferes with the expected policy goals to be achieved by underlying EU legislation. Another issue is the fact that national, and especially local, authorities struggle with the correct implementation of single market rules that result in different approaches in-between, and sometimes within, Member states, to the detriment of business and citizens alike.

SINGLE MARKET ENFORCEMENT ACTION PLAN

How will the Commission strengthen cooperation with Member States in preventing non-compliance?

To strengthen cooperation on enforcement of single market rules, a joint **single market Enforcement Task-Force** (SMET), composed of Member States and Commission, will be set up. The SMET will address horizontal implementation and enforcement issues, including "gold plating" and assess the status of compliance of national legislations with single market rules.

To identify concrete actions, the Action Plan looks at the overall regulatory cycle, from design of rules at national and EU level to their implementation, all the way to their concrete application on the ground and the sanctioning of breaches.

A culture of compliance should inform all such phases. This will be done through stronger use of preventive measures, clearer guidance, and improved detection of non-compliance. Member States have the important role to correctly implement EU law, not to create new regulatory barriers, and to step up actions to make sure EU law is respected within its territory.

The Commission will provide authorities with specific guidance tools in order to support them in the practical implementation and day-to-day application of single market legislation.

What does it mean in practice? What will the Commission do to ensure compliance with EU legislation?

Improved compliance of single market rules starts from implementing national regulations in line with EU law, avoiding unjustified gold plating and divergences from the agreed rules. It also requires a good understanding and the correct application of the rules.

This will be ensured through:

- Increasing knowledge and awareness of the single market rules: guidance by the Commission, better access to information and capacity building at national and local level will be key;
- Improving the transposition and implementation of EU rules, through a structured dialogue between Commission and Member States;
- Making the best use of preventive mechanisms, i.e. notification and prior assessment of potentially restrictive new national legislations;
- Detecting non-compliance inside the single market, to ensure that only compliant products and services reach European citizens.

What if national rules are adopted against EU law?

The first objective of the Action Plan is to foster a culture of compliance so that infringements would not appear in the first place. However, should breaches of EU law arise the Commission will swiftly and decisively take action through infringement procedures. Infringements must be swiftly remedied in order to avoid prolonged distortions of the single market.

The Action Plan announces an annual enforcement strategic report by the Commission, which will identify specific areas of concern and priorities for enforcement actions.

Regarding handling of cases, the Commission intends to make it faster and more effective, to limit distortions to the single market. The Commission will carry out a preliminary assessment of each complaint within two months to allow a response to the complainant as to whether:

- the complaint should not be pursued;
- the complaint should be sent to a resolution body such as SOLVIT;
- to enter into a dialogue between the Commission and Member State(s) concerned; or
- an infringement procedure needs to be started immediately.

When a dialogue is pursued, the EU Pilot tool will be used more systematically in cases for which a quick solution can be found within a short time period. Finally, the formal exchanges in infringement procedure will be complemented by so-called "*package meetings*" between the Commission and individual Member States in order to foster understanding of underlying issues, help explore practical solutions and improve the level of early and out-of-Court solutions to infringements.

[1] J. in 't Veld (2019), Quantifying the Economic Effects of the single market in a Structural Macromodel, European Economy Discussion Paper 094, European Commission Directorate-General for Economic and Financial Affairs.

[2] Højbjerg Brauer Schultz (2018), '25 years of the European single market', Study funded by the Danish Business Authority.

[3] IW Consult GmbH (2019), 'Cross border services in the internal market: an important contribution to economic and social cohesion', study for the European Economic and Social Committee.

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