Turning Global Challenges into Opportunities – A Chance for Europe to Lead

European Round Table for Industry

Highlights
Why we need a European industrial strategy

Europe is facing an increasingly complex geopolitical world as it charts a course towards a climate-neutral and digital society.

Global power plays are challenging the rules-based collaborative system close to Europe’s heart. Climate change has almost reached a point of no return. Digital technologies are revolutionising how we work and live.

As the Chief Executives and Chairs of leading European companies who form the European Round Table for Industry (ERT), we believe in Europe’s ability to address these global challenges and turn them into opportunities.

The European model has unique strengths, including our common EU values, the Single Market and our expertise in innovation.

European industry is an engine of innovation. But we are much more than a source of economic growth, jobs and prosperity. Our companies find ways to reduce greenhouse gas emissions, enable a circular economy and drive digitalisation. We create solutions to meet the UN Sustainable Development Goals (SDGs). And we never forget the human side of industry.

Our industrial companies are intricately connected with other parts of the economy and strategic value chains, including SMEs and universities. When we strengthen industry, we create leverage for every sector in the economy.

But for the economy to work for the people and to deliver social progress, European industry needs to be competitive, both at home and around the world. When businesses slump and their profits fall, they invest less, innovate less, create fewer jobs, reward shareholders less, pay less tax and ultimately generate less value for society.

The latest ERT Benchmarking Report* shows how Europe is under pressure. Europe’s share of world manufacturing is shrinking. Productivity and R&D spending intensity are below other regions. High energy costs affect several industries’ competitiveness, in particular an increasing share of taxes and levies in the electricity price. The number of European companies in the Fortune 500 is falling and less unicorns are created in Europe than in the US or China. Urgent action is needed.

So we welcome the pledge by the incoming European Commission to develop a long-term strategy for the future of European industry.

A European industrial strategy should embrace competitiveness and innovation

A successful strategy should not be based on a single programme but on a wider set of specific actions. It should boost European competitiveness and strengthen innovation.

It should reinforce the EU’s technological sovereignty in strategic value chains and focus on three major challenges: climate change, digitalisation and global trade.

We need new measures to support business by raising productivity and innovation. That is why we call on the new European Commission to put more emphasis on innovation in its programme for the next five years. It should make it easier to bring innovations to the market, adopting the ‘innovation principle’ across all policy areas as a complement to the precautionary principle.

The Commission should guarantee ambitious funding for mission-oriented research and innovation projects, as well as public-private partnerships.

That includes at least €120 billion for the new Horizon Europe programme and support for innovation ecosystems and clusters in strategic fields. Every euro invested from Horizon Europe will trigger additional investment from business, thanks to the signalling effect.

Size matters and Europe is failing to make the best use of its huge resources. We call on the Commission to modernise EU competition policy, recognising not just the EU market but also the global context.

The EU’s actions should complement broader policy suggestions.

The future strategy also has to be more than the ‘European Commission’s industrial policy’. Raising competitiveness has to be the overarching principle for policies enacted at all levels across Europe: EU institutions, Member States and regions. Decisions and actions should be aligned across all these levels, with strong EU governance and monitoring of implementation, if the energy transition and digitalisation is to work. And we need more coordination between the public and private sectors.
What to do: ERT’s recommendations

Lead on climate protection
ERT Member companies support the Paris climate targets. We believe that swift, decisive action against climate change is vital. European leadership is essential if we are to speed and scale up climate action. The development of technologies to tackle climate change is a strategic opportunity. We support an energy transition that achieves climate neutrality in the EU by 2050. But while we have to find a pathway towards a sustainable future, Europe cannot do this alone.

Recommendations for delivering on the European Green Deal:

• Develop and implement a policy framework that fosters investment in new low-carbon processes and technologies in Europe. That means incentivising demand for low carbon solutions and improving energy and environmental EU state aid rules to manage the evolution of energy costs along the transition.

• Design and implement policies that ensure a cost-competitive supply of clean energy and raw materials for EU industry, including removal of barriers. In a low-carbon scenario, renewable energy capacity and systems must be able to meet projected demand. Europe has the necessary energy and financial resources, but only if policy frameworks incentivise investment. We need to secure supply. We also need to ensure a better coordination and harmonisation of EU and national energy policies. Renewable energy should be integrated faster into the networks – which requires market integration and a framework for investment in energy infrastructure to ensure a stable and secure energy supply.

• Strive for an effective, robust and equitable global carbon pricing signal, based on Article 6 of the Paris Agreement (or, at least at G20 level), to foster the transition to a climate-neutral economy by 2050. In the absence of such global carbon pricing, a global level playing field should be guaranteed. A Carbon Border Adjustment Mechanism (BAM) may be a possible option together with other ETS-based complementary policies. However, all approaches must be WTO-compliant and take sectoral specificities into account following a thorough impact assessment.

• Launch ambitious EU-wide policies, standards and incentives to allow new circular business models to succeed and help create demand, for example by supporting new recycling techniques and EU-wide end-of-waste criteria.

• Incentivise sustainable business solutions and recognise best-in-class companies by channelling capital flows towards investment projects that lead to sustainable and inclusive growth while encouraging the transition of industry. Support progressive approaches to promote sustainability accounting and other sustainable business practices.
**Accelerate the digital transformation**

We welcome the new Commission’s ambition to make Europe ‘fit for the digital age’. We would like to see even faster and more effective action to drive digital transformation and overcome hurdles in infrastructure, regulation and skills.

**Recommendations for developing the Digital Single Market and bolstering investment in research and innovation:**

- Develop a coordinated European deal to roll out 5G infrastructure across Europe, aiming at a framework that cuts the cost of spectrum, deployment and operation of innovative applications, as well as providing better regulatory incentives for private investment.

- Invest in education and training programmes at EU, national and regional level to address skill shortages in critical areas like advanced data analytics, AI and cybersecurity. Promote dual learning (for example in vocational training) and up/reskilling due to digitalisation.

- Improve policy support for European B2B and IoT digital platforms to leverage EU industry’s customer relationships and domain know-how as key differentiating strengths.

- Modernise EU competition policy to help European companies compete at scale\(^1\). The Commission should enforce rules faster and adopt a more comprehensive and dynamic view of market practices and structures, especially regarding the usage of data as a competitive asset. We call for more flexibility in state aid rules to enable research and cooperation in strategic areas.

**Shape the global trading system**

We welcome the work begun by the previous Commission and the direction announced by its new leaders to help reform the WTO to address 21st century challenges and create a level playing field, without being protectionist.

**Recommendations for driving an ambitious trade & investment agenda while ensuring a level playing field:**

- Continue to build European Economic Diplomacy. Actively promote the WTO and drive its reform to safeguard the organisation and address new challenges, for example, e-commerce.

- Swiftly conclude and effectively implement ambitious bilateral and/or regional free trade and investment agreements with key trading partners like the US and China, the UK after Brexit, as well as emerging market economies.

- Deepen the EU’s economic and trade relations with Africa (for example by strengthening the existing Economic Partnership Agreements) creating an investment climate conducive to FDI and addressing joint challenges like climate mitigation.

- Implement existing trade and investment policy tools and develop new ones for a global level playing field, for example, by implementing the EU’s FDI screening mechanism, and finalising negotiations on an International Procurement Instrument.

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\(^1\) ERT position paper on *Competing at Scale: EU Competition Policy fit for the Global Stage*, which was released in October 2019. Available to download here: https://ert.eu/documents/competing-at-scale-eu-competition-policy-fit-for-the-global-stage/
How to do it: Our commitment to engage

The European Round Table for Industry supports a strong, inclusive and united Europe in which innovative industrial players, large and small, have a decisive role to play.

We are committed to leveraging the power of industry. In our paper *Strengthening Europe’s Place in the World*, we pledged to take a range of actions ourselves.

We are convinced that these actions can be scaled up further. As business leaders, we recognise that a successful Europe and successful European enterprises are interdependent. We need and want to be part of the solution.

**What we will do**

ERT Member companies have pledged a range of unilateral actions in different areas that we believe are good for Europe and good for European industry:

1. **Invest more:** ERT Members invest over €50 billion per year in R&D and are ready to invest even more.

2. **Open up:** ERT Members have pledged to promote inclusion and diversity in businesses throughout Europe.

3. **Further digital transformation:** ERT Members will speed up digitalisation, data and artificial intelligence strategies.

4. **Build skills:** ERT Members will increase lifelong learning traineeships, apprenticeships and first employment opportunities.

5. **Trade:** ERT Members will support the EU’s efforts to deliver fair and free trade.

6. **Climate change:** ERT Members take the lead in reducing greenhouse gas emissions along the value chain and develop low-carbon solutions.

We believe these actions are right for Europe and for our companies. But we also see an opportunity for these actions to be scaled up if there is a conducive policy context. So we are ready to engage in an in-depth dialogue with European policymakers and stakeholders on the shape and content of a new European industry strategy.

What we bring to the table is our deep knowledge of current global economic dynamics, the needs of companies, and the opportunities in new technologies and business models.

We are ready. A competitive European industry generates value for society and can ensure the European economy works for the people. **Now is the time to set the course.**
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ERT is a forum that brings together around 55 Chief Executives and Chairs of major multinational companies of European parentage, covering a wide range of industrial and technological sectors. ERT strives for a strong, open and competitive Europe as a driver for inclusive growth and sustainable prosperity. Companies of ERT Members are situated throughout Europe, with combined revenues exceeding €2 trillion, providing around 5 million direct jobs worldwide - of which half are in Europe - and sustaining millions of indirect jobs. They invest more than €60 billion annually in R&D, largely in Europe.