



A NEW EU LONG-TERM INDUSTRIAL STRATEGY - A Proposal of the Socialists and Democrats -

At the time of writing this paper we are still in middle of a global health crisis resulting from the COVID19 pandemic. Protecting lives is the first priority, but we must also protect our wellbeing, livelihoods and climate. This pandemic will impact our environment and economy and fundamentally shift how people live, work and interact and the transition to a more resilient and sustainable economy is still as relevant as before.

The impact of COVID-19 on industry - What can we already learn from the crisis?

The COVID19 crisis has underlined the fallacies of our system and the vulnerabilities of our industry and the need to rebuild sustainably by using the European Green Deal principles as a guide. The outbreak of COVID-19 is causing widespread concern and economic uncertainties for citizens, consumers, businesses and communities across the globe. Key industries such as automotive, energy, mechanical engineering, construction, logistics, transport, food sector, pharmaceuticals and many others are already facing capacity shortages and disruptions, not only in supply chains, but also in production and in the sales channel, which is affecting economic growth globally. Other industries such as tourism, horeca, cultural and creative sectors have seen their activities frozen.

At the same time, the outbreak is an opportunity for Europe to build sustainable communities and industries with the help of digitalization. Workers in all sectors are taking gigantic leaps on digitalisation. The market disruptions caused by the outbreak offer new opportunities for European SMEs and start-ups to grow. If we make right choices, the European industries will emerge from the crisis sustainable, stronger and more resilient.

There is no denying that the pandemic marks the beginning of a severe period of turbulence for the European industry. We need to ensure an efficient, sustainable, resilient and future-proof Single Market and that public money that will be massively injected in the European economy is well spent. It is essential that the recovery and public funding will support our Union's climate and environmental objectives. We should be investing in a sustainable future that helps us tackle not only the economic consequences of the pandemic but also climate change and environmental degradation as they are interconnected. The crisis will not last forever: we need to make sure Europe emerges from it more competitive, innovative, digital and connected with a sustainable, zero emission portfolio fit for the 21st century. Doing so will secure our industries globally and ensure high-quality jobs for all workers in all sectors.

Despite of the crisis, the industrial transformation towards sustainability and climate neutrality must continue and in fact it is more important than ever given the pandemic. Some industries may face new challenges and difficulties, but the crisis should not be used as an excuse to delay our action or

ambitions. Previously established timelines and targets must be complied with and new, ambitious ones must be set.

Prior to the COVID-19 crisis, energy intensive industries faced significant challenges due to global over-capacities, high import pressure, rising energy and emissions-related costs as well as fluctuating raw material prices. The immediate goal is to overcome the current crisis and rebuild our economy using the principles of the Green Deal, thereby achieving the goal of reaching climate neutrality by 2050 at the latest and becoming a global role model for sustainability. To do this, we need a new industrial framework that creates conditions for a successful transformation by enabling investments in low or net-zero CO2 technologies, investments in green businesses with special attention to SMEs and start-ups, investing in and driving regions lagging behind via a just transition process, creating ambitious climate laws, and strictly enforcing climate legislation at EU level.

Massive investments are needed to foster a new sustainable economic model: more sustainable, more resilient, more inclusive, more protective and “more European”. All these requirements can only be met by an economy built on the principles of the **European Green Deal** hand in hand with digital transformation. The Green Deal together with digital transformation has a huge potential to rebuild our economy and contribute to a new prosperity model, achieving European leadership in technology, innovation and sustainability. Today it is time to prepare Europe for the future, and design recovery plans, both at the national and at the EU and international level, enshrining the fight against climate change, biodiversity loss and degradation of environment as the core of our economic strategy.

WHAT CAN WE LEARN FROM THE CRISIS

Three main lessons can be drawn from the crisis:

- **A fragile and unsustainable supply chain and the need to make our value chains more robust, to strengthen and reintegrate some industrial processes inside the EU.** The pandemic has revealed the global dependencies of most supply chains, particularly for pharmaceutical raw materials, food commodities and electronics. It has also evidenced the vulnerability of regions that are extremely reliant on tourism and service sector. With regards to boosted connectivity among diverse types of industries, many companies are already cooperating for an integrated approach in order to strengthen the supply chain stabilization, but there is a need to intensify long-term cooperation between companies for an integrated approach. When restoring the value chains, measures to include SMEs will be needed, and for this, it is necessary to have funds to invest in SMEs for digitization and refurbishment. There is a clear need to identify the sectors that are key to build a resilient, sustainable and future proof Union. There is most likely case for promoting of the diversification of suppliers and a relocation and reintegration of some industrial processes within the EU to minimize supply-chain risks, especially for strategic supply chains, and for a reindustrialisation of regions that have seen a process of increased dependency on services. A new industrial strategy should actively promote independence across Europe’s territories without introducing protectionist measures. There is likewise a clear case for making supply chains which spread outside the EU more sustainable and for introducing responsible business conduct. It is likely that the COVID-19 pandemic may result in a long-term revamping of supply chains to determine higher resilience and sustainability and to demonstrate that a strong industrial base and strong value chains are an asset for the society as a whole and for the strength and positioning of the EU in the global context. We need to restructure the current value chains in a fair and sustainable way and bring back the production of “system-critical goods” closer or directly in European territories. The crisis also shown the need to strengthen, in particular the European food industry as a basis for ensuring EU food sovereignty. At a critical moment, the essential nature of the European food industry to provide basic necessities to the population has become clearer than ever. The industry has been able to cope with difficulties such as cuts in supply chains or

new health requirements and its workers have taken on a greater degree of exposure to the pandemic, ensuring the supply of food products to the population. This reveals the need to guarantee stability to the sector in the future Multiannual Financial Framework, as industries well rooted in their territory, contribute to retain population and help address the demographic challenges while reducing their carbon footprint and improving digitalisation to boost their competitiveness.

- **The Insufficiency and Inadequacy of our IT networks and the need to improve the digitalisation of our industry.** The crisis has revealed how dependent our economic, social and political systems are on digital infrastructures and affordable and secure data flows, which need to be urgently adapted and secured to support the challenge of this crisis and of future possible crises. Digital infrastructures and tools have proven to be crucial considering the un-precedent increase in remote working or the need for remote education in schools and universities. Furthermore, artificial intelligence and data can be essential to track the epidemic in real-time, to predict its development and to prepare an effective response. The digitalisation of European Industry, including in remote and rural areas, digital skills for worker and taking into account the gender divide, should be a priority in preparation for future global challenges and to increase global competitiveness. Further, we must follow the ethical guidelines released by the EC, which are currently under discussion at the EP. It is also important to adequately address the climate and environmental footprint linked to the ICT sector and develop strategies for sustainability to be incorporated into digitalization.
- **The need for an industrial recovery based on the European Green Deal.** The recovery should be based on transforming our societies and economies towards sustainability and building resilience to face future shocks. The European Green Deal has to be the EU's growth strategy, creating new jobs for a stronger and sustainable circular economy.

Introduction: the industrial reboot

Sustainable industrial policy will be key in the recovery and it is at the core of the European project. A sustainable, inclusive and competitive industrial base is a major contributor to growth, wealth, progress, cohesion and high quality job creation in Europe.

36 million jobs (although only 13% of Employed women are in the industrial sector) are directly linked to European industry. Those jobs are the ones with the highest wages, highest added value and the strongest presence of trade unions.

Industries contribute to the financing of our welfare systems, as well as to the development and maintenance of workers' rights, inclusive, and responsible corporate governance. A long-term industrial policy will also increase social cohesion within the internal market.

Today the importance of the EU industrial policy remains pivotal to foster the global competitiveness and sustainability of European business models, where SMEs play a central role.

As evidenced by the COVID-19 crisis, Europe needs a new industrial policy with a genuine level playing field for a more competitive and resilient industry in the face of global shocks, reintegrating and strengthening strategic chains inside the EU and increasing EU production, supply, distribution and development of key and critical products such as medicines, pharmaceutical ingredients, medical devices, equipment and materials, especially those used for intensive care.

European industries should develop and/or maintain their leadership in strategic sectors and technologies, especially those with a higher added value and those that contribute to reaching the Union's political priorities such as our climate goals and digital sovereignty.

This is particularly crucial at a time in which many industrial sectors face the consequences of the pandemic and experience significant changes in production processes, employment requirements and conditions, in increasing their presence in the European and global markets, in innovating and increasing prosperity due to the digital transformation and transition into a climate-neutral and circular economy. While we favour the comprehensive approach proposed by the Commission in the Communication on a Long term EU Industrial Policy Strategy in March 2020 and on the need to address the twin challenges,

i.e. digitalisation and decarbonisation, we believe that the focus of the Industrial Strategy must be the people. No one should be left behind in the transformation of our industrial sector or discriminated because of gender, race, ethnicity, or sexual orientation, a fight against gender segregation must be included.

As Socialist and Democrats, we are convinced that the European Industrial Policy Strategy should promote inclusive and sustainable industrialisation, significantly raise the industry's share of high quality jobs and well-being. We fight for climate neutrality, sustainability, innovation and competitiveness and we insist in striving for social inclusiveness that leaves no worker or region behind.

The transition to a climate-neutral economy, digital transformation and increased globalisation, changes in geopolitics and international trade will massively change the world economy. These trends impact the number and distribution of jobs, how these jobs are shared, the inequalities created, the quality and conditions of employment, the skills needed, the industrial relations, including with trade unions, the social security/welfare system and the unpaid work, gender, race, ethnicity, or sexual orientation inequality dynamics.

The inevitable phasing out of fossil fuels must be turned into a lever for social progress by making the transition as inclusive as possible for all regions, territories and citizens. Workers affected by decarbonisation and digitalisation must be offered good prospects for further professional development and training as well as real perspectives for good and secure jobs in promising new economic activities. While the perspective on the worker is of paramount importance, we also need to consider the wider structural changes in our economies and societies.

In the long-term, we therefore need to discuss the societal distribution of labour and capital (e.g. reduction of working hours, the digitalization of services, gender inequality dynamics) and anticipated productivity gains.

EU industry has been deeply affected by changes in the development of the global economy. The boundaries between developed and developing countries and their traditional dominant sectors are changing rapidly through intensifying competition. In recent years, China, for example, more than other third countries in the world greatly increased exports and has shifted its comparative advantage from low value-added industries to high value-added industries.

The expanding industrial base in emerging countries is increasingly challenging European industry's global leadership. Therefore, Europe needs to maintain or regain this leading role in sustainable strategic sectors.

Demands in the global market are rapidly evolving offering new opportunities to European industry while at the same time requiring business re-orientation, restructuring and re-specialisation.

New industrial sectors emerge, others disappear, and the vast majority needs to undergo significant changes. Left to itself, the natural dynamics of change and of the goods and employment markets do not recompose the fractures that are created in the transformation process. Ideally, workers would be empowered with digital skills so that they are able to contribute in helping local industries to survive through these transitions. If, however a workplace disappears in the steel industry and a new one is created in the artificial intelligence sector, it will be very difficult for a worker to autonomously relocate without a proper re-skilling program, and even with available programs this re-skilling process will not always be possible due to a multitude of factors included but not limited to gender, age, education, the

sector or the region. Furthermore, workplaces that disappear are not necessarily located in the same region in which new workplaces are created. This causes additional difficulties for workers to transit from one industrial sector to another and can lead to adverse effects on whole regions, exacerbating regional differences and inequalities, such as high unemployment and regional exodus from regions losing employment versus prospering regions with high inflow of workers. The gender divide has to be taken into account as well, as gender disparities in the labour market also have an effect on the mobility or relocation capacity of workers, something that should be subject of policy attention and not left to the individual responsibility of people.

We have learned that without a strong transition management, the fractures produced by transformations put at risk the very existence of liberal democracies and peaceful societies, influencing the nature, quality and productivity of work. Our citizens' working conditions and workers' rights should not be infringed by the digitalisation through higher working hours, discrimination or the lack of the right to be disconnected. The challenge is of making use of these developments to foster economic growth and employment - while at the same time ensuring decent working conditions, social protection and equal opportunities for all.

As Socialists & Democrats, as well the European Union as a whole, we need to address potential societal reactions and develop concepts and ideas that answer these challenges, including the possible taxation aspects of the workplaces replaced by robotic.

We are aware that the speed of transformations is directly proportional to the fractures rising in the entire society. Every action aimed at accelerating a transformation (digital, environmental, etc.) must correspond to an initiative aimed at managing the effects produced by that acceleration. We should not be hesitant: only by embracing this transformation, we can shape it in a progressive way.

I - For an industrial policy that leads to full decarbonisation: Climate and energy targets should set the direction for the industry of the future

Carbon neutrality by 2050 at the latest is the main goal that the industry has to embrace from now on. Climate neutrality must not imply a lowering of our standards. It must be an opportunity to uplift the European society and the European industry.

The decarbonisation process has to proceed hand in hand with the preservation of high social standards and protection and decent wages while at the same time maintaining and boosting the industries' global competitiveness. This is our new mission.

The European industry should fully contribute to make the European Union the champion of sustainable development. Climate neutrality must be the corner stone of Europe's competitive advantage. To make this happen, the EU has to provide a stable regulatory framework with ambitious, clear and measurable targets and adequate funding

The Climate Law is a first step to enshrine the climate targets into EU legislation. To guide our way towards the climate neutrality objective set in the Climate law, clear and ambitious targets for 2030 and 2040 should be established and further improved to pave an unambiguous direction for the European industry and in all sectors.

A truly effective European industrial policy needs a dashboard of climate targets as a roadmap to shape the industry of the future. All sectors should contribute to the achievement of the Union's climate objectives, and the industrial strategy should be fully aligned with the climate goals of 2030, 2040 and 2050. European industry has to be a global role model for sustainability, social inclusion and innovation, by becoming the most competitive and resilient player to be able to successfully address future challenges based on carbon-neutral and sustainable business models. The targets set in the Climate Law

and the European Green Deal shall guide all future policy actions, including the revision of all relevant climate legislation, which, in turn, shall orient future industrial and investment decisions. The Commission has repeatedly called upon EU countries to phase out environmentally harmful subsidies, and recommended that governments spell out plans to eliminate funding for fossil fuels in their draft National Energy and Climate Plans. We insist to develop and agree on a roadmap to phase out fossil fuel subsidies. Such a roadmap should include strict timelines for the phase-out of fossil fuel subsidies with country-specific and measurable outcomes.

It is necessary also to avoid the risk of the carbon leakage: production transferred from the EU to other countries with lower ambition for emission reduction. This would frustrate the efforts of the EU and its industries to meet the global climate objectives of the Paris Agreement.

S&D of targets for a sustainable European industry

- **Raising the ambition of the greenhouse gases emission reduction target.**
Set a 2030 target of at least 55% emissions reduction compared to 1990 level. To be consistent and effective, the other targets of the Energy Union and all relevant climate legislation will have to be urgently adapted. The Commission should present its proposals for the revision of the relevant legislation by June 2021 as planned.
- **Raising the ambition of the target on share of renewable energy in final energy consumption.**
Revise the 32% binding target as set in Renewable Energy Sources Directive up to 40% by 2030.
- **Raising the ambition of the target on Energy efficiency improvements.**
Revise the 32.5% target as set in the Energy Efficiency Directive up to 40%.
- **Clarifying energy infrastructure objectives and level of interconnections.**
A higher deployment of renewable sources requires adequate infrastructures within and between countries in order to ensure energy supply in an affordable and sustainable way. By recognising the diversity of local and national resources across Europe we ask to set EU targets for the deployment of energy infrastructures for renewable energy, including measures to promote renewable energy communities
- **Identifying clear sectoral targets-supporting sectors with clear long-term and mid-term targets in line with the 2030, 2040 climate target, European Green Deal and the objective that all sectors of the economy shall reach climate neutrality by 2050** at the latest
With the help of each sector, we should develop roadmaps helping to identify the main challenges, obstacles and sectoral opportunities for full decarbonisation.
- **Implementing a plan to establish regular monitoring of fossil fuel subsidies** in the EU and of the progress on the phasing out plans, including EU policies such as the EU ETS and State aid regulations.

Socialists & Democrats ask to fully develop energy efficient measures, circularity, the full switch to renewables and increased sustainable transports and infrastructures. We must fight for a climate neutral industry while recognising the transitional role of gas in moving away from more harmful fossil fuels and by taking into account the sensitivity of various regions across the EU.

The integration of various industrial sectors will play a crucial role in combining their approaches in creating the next generation of products and services that are fully aligned with the climate goals of 2030, 2040 and 2050. The investments in research and innovation and creation of new ecosystems around key industries are the core issues to competitive carbon neutral economy.

A new industrial strategy should be fully aligned with the objective of achieving a truly circular economy that is non-toxic. The Commission has estimated that 700 000 jobs could be created in the EU before 2030 if circular economy principles are applied. The circular economy therefore holds great potential in

boosting our economy while reducing our climate and environmental footprints. It should be a guiding principle for the development of our industrial model with the principles of waste hierarchy respected. We welcome the newly presented Circular economy action plan, and expect the Commission to present ambitious proposals.

Particularly the new sustainable product policy framework should lead to the mainstreaming of circular design principles across products through stringent standards. The uptake of secondary raw materials should be increased. While the availability of clear consumer information is crucial in leading to more sustainable consumption practices, the change should start from production and the setting of clear requirements to achieve circularity.

The shift towards more circular and sustainable models of production and consumption is the also a driving force towards greater energy efficiency and a smaller carbon footprint.

Some highly industrialized countries and regions are already developing innovative policies to accelerate an appropriate energy transition in their economies on a climate neutral pathway; this transition for all, and in particular for energy intensive industry is inevitable and should be encouraged and supported with adequate financial resources.

While attempting to shift towards energy-efficient operations, many regional energy intensive industries need to first overcome challenges and concerns such as the access to affordable energy, competitiveness and long lasting periods that result profitable investments. As a response on these concerns, the state and regional governments should build trust and create policies that can offer economic and technical support towards these industry needs in their regional context.

Additionally, effective measures and financing instruments to combat carbon leakage and to avoid further relocations outside the European Union should be provided. Currently, the industrial sectors with significant risk of carbon leakage receive free allowances in the framework of the European Emissions Trading Scheme and benefit from compensation of their electricity costs through national state aid and schemes. However, we see in Border Carbon Adjustments mechanism an alternative way to protect EU efforts in reducing emissions avoiding the externalisation of the production to countries with lower controls and that will generate higher global emissions. Simultaneously, a Border Carbon Adjustment mechanism can stimulate third countries to adopt comparable climate measures themselves. Imported goods will pay a border carbon adjustment, and goods exported from the EU will receive a refund under this policy.

Moreover, an initiative originating from the S&D, the upcoming Just Transition Mechanism, including the Just Transition Fund is a great tool to support EU Member States, regions and sectors that are the most affected by the transition to a climate neutral economy. This financial tool shall help to boost regional economy and should be based on allocation methods according to objectives and clear criteria reflecting the relevant regional, economic and socio indicators in the regions concerned. The funds will contribute to create new sustainable employment opportunities, mitigate negative repercussions of the transition on employment and adverse social consequences. The fund will finance the diversification and modernisation of the local economy in line with the climate neutrality objective. In this regard, it is crucial that access to the resources is conditional on the national commitment to climate neutrality by 2050 at the latest, as well as commitment to the accomplishment of the 2030 and 2040 GHG reduction targets as defined in the Climate Law. We, therefore, welcome the increase of financial means that will be necessary to finance a sustainable transition in the EU that leaves no-one behind.

S&D Demands

- **Mobilising industry for a climate neutral and circular economy to achieve the EU's climate goals for 2030, 2040 and 2050 (cost of energy, energy efficiency, use of renewables, and security of supply, resource efficiency).** We must ensure that the transition is fully in line with the EU's waste hierarchy principles, and supports and promotes a culture of recycling to stop the exploitation of raw materials and the waste of resources by the setting of stringent standards while also promoting responsible consumption.
- **Creating markets and value chains supply for clean products and technologies.** The increased use of electricity from renewable energies and decarbonised hydrogen in industrial processes bears a great potential for the **deployment of clean European industries**. Along the whole innovation cycle, special attention should be given to the **market deployment** to assure that the newly available technologies and innovations become a proper business case for European industries, maintaining or enhancing their international competitiveness.
- **Maximising the energy efficiency and carbon savings potential of buildings stock.** Along with the upcoming proposal on the renovation wave policies, energy efficiency of buildings should be fully prioritised and accelerated. We need **deep renovations** to enable better energy performance of buildings and to provide a **healthy, affordable and zero emissions buildings stock**. Efficiency first principle should be the priority criteria for innovation and refurbishment projects in the industry. In addition, the policies should also define **minimum indoor climate criteria**, especially for the most vulnerable occupants such as children, elderly and sick persons (social care, healthcare facilities) or low-income groups (social housing). The renovation wave should support in particular the renovations of low-income citizens.
- **Decarbonising and promoting sustainable mobility.** The European Union should be a frontrunner in encouraging the European transport industry, especially automotive, aviation, shipping and railway industry to accelerate infrastructural innovations and requiring all sectors to contribute to decarbonisation in line with their respective targets. Thus, we recommend quickly establishing harmonized European rules for automated and connected vehicles, stepping up efforts on the European Battery Alliance and the creation of a European Green Hydrogen Alliance. A complete European battery value chain is a key driver for the EU's industrial competitiveness, supporting jobs and economic growth and enabling the transition towards a climate-neutral economy. Automotive electrification should be encouraged using renewable electricity, smart charging and by supporting research on batteries. Alongside the decarbonisation of mobility, special attention should be taken to the need of reskilling and upskilling of workers in the sector to adapt to the new developments of the sector via life-long learning programmes.
- **Supporting the development of smart and zero emission cities, which is essential due to the ongoing urbanisation process.** To foster these models, the essential role of sectors and industry integration plays crucial role, taking into account the social aspects during this transition within climate neutral mission. Therefore, sector integration, interconnection of industry, energy, transport and heating networks together could contribute to lower energy consumption, reducing network investments costs and allow greater amounts of renewables in the energy mix.
- **Supporting digitalisation, big data and the exchange of information in the sectors of transport and logistics** at EU level to make cargo and traffic flows more efficiently organised and managed throughout the Trans-European Transport Network (TEN-T), particularly in border crossing points.
- **Creating a business case to scale up and commercialise breakthrough technologies.** We need instruments to cover incremental costs of currently uneconomic technologies and help develop early value chains to support first commercial-scale, climate-neutral technologies and products.
- **Setting sustainability criteria and benchmarks for climate neutral industry investments.** An EU list of benchmarks for « climate neutrality compatible » technologies might be created.
- **Scaling green hydrogen and related infrastructures.** To do that, there is a need to establish an EU-wide quota of green hydrogen for natural gas suppliers as well as a rigorous sustainability framework

for green hydrogen. In addition, it is required to harmonize technical rules to allow higher shares of hydrogen in gas grids.

- **Setting an effective anti-leakage system.** Exploring different options including a Carbon Border Adjustment mechanism.
- **Developing the industry based on achieving a circular economy** significantly improving resource efficiency and the climate and environmental footprints of our industries.
- **Introducing a product passport to monitor the circularity of products** throughout the whole supply chain and to make sure that our imports and exports comply with the principles of the circular economy.
- **Supporting integrated and harmonised incentives for both circularity and clean primary production.** During the transformation of existing sectors, new targets and plans for medium and long-term transformation in line with the EU's 2030, 2040 and 2050 climate targets and environmental objectives have to be considered to facilitate their transition while also taking into account regional specificities.

II - For an industrial policy that embraces the full potential of digitalisation

Digitalisation of the industrial process as well as the inclusion of artificial intelligence will be at the centre of the new industrial revolution and at the centre of today's struggle for a sustainable competitive advantage. S&D demands a shift towards a data driven society, in which in addition to European industry also citizens and societies are beneficiaries from the data economy. We need a European approach for data economy, that is transparent, trustworthy, interoperable and human centric to these technologies, ensuring safety, transparency and accountability features, preventing and denouncing any form of bias or discrimination, guaranteeing social responsibility, promoting gender balance, safeguarding environmental sustainability, protecting privacy, enhancing governance and engaging in international cooperation. The harmonised application of these principles ought to be coordinated at European level and accompanied by certification of such application by developers, deployers and users in their respective sectorial activities.

European wide flow of data, interoperability, data management, protection (re)use and sustainable energy consumption of new technologies will be at the heart of this new industrial landscape with increased interconnectivity, provided that fragmentation among Member States' strategies for data economy is progressively reduced and imbalances in market power are addressed, for example concerning access to data by SMEs and by the public sector when needed for common good.

This is an opportunity, but also a challenge for our industries due to the digital divide, the lack of digital skills and data protection and cybersecurity concerns.

Supporting European investments and roll-out on 5G and future 6G infrastructure in all EU regions including rural areas is crucial to preserve European strategic interests, while promoting innovation and reducing the digital divide. Europe also needs to reinforce its capabilities especially in the new frontier technologies such as 6G and supercomputing (for example quantum technologies).

Countries that have set up ambitious targets in line with the EU Digital Single Market Strategy and combined them with adequate investment achieved a better performance. However, the fact that the largest EU economies are not digital frontrunners indicates that the speed of digital transformation must accelerate, in order for the EU to stay competitive at global level. These targets must be linked with our

carbon neutrality ambitions - we must take this opportunity to make digital greener, and to use digital tools in order to achieve a carbon-neutral development model.

The Digital Economy and Society Index (DESI) figures¹ of the last 5 years show that targeted investment and robust digital policies can have a significant positive impact on the performance of individual countries.

The EU's global competitiveness in the digital field, its data sovereignty and digital self-determination depends on international connectivity as much as it does on the connectivity within the internal market. Connectivity has improved, but remains insufficient to address fast-growing needs. Ultrafast connectivity of at least 100 Mbps is available to 60% of households, and the number of broadband subscriptions is increasing, 20% of homes use ultrafast broadband, a number that is four times higher than in 2014, but is still not enough to fully exploit the digitalization of industrial processes and the growth of the population with advanced user skills. To ensure that no Member State lags behind in terms of their internal connectivity, it is key to provide high-speed networks such as fibre-optic cables to individual households in insular, remote, rural and sparsely populated areas and that the data exchanged travels using cross-border corridors *within* the EU and assists in the creation of EU-wide data spaces, with spill-over effects from those corridors to the various Member States whom, at the same time, are investing in fibre and other infrastructures.

More than one third of Europeans in the active labour force do not have basic digital skills, even though most jobs require at least basic digital skills, and only 31% possess advanced internet user skills. Moreover, the share of men working in the digital sector is 3.1 times greater than the share of women.² We insist on the need to act now, in order to exploit digitisation in the industrial processes fully. This focus is further necessary on micro-enterprises, in which the consequences of the crisis will have been direr and where, according to DESI, digital inclusion is still lagging significantly. Investing in the people left out of digital transformation is an enormous task. It will free the potential of citizens and help build an open and more innovative society.

It is of utmost importance to address the digital skills shortage, keeping the gender perspective in mind. With job losses across the continent, a key focus of stimulus packages will be finding areas where employment can be increased quickly, always taking into account the occupational segregation of the markets so that we do not only have the promotion of employment in male dominated sectors, leaving feminized sectors behind.

Network security is also key. We need strong and flexible public procurement rules and European standards to assess the trustworthiness of providers of digital infrastructure from third countries.

In cooperation with international standardisation bodies, the EU should speed-up and continue to further improve standards on issues such as safety, privacy, reliability, interoperability and security. Moreover, it should promote and develop standards in the field of smart manufacturing, robots, autonomous cars, virtual reality, health care and data analysis, as EU-wide standardisation for AI and robotics will foster innovation and guarantee a high level of protection of humans. Ethics of AI will be in the centre of all development in the future. The EU should focus on leading by example and being the most ethical, transparent and human-centred user of AI in the world. We believe that it is of utmost

¹ 2019 Digital Economy and Society Index European Commission

² 2018 Women in the digital age, European Commission

importance that the EU follows an efficient and coherent standardisation strategy to maintain a leading position at the global level.

We need a European legal framework on AI, robotics and related technologies that addresses ethical principles and fundamental rights in their development, deployment and use, as well as safety and liability questions. The innovation and competitiveness of Europe's industry will require a horizontal framework that reflects the values and principles that we share as a Union. It will provide concrete guidance and legal certainty to citizens and businesses alike - including those located outside of Europe.

Currently, the lack of clear safety and liability provisions contribute to legal uncertainty for consumers and businesses that produce and market products involving AI as well as for the citizens that use AI applications. This trend can seriously undermine the competitiveness of European companies and the right of European consumers

In order to close existing regulatory gaps, we need European solutions on civil liability rules for AI, which creates trust in new technologies, provide safety for our citizens and legal certainty for businesses. These objectives can only be achieved, if specific characteristics of the new technologies, like complexity, self-learning during operation and limited predictability, are fully taken into account when designing a liability regime, which protects our citizens and ensures fair compensation of victims in case of harm. Only by making sure that new technologies do not develop to the detriment of our citizens, we can achieve a thriving industrial policy, which is based on citizens' trust.

Block-chain technology and its implications in various sectors (from agriculture to consumer protection, to new business models for content production) must be further looked at and taken into consideration in EU industrial policy and legislation. In particular, we need provide that the so-called smart contracts, which are based on distributed ledger technologies and are already being used in a number of areas, are regulated properly at the EU level. Ensuring the legality of such contracts and their enforceability in cross-border situations is key.

We need to create an infrastructure where non-personal data can be accessed and shared, in order to stimulate generators of high-quality data, such as public institutions and governments, to share it easily. Data-driven technologies (including Artificial Intelligence) are increasingly becoming the dominant force in the digital economy. It is thus clear that any regulatory framework in this context will need to address the question of production and use of, interoperability, access to and sharing of data, including through data management Companies (particularly SMEs) need help, education and skills in understanding why it is beneficial to be part of the data economy and how they can get involved. Accordingly, Europe's data strategy will entail an evaluation and possible revision of the currently applicable intellectual property rights (IPR) framework. However, any legislative action in this context must be carefully considered, as it would have a significant impact on the still fragile and developing EU data economy. In particular, there should be no ownership right based on intellectual property for non-personal data used and produced by technologies such as Artificial Intelligence.

Furthermore, we believe that data should be seen as much as possible a common good that can be shared for the benefit of all. The European Union could contribute to transparency and diversity in the market for software products by promoting free and open source software, as for instance in the framework of software developed by EU institutions or in the context of projects financed by the EU.

Our Group will, therefore, explore further measures in view of facilitating data sharing between key actors in the data-agile economy across sectors, which will contribute to a more competitive and fair data-driven Digital Single Market for our industry in respect of EU values, in particular when it comes to

protection of personal data and privacy of our citizens in full compliance with the GDPR. Without sharing the data according to the principles and values of Europe, for common good, we shall be left behind of the rapidly developing next industrial revolution.

S&D Demands

- **Ultrafast and affordable connectivity of at least 100 Mbps for all**

A faster internet speeds and other technical characteristics make it possible to access or deliver new content, applications and services. An increase in the importance of digital data now means that good and affordable flat rate internet connections are essential for promoting social inclusion and for European businesses to remain competitive in the global economy. The COVID 19 pandemic has also shown the need to envisage future-proof policies where essential tools such as ultra-fast connectivity and IT equipment for all should be guaranteed

- **Increase the use of cloud services**

Significant opportunities exist for companies to take advantage of connected devices enabled by the 'Internet of Things' to capture vast amounts of information, enter new markets, transform existing products, and introduce new business and delivery models. However, the evolution of the digital enterprise also presents significant challenges as we continue to digitise, the volume of data and interaction grows exponentially. An appropriate governance of cloud services is essential this is why an improvement of security tools is also important as the need to ensure the appropriate risk management, security and controls are in place.

- **A shift towards a data driven society**, in which in addition to European industry also citizens and societies are beneficiaries from the data economy. We need a European approach for data economy, that is transparent, trustworthy, interoperable and human centric. European wide flow of data, interoperability, data management, protection and (re)use will be at the heart of this new industrial landscape with increased interconnectivity, provided that fragmentation among Member States' strategies for data economy is progressively reduced and imbalances in market power are addressed, for example concerning access to data by SMEs and by the public sector when needed for common good.

- **Re-skilling and up-skilling in the digital sectors**. Advanced digital skills can and should be acquired at a sustainable rate by a significant segment of the currently employed labor force to future-proof the industrial economy and ensure business dynamism, flexibility and resilience. Employees should be supported in the sectors of the economy affected in needed adjustment and requalification due to the influence of artificial intelligence and machine-learning.

- **Support SMEs and start-ups in digitalisation**

Digital transformation will bring unimaginable opportunities for SMEs to become more agile, expand, and become larger competitors. When service and public administration are digitized, businesses can work directly with suppliers and customers while gaining more control over their business. The aim is to create an environment that facilitates the use of ICT and the development of smart solutions throughout the companies from the development of ICT technologies to the implementation of ICT technologies. It is, therefore, the right time to reconsider ICT that is strategic for the future of any economy.

- **Guarantee and prioritize the highest possible level of protection of personal data, privacy and autonomy**

- **Improved standards** on issues such as safety, reliability, interoperability and security of AI.

- **Strong public procurement rules** and European standards to assess the **trustworthiness of providers of digital infrastructure** from third countries.

- Promote **corporate digital responsibility**

- **Protection of critical infrastructures**

The alarming situation during the COVID19 pandemic has the merit of bringing back on the agenda the need to secure our digital interactions.

The rollout of 5G networks worldwide will transform many industries, including utilities, critical infrastructure, smart cities, telecom, medical, automotive and more.

With more connected devices communicating with one another across 5G networks, the attack surface for hackers will be broader than ever before, leaving fertile ground for them to step in, compromise devices, and infiltrate everything from smart cities to connected vehicles to medical devices and more. The EU needs to further invest in new technologies aiming at closing the gap with third countries. Industry, particularly SMEs, and consumers have to become more educated about how to manage risks and protect cyberspace. Solutions to protect EU cyberspace that emphasize process, technology, innovation, effective law enforcement and a robust public private partnership should be encouraged.

- **Address the climate and environmental footprint of the ICT sector**, including improving the circularity of electronic appliances
- **Advancing the negotiations on e-commerce within the WTO** to ensure a level playing field between online and offline rules for services and goods.

III - For an industrial policy that stimulate innovation and transformation

Industrial transformation requires new knowledge and innovation to enter into existing markets and to create the new markets.

The European Union is struggling to turn new knowledge into growth, new businesses and new products. European Research and Innovation Programmes could be considered a tool, but we also need to remove the structural barriers such as fragmented markets, limited access to risk financing, low investment in intangible assets, lack of digital platforms and limited skills, etc. A more systemic and integrated approach at local, regional, national and EU level is essential.

The EU has the potential to become the most dynamic knowledge economy of the world, not only for long-term sustainable growth but also to boost short-term economic recovery. Innovation encompasses research and development: innovation needs to be ready for the market and adopted by businesses. Market-readiness levels are often just as important as technology-readiness levels. This is particularly true in the digital and circular economies, where the most successful companies identify changes in the market and build up their innovation capacity accordingly.

The science and innovation-led sustainable growth agenda should be based on a holistic approach, promoting economic openness and innovation-friendly markets with an ambitious policy mix including higher investment levels (including properly screened foreign direct investments) in research, innovation, and renewal of our industry both in new promising sectors and in mature ones. We need to ensure that market-creating innovations and stronger innovation ecosystems will be supported. In particular, we need appropriate instruments to support incremental and disruptive innovations and to share risks with innovative, growth-seeking and often research intensive SMEs.

Ecosystems will be key components of the next industrial revolution, providing affordable and cleaner energy, new methods transforming manufacturing and services, and novel responses to societal and environmental challenges such as ageing, mobility, and climate change. Supporting the knowledge-triangle integration, the collaboration between research, education and innovation all at the service of society be key in solving market failures and supporting the crossing of the “death valley”, also in areas not (yet) covered by industrial interests. Ecosystems will also facilitate the development of sustainable technological solutions, and later the production of innovative products, by bringing different types of public and private stakeholders together.

We also need to facilitate access to finance for SMEs throughout the entire research, development and innovation cycle and in this context Socialists & Democrats insist on the need to ensure a proper financial support to the European Innovation Council (EIC) and the SMEs instrument in Horizon Europe. Furthermore, now that access to risk financing has become significantly more difficult due to COVID outbreak across the Europe, it is highly important to secure that EIF and EIB investment instruments are able to reach also early stage start-ups looking for seed funding.

We insist on increasing R&I performance and reducing the innovation gap within the Union by ensuring broad geographical coverage and participation of low R&I performing Member States in collaborative projects.

Fundamental research and innovation are essential drivers and prerequisites of growth and economic progress that benefits consumers, businesses, the economy and the society as a whole. Innovation often starts on a small scale; however, the larger benefits occur when innovation is spread to businesses and larger communities throughout the value chain. Thus, we need to strengthen research and innovation, in particular in technologies and products fostering decarbonisation, along the whole innovation cycle. Particular attention should be paid to the upscaling to industrial scale and market deployment to make sure that the newly available technologies become a proper business case for European industries and businesses including SMEs, maintaining or enhancing their international competitiveness.

The European Innovation Council (EIC), European Union missions under Horizon Europe and the European Institute of Innovation and Technology (EIT) are examples of how Research and Innovation can contribute to the European Green Deal, a European re-industrialization and drive the change to a better tomorrow. We cannot forget that the EU is still leader in research and, therefore, we have to work towards enhancing innovation so that our start-ups remain in Europe. The innovation efforts often end up generating benefits for listed companies, which generate added value elsewhere, this is dramatically evident now that COVID-19 is revealing our weaknesses.

Horizon Europe's mission-oriented approach to research and innovation is likely to bring improved focus, create linkages and provide direction across different disciplines and between parties, thereby enhancing the impact. Improving conditions and tools for multi-disciplinary and inter-sectoral research and innovation activities would enable research and innovation systems to make this difference. Research and Innovation should be an integral, horizontal part of the European Industrial Policy in view of achieving a sustainable growth in Europe.

S&D Demands

- Ensuring an **ambitious budget** for the European Research Programme and achieving the **3 % target** of gross domestic **expenditure on R&D**.
- Foster combination and **synergies** between regional, national, European and private **funding sources**.
- **Ensure complementarity between all EU funded programmes** (incl. Horizon Europe, Digital Europe programme, Space programme, Defence programme, Structural and Investments Funds, Invest EU) and regional, national and private funding is essential to leverage technologies and innovations that are reaching market maturity in areas of public interest, especially for those that had previously benefitted from previous EU level investments.
- **Climate change spending efforts need to be stepped up to 35%** as agreed in Horizon Europe
In order to implement a coherent approach towards climate action and to ensure all EU budget funding will be dedicated to the zero-emissions transition; common provisions on climate and biodiversity proofing need to be introduced into all legislation. Horizon Europe will greatly contribute to emission reductions and the decarbonisation compatible with the 1.5°C objective of the Paris Agreement. Such a climate compatibility in EU funding programmes would lead to directing

investments towards the most sustainable options and would avoid investments that may have a negative climate impact, as it would take a long-term perspective wherein 'life-cycle' costs of alternative options for investment are compared.

- Insist on the **creation of innovation ecosystem** and on promoting place-based industrial transformation, where universities, businesses, SMEs and start-up meet and cooperate
Europe will be at the centre of a global crisis and will also have to confront with environmental, societal, and economic challenges such as climate change, citizens' health, wellbeing and security. EU RD&I collaboration is essential to pool resources and expertise and jointly find solutions to cope with these challenges. Joint efforts at EU level need to be reinforced to achieve the transformation that Europe needs, to build a prosperous, safe, inclusive and sustainable future for the next generations.
- **Reduce by half the R&I gap in the EU** and increase participation of widening countries in collaborative projects;
- Promote an **open science and innovation** environment with **open access to data** and infrastructures. Open science and innovation policies should support better quality science, increased collaboration, and engagement between research and society that can lead to higher social and economic impacts. COVID-19 showed us the need to increase international cooperation in the area of open science and innovation in order to address global challenges.

IV - For an industrial policy that benefits consumers and businesses

The COVID-19 crisis has underlined the necessity for the Single Market to be respected and preserved. The continuous supply and distribution of essential goods, medical and protective equipment is key to addressing the crisis to those in need across the EU, leaving no one behind. Therefore, we believe the creation of minimum European stocks of strategic products is necessary.

Europe needs a fully operational single market that encourages the dissemination of green, innovative solutions and that allows them to reach a critical mass. Transforming the European industrial model requires a smart, flexible and efficient regulatory approach, which promotes social and ecological progress while enhancing competitiveness, and productivity to guarantee the provision of essential supplies.

In order for the Single Market to remain the most advanced area of the world in terms of quality, safety, circularity and sustainability of products, a fertile place for our industries to grow up and a safe and transparent place for consumers, remaining barriers for the free movement of goods and services and fragmentation must be addressed.

The industrial sector in Europe is a competitive advantage for our union and with the right initiatives; we can make the competitiveness even greater.

One way to support the industrial sector is to reduce the fragmentation of the Single Market in order to allow enterprises to use their full potential and grow to a relevant global size strengthening European competitiveness on the global market, whilst ensuring a high level of protection for consumers, and protecting the health, safety and wellbeing of our citizens.

Competitiveness is also strictly related to a reliable, consistent and coordinated regulatory framework for the Single Market that requires social, environmental and economic impact assessments and cumulative costs assessment of regulations that are transparent and uniform.

In that respect the relaxation of state aid mechanism followed during the crisis, without ambitious recovery instruments and a sound financial contribution to the budget of the European Union and the MFF programmes, could increase asymmetries between countries with different economic and fiscal

capacities and fragment the Single Market. . While state aid could be an important tool in a time of crisis, it should not lead to inequalities and distortions.

It is nonetheless not enough to reduce fragmentation alone - the implementation and upholding of EU regulation has to be strengthened all over the Single Market.

Public tenders must be used as a tool for the transformation of the market, allowing high social, ecological and innovation criteria to be equated with economic ones will push for more sustainable public tenders. We fully support the intention of the Commission to look into increasing green public procurement. COVID 19 pandemic has also shown besides keeping transparency and the fraud-resistance of the procedures, we need to simplify the public procurement process in order to make it simpler, faster, more fair and more flexible and intuitive to procurers from all Member States. We need to make public procurement more responsive to shocks and crises in the economy, more sustainable and more socially responsible.

Our safety and quality standards should be fit for the 21st century both online and offline.

Consumer safety, protection and high quality standards have for many years been a trademark of the Single Market. They need to be updated however in the light of new challenges posed by emerging technologies and adapted to create incentives for sustainable consumption, as for instance by creating a right for repair. The COVID-19 crisis has also shown that rapid action and more cooperation between Consumer Protection Authorities, consumers' associations, market surveillance and customs authorities and online platforms is necessary to ensure consumer protection in these sensitive times, when consumers are especially vulnerable. In the globalized world, European companies and products are no longer competing only between themselves but rather are in competition with international companies and products. Therefore, the announced revision of the market definition notice is overdue. When defining the relevant product and geographic market, the EU must ensure that European companies can compete with global competitors and lay the ground for the creation of European champions. Very often, it is the strength of the Single Market that it can set standards who spill over to other markets, which sets European products apart.

Our products and the materials we use also have considerable impacts on the health of consumers, in addition to the impacts on the environment. We need to ensure that the use of all chemicals that harm human health are urgently phased out and banned from products and our industrial production systems. This is particularly important when it comes to chemicals with endocrine disrupting properties causing among other effects cancer, infertility, or developmental defects. The substitution of all harmful chemicals is also important for the achievement of a non-toxic circular economy, so that we do not circulate or accumulate toxic substances in our recycled materials and products

Consumers come in contact with platforms several times throughout the day. Direct imports by consumers from platforms in third countries have increased significantly and create new risks related to product safety and consumer rights. We must ensure consumer protection and transparency when dealing with platforms in the light of the rapidly changing structure of e-commerce. Marketplace rules should cover all entities that offer products to consumers in the Union, no matter where they are established and marketplaces must be more active in the detection of unsafe products and their removal from the market.

Overall, platforms should behave ethically and in a socially responsible manner, taking into account sustainability and the interests of society. Finally, it is important to adopt a flexible and efficient regulation approach thus lifting some barriers to the Single Market.

S&D Demands

- New **smart regulatory approach** for the European Single Market reducing fragmentation and removing barriers. The Coronavirus crisis has underlined the necessity that the Single Market needs to be respected and preserved in these times of unprecedented crisis. The Single Market should be seen as the solution, and not the problem of the crisis.
- **Protecting consumers and ensuring their rights.** Regaining the consumers trust is important and therefore we need to prevent unfair commercial practices both online and offline and guarantee product safety
- Significantly **increase green public procurement.** Make public procurement more responsive to shocks and crises in the economy, more sustainable and more societally responsible.
- Mobilising industry to move towards a more **sustainable consumption** through new specific regulations tackling obsolescence and reuse of products and services.
- **Further improve the imbalances in the European food supply chain**, where unfair trading practices put at risk some of their links.
- **An ambitious chemicals strategy for sustainability** should be presented as soon as possible to protect human health and the environment; all toxic substances should be urgently banned or phased out. Our circular economy should be made toxic-free.
- **Fight against dual quality and counterfeiting and illegal products** in the Single Market.
- **Ethical and social responsibility and fairness of platforms.** We need to ensure that platforms keep the online environment safe and their users protected from the risks posed by illegal commercial practices. Furthermore, it is important to create a fair level-playing field for all digital companies, not only for “big tech”, including for the platform and collaborative economies.
- **A life-science industry** that ensures European innovative capacity **in upholding and developing the production of essential drugs and medical equipment.**

V - For an industrial policy that fosters sustainable international trade and ensures fair access to foreign markets

The initiative of the Green Deal confirms the leading role Europe takes in climate action. Our industries will only remain globally competitive by striving to be the world champion in markets linked to sustainable development. We need to make sure that our international action fosters high standards in social protection and inclusion as well as our climate and environmental standards and promoting a climate neutral business model. Investments in innovation, technology, education and (re-)skilling, will contribute to preserve European industry's leadership as the most innovative and ecological in the world. The European Union should not be afraid of creating and supporting European industrial champions than can compete with the biggest companies on world's markets.

However, Europe cannot save the planet on its own. Global action is crucial.

Therefore, the Green Deal should be reflected directly in our trade policy if we want it to succeed. On the one hand, we should encourage our trade partners to achieve equally high climate environmental and social ambitions. On the other, we must protect our industries against predatory business practices and social or environmental dumping. We must not tolerate unfair practices from third countries undermining our values and disturbing the level playing field. This requires various actions in our trade policy. Thus, the European Union needs to make full use of its trade defence instruments and establish an effective system to protect European industries from carbon-leakage. Our goal should be to strengthen our European industries and remain an attractive location for them, in full respect of our high social and environmental requirements. Only if we achieve this, the European Union can effectively

contribute to a global improvement of working conditions, workers' rights and the fight against climate change.

The European Union has to play a proactive role in the reform of the WTO to level the playing field, in particular new rules on industrial subsidies and forced technology transfer are required. We should strengthen WTO rules to increase transparency and notification, adopt stringent measures on State Owned Enterprises and prohibit harmful subsidies.

We need to reform the WTO dispute settlement mechanism in order to reinstate a working Appellate Body and create a fair system of arbitration for the benefit of our companies and international partners.

Our competitiveness will also depend on the development of a common European definition and screening procedure of critical infrastructure, to prevent outside pressure on European companies and industrial policy. We need to establish a common approach regarding acquisition of European companies from non-European states.

We need to establish an ambitious and stringent due diligence framework, alongside enforceable trade and sustainable development chapters in our free trade agreements, treated on an equal footing with other parts of the agreement and with effective deterrent measures in the event of breaches.

In order to guarantee its food sovereignty and a sustainable food production, Europe must ensure that agriculture, aquaculture and fisheries are not used as a bargaining chip in the negotiations of future free trade agreements: increasing the sustainability requirements of European food production should not affect the level playing field between EU and third country producers and should help raise standards globally.

S&D Demands

- **Defining the key strategic sectors needed for a resilient, sustainable, healthy and socially fair Europe.** Stipulating the way to stimulate, protect, maintain or regain the production, control and global leadership in these crucial value chains.
- **Ensuring that the Trade and Sustainable Development chapters** in our free trade agreements are enforceable and **placed on an equal footing** with other parts of the agreements.
- Ensuring that European industries are not endangered and disadvantaged by unfair practices by a **full use of trade defence instruments** and calling for **reciprocity** when granting market access to our competitors.
- A reformed WTO dispute settlement mechanism with a working Appellate Body which provides fair arbitration to our companies and international partners
- A **WTO-compatible carbon border adjustment mechanism** that enhances climate action on a global scale and protects our industries from unfair competition.
- **Stopping fossil fuel trade incentives** and **enhancing sustainable energy**
- Introducing '**social and environmental traceability**' along the entire production chain.
- **Due diligence obligations** that cover the whole supply chain inside and outside the EU and cover all sectors
- **Re-negotiating the Energy Charter Treaty (ECT)** to promote sustainable energy investments. Should this not succeed, consider leaving the ECT.
- An **International Procurement Instrument** that provides reciprocity in our trade relations and demands the highest social and environmental standards
- **Foreign Direct Investment screening** that protects our know-how, industries and strategic infrastructure. A more streamlined screening of Europe's critical infrastructures is essential to quickly identify and prevent acquisitions from foreign powers that can make EU vulnerable
- **Negotiating investment facilitation agreement** to address lack of transparency or burdensome administrative procedures for our companies investing abroad.

- **Addressing behind the border barriers to trade in services** to help our EU service industries to overcome complex and non-transparent licensing and authorization systems in these countries.
- **Advancing negotiations on e-Commerce** where the EU is very competitive to ensure a level-playing field between online and offline rules for services and goods.

VI - For an industrial policy led by targeted investments and effective financial instrument through a Recovery Plan tackling the consequences of the Covid-19 pandemic and laying the grounds for a sustainable common future of shared prosperity, well-being and resilience

The COVID-19 outbreak will require ambitious measures. People and companies need smart, sustainable investments, innovation and a protective shield against the looming recession. The crisis exposed the fragility of our common economic and social governance capabilities and instruments when a strong public response is the only answer. The Recovery Plan is Europe's chance to rise to the challenge.

Finance has to be at the service of the real economy of European industry to promote a social and ecological progress, but it cannot do the job alone. The transformation of our industrial model requires a huge mobilization of resources that the Sustainable Europe/European Green Deal Investment Plan (SEIP) is not prepared to satisfy. A systemic approach combining public and private investments, both at European and National level, is needed to trigger the transition towards a carbon neutral and socially inclusive economy. A reformed Economic fiscal framework can contribute to this change by enabling the necessary public and private investment. Moreover, the EIB, as the EU's "Climate Bank", has a tremendous role in enhancing sustainable financing to the public and private sectors and assist companies in the decarbonisation process. The EIB should prioritise in its lending activities the implementation of the 17 Sustainable Development Goals (SDGs) of the UN 2030 Agenda for Sustainable Development by further unlocking investment in social, green and sustainable projects. In this regard, we welcome that the EIB Board of Directors decided to end financing for most fossil fuel energy projects from the end of 2021 and to gradually increase the share of its financing dedicated to climate action and environmental sustainability to reach 50 % of its operations as of 2025. The EIB should also revise its climate strategy to ensure all investments are in line with the goals of the Paris agreement.

Furthermore, access to financial resources has to be improved for new emerging industries, promising start-ups and SMEs that could, on the one hand, potentially play a leading role in a sustainable and digital industrial future, but that are, on the other hand, also prone to be affected more by transformations than big, established industries due to limited financial and human resources.

In order to mobilise the resources needed to achieve the climate objectives, it will be necessary to selectively and carefully review the state aid rules. In particular, aid will have to be allowed in the sectors most exposed to the transition. Nevertheless, such support should neither create distortion nor weaken EU competition rules aimed at protecting EU citizens' interests. Aid would preferably be sectorial, technology-neutral temporary and geared towards minimising job losses, promoting investment in green technologies, energy efficiency or changing the source of energy supply and reducing energy costs, all while respecting the European Green Deal objectives. The same principle should be applied to provide support for workers of those industrial sectors most exposed to the impact of new environmental regulations.

A clearly defined and agreed amount for fulfilling the European Green Deal objectives should be excluded from the deficit for the purposes of the Stability and Growth Pact and the Fiscal Compact. Moreover, achieving fair competition would require the end of tax competition across the EU, together with an enhanced fight against tax avoidance that benefit only larger economic players and undermines the competitiveness of SMEs.

S&D Demands

- **A temporary European economic and social stimulus package**, including an updated Multi-annual Financial Framework (MFF) proposal as part of a comprehensive European Recovery Plan including a European Fund of at least €1.5 trillion, mainly based on grants and available to all Member States, must be commensurate with the large-scale damages inflicted on our companies and their workers, on our social welfare systems and on the well-being of the most vulnerable
- **Access to finance** (notably for SMEs) and the importance of the Capital Markets Union (CMU).
- **Reinforce the role of the EIB as the EU's "climate bank"**, ensuring its operations do not contribute to climate change or environmental degradation
- **Developing sustainable finance** to ensure an industrial policy, which is aligned with the Green Deal objectives.
- **Revision of EU state-aid rules**, should aim at reinforcing and simplifying the investment capacity in sustainable solutions and concrete tools for national, regional and local authorities, while safeguarding the level playing field and the coherence of the single market and respecting social and environmental objectives.
- **Reform of the Stability and Growth Pact**, enabling fiscal framework for sustainable investment, future technologies and industries.
- **A taxonomy that works for the climate and the people**, this will be a key tool for industries to attract private financial resources, while discouraging green washing attempts.
- **Reform energy taxation** in a way that energy-intensive industry remains competitive through renewables and energy efficiency.
- **Abolish tax exemptions and practices that go contrary to our climate and environment objectives** such as the exemptions applied to kerosene and maritime fuels
- **Encourage the use of environmental taxation** more broadly and policies that respect the polluter pays principle

VII - For an industrial policy that guarantees social inclusiveness, benefits workers and enhances Social Dialogue in all European territories

Ageing population, demographical challenges and the consequences of migration are confronting policy makers with new challenges. Technological changes are occurring at the rapid pace, industry and the future of work are changing rapidly. Digitalisation, automation and new sustainable technologies can be an answer to these challenges by enabling higher productivity. A progressive industrial strategy includes establishing or improving collective bargaining systems at all levels (company, sector, and local, regional, national). Collective agreements are the best way to equalize wage distribution, lower the barriers that certain workers face at work because of their gender, disability or ethnicity. Thus, collective bargaining systems enhance inclusivity, stabilise labour relations and contribute in overall to a more equal society.

A sustainable industry transition means for Socialists & Democrats the inclusion of all workers, with special attention to the integration of migrants and older workers through investment in education and training. A strategy to limited gender segregation at industrial level should be also considered since

women are less present in the industrial sector and are concentrated in sectors with lower valued added.

The new European industrial strategy has to promote gender equality through active labour market policies to overcome the digital divide, social protection and work life balance as a strategy for all workers, not only for women. A socially fair industrial strategy also needs to be tailor-made on the needs and specificities of each region. It must also pay attention to and help boost sectors, which, such as industries linked to the production and processing of agricultural, aquaculture and fisheries products, help to fix populations in regions most affected by demographic change.

A deeper penetration of the platform economy will increase the number of people working in vulnerable job contexts and in concealed self-employment - characterised by more precarious situations, with lower levels of income and job security, more dependent and with less working autonomy. We have to protect them.

Taking into account inevitable technological changes in innovations which will change the way of working and create new jobs, it is important to start adapting our educational systems and creating incentives to facilitate greater liaison between education and market needs in order to avoid gaps in technological skills. Following this, we need to provide facilities to enable such trainings and development of skills to anticipate upcoming technological innovations.

Adapting and building a new education system will be essential to create the “new workers”. Therefore, adequate training and proper qualification for future jobs, particularly in areas associated with digitalization and ecological transition, while avoiding school dropout, improving employability and promoting digital skills is necessary.

We therefore need major changes in the current approach to anticipating and developing skills to equip employees and students with different skills and learning abilities. People with disabilities should be also addressed on the skilling and industrial strategies.

Education and university budget should be in line with those needs. A specific campaign to promote the participation of girls and women and STEM study areas should be considered and promoted.

Education will greatly contribute to limit the risk of rising geographic and social inequalities within Europe. Social dialogue and social integration are key to co-define modern social security systems and well-functioning labour markets, for and with European citizens. The establishment of a structured social dialogue at all levels (company, sector, local, regional, national) and participation of employees and trade unions in the decision making process becomes vital to ensure just workforce transitions, to help up-skill and re-skill those whose jobs are at risk and to support the regeneration of unfavourably affected sectors and regions. We need to strengthen existing European legislation on employee involvement in companies, strengthening the role of social partners, in particular trade unions, at EU and national levels.

The social impact of decarbonising different industrial sectors and the transformation towards a circular economy are a reality, and their significance will grow further. This needs to be well anticipated and managed by European, national and regional authorities, in close dialogue with social partners and affected communities and territories.

Social, economic and territorial cohesion and regional policy geared towards sustainable development solutions should play a major role here, as well as all other relevant investment policies and instruments that can be mobilised at EU level.

Each region has its own characteristics and needs.

A socially inclusive and territorially fair European industrial policy needs to embrace a place-based approach. A one-size fits all approach can only generate an agglomeration effect by increasing the gaps between urban and rural/peripheral areas. Particular attention should be given to depopulated areas that already suffer from challenges in basic services and infrastructures, as well as connectivity. Industrial policy has to be a mean to foster convergence and cohesion by adapting to the social and industrial specificities and potential of each territory.

An important regional approach that the industrial policy needs to take into account is the context of those regions and cities that in the last decades have experienced a process of tertiarisation. The weakening of local industries due to the negative impacts of globalisation in these places has been alleviated by a bid on the service sector, in particular tourism. However, the service sector has proved to be vulnerable to shocks like a pandemic. Moreover, the labour conditions in this sector are sometimes precarious. The European industrial policy has to include as a goal the reindustrialisation of tertiarised economies in order to strengthen their resilience and the quality of jobs.

The Just Transition Mechanism is only a small step in this direction. This European instrument will by far not be enough to counter-balance the transformations in energy and industry that coal- and carbon-intensive regions will need to face due to decarbonisation. Thus, we need additional support and investment to manage the structural changes through a coordinated action by the private and public sector together at all the levels of governance. No one and no place must be left behind.

Europe needs a socially “just transition”. It’s about starting from the people themselves as the actors and beneficiaries of the transformation, rather than considering them as victims or passive targets of the transformation.

The involvement of the industry is key to achieving the EU goals in terms of environmental and social sustainability, and for upholding our Human rights standards. For this to work, it is paramount that EU industries keep track of the way they are performing non-financially, and that they can adapt their short and long term strategies according to publicly accessible specific indicators and targets, for investors to perform their duties, for decision makers to keep track of progress, and to ensure transparency and accountability.

S&D Demands

- **Adopting and enforcing a new Framework Directive on information and consultation of workers**, anticipation and management of restructuring, as demanded by the European Parliament in 2013. The purpose of the Framework Directive should be to promote and facilitate information and consultation in economic change and improve the way in which companies, employees' representatives, public authorities and other relevant stakeholders throughout the Union anticipate, prepare and manage, in a socially responsible way, corporate restructuring.
- **Revising the European Works Council Directive** to strengthen information and consultation of employees and workers in transnational firms with 1,000 employees or more. ³ **This should include the inclusion of AI and automation at the workplace.**
- **A European directive on fair working conditions** for all workers, ensuring a core set of enforceable labour rights, health insurance and social protection – even for those who work on temporary or on-demand contracts, in internships or as self-employed contractors for digital platforms. All these people need to make a decent living and need to be protected.

³ European Works Councils are bodies representing the European employees of a company. Through them, workers are informed and consulted by management on the progress of the business and any significant decision at European level that could affect their employment or working conditions

- **Facilitating cooperation of public and private actors** where workers should be timely informed on the extent of the new upcoming technological developments in order to evaluate their capability and timely participate in specific provided trainings if needed.
- **Expanding the Blueprints for Sectoral Cooperation on Skills Programme** to all sectors experiencing, or likely to experience, skills shortages and supporting national implementation of on-going Blueprint initiatives.
- **Making the best use of EU programmes** such as Erasmus + and the European Social Fund to develop more workplace-centred skills initiatives.
- **Supporting the work of the European Centre for the Development of Vocational Training (CEDEFOP)** in co-operation with Member States and social partners.
- **Supporting the European Skills, Competences, Qualifications and Occupations (ESCO)** project in identifying and classifying skills and qualifications relevant for the European labour market.
- **Creating and developing programs in cooperation with national industries and social partners** to regularly provide skills for existing and upcoming workers.
- **Support the economic diversification of those European regions heavily dependent on the service sector.** A reindustrialisation of these territories - based on a zero-emissions criteria - is needed in order for them to be economically resilient to shocks such as the current pandemic
- **Mainstreaming a socially fair just transition approach** across all relevant EU budget instruments by ensuring strong coherence with cohesion policy and wider territorial strategies.
- **Ensuring that the new Just Transition Fund will be a toll for social, environmental and energy justice together, supporting the people in** those territories with less disposable financial resources and where the transformation is most needed mitigating the potential socio-economic impacts of the transition
- **Having an open and inclusive approach in the Just Transition Mechanism.** Involving citizens and stakeholders and facilitating community and public engagement in the decision-making process.

Conclusion

The COVID-19 pandemic proportions is having a very powerful impact from an economic-social point of view and could create the conditions for evolutionary/de-evolutionary drives that will accompany us throughout the decade.

The crisis we are experiencing poses risks to basic supply chains and new questions for us, all our certainties about how to react is called into question by the immediate need to receive answers that will enable us to guarantee maximum protection of the health of our citizens.

The need for immediate and coordinated action is clear and obvious, but more than anything else, it is vital to understand how we will face the huge consequences of a total lockdown on people's wellbeing and how essential it is to anticipate crises.

The scarcity of materials, the dependence of many of our businesses on supplies from third countries, the consequences of the relocation of our manufacturing industries abroad are more than ever a sign of the urgency of a change of pace.

We need an anticipatory dimension to react to crisis and a view on the long-term. Europe needs to come out of this crisis by striving to be more sustainable and resilient, in every aspect of our society. To give to the European industrial system tools to recover and to excel and compete at global level, to trigger and support the just transformation of our economies and societies; this process should start with a huge recovery and investment plan which is fully in line with our climate and environmental objectives.

We insist on supporting and empowering people to improve their lives, keeping and providing employment opportunities, skills development training, and health and wellbeing services across the EU.

We insist on providing necessary protections, skills (including digital skills), and aid to businesses across the Union with a special focus on SMEs and startups-particularly those that invest in sustainability. Following the declaration of the climate and environment crises by the Parliament, it is crucial that the European Green Deal is at the core of our industrial strategy and guides our economic recovery. The transformation to a sustainable, climate-neutral economy depends on the full alignment of our policies and industrial operations with the Union's 2030, 2040 and 2050 climate neutrality, circular economy and biodiversity goals. The industry plays a key part in the process, and we are ready to work together to ensure our environmental and industrial objectives go hand in hand.

In order to ensure that private economic activity takes far better account of social and environmental considerations beyond profit-making, and contributes to a fair distribution of wealth and incomes, we have to make the economy more sustainable, more diverse, more collaborative, less focused on short-term concerns and profit-maximisation, and more responsible towards the external costs a company's activity generates for society as a whole. It is time for the EU to start again a common path, to overcome the current crisis taking full advantage of the opportunities for sustainable renewal in line with the European Green Deal, the UN SDGs and further development of the industrial base with high quality jobs, also for women It is time for the EU to choose its own path towards a European industry fit for the future.

The Socialist & Democrats Group has a vision and concrete proposals to make this happen. Together we will successfully face the challenges of a sustainable, human and competitive economy.