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From: General Secretariat of the Council
To: Council

Subject: The need to reflect on options to finance industrial policy at EU level:
“Reinforcing European Industry to boost Competitiveness”
Information by the Spanish, Portuguese and Greek delegations

Delegations will find attached an information note from the Spanish, Portuguese and Greek delegations on the need to reflect on options to finance industrial policy at EU level: “Reinforcing European Industry to boost Competitiveness” with a view to the AOB items at the meeting of the Competitiveness Council on 24 May 2024.

Information Note from the Delegations of Spain, Portugal and Greece on the need to reflect on options to finance industrial policy at EU level: “Reinforcing European Industry to boost Competitiveness”

In alignment with the European Council Conclusions of 17th and 18th April (*and with the Council Conclusions on “A competitive European industry driving our green digital and resilient future,”*) there is an urgent need to enhance the EU's industrial base to ensure long-term competitiveness and resilience.

Europe faces numerous challenges in its quest for effective open strategic autonomy in industrial policy, stemming from both external competition and internal factors. The EU must continue to strive to be an attractive market for industrial operations building on its strengths and improving its business environment.

The green and digital transitions encompass ambitious goals that will require significant investments and changes in the business models and consumption patterns. The European industrial manufacturing landscape will depend, to an important extent, on strategic industrial policy decisions. Europe's response to the industrial competitiveness challenges has already led to the adoption of a variety of instruments to mitigate dependencies on strategic technologies (STEP) and resources such as semiconductors (Chips Act), critical raw materials (CRMA) or net-zero technologies (NZIA). However, the absence of integrated, unified and coordinated action dilutes the effectiveness of individual policies and can lead to inconsistencies in Europe's international industrial policy. Therefore, a more comprehensive and strategic approach is needed with a view to the next Multiannual Financing Framework.

On the one hand, efforts to improve business environment, and promote further simplification and reduction of regulation, and administrative burdens should continue.

On the other hand, a **strategic and new approach to financing of industrial policy for the next Multiannual Financial Framework on strengthening the manufacturing capabilities of critical resources, reinforcing the industrial resilience and competitiveness of the EU and its diverse regions** is essential. The aim should be to **consolidate the number of initiatives** based on experience to **maximize impact** and **ensure a level playing field** within the EU and globally. Existing funds that serve such a strategic approach to industrial policy could be streamlined, focusing on reinforcing industrial infrastructure, promoting production capabilities, and supply chain resilience of critical resources, with also focus to SME, as integral part of value chain.

The EU is at a pivotal moment to advance European integration, merging two fundamental needs: enhancing European industrial production and protecting the resilience of supply chains. **A strong Europe requires a powerful industry, and in the current geopolitics, a powerful industry requires a new approach to mobilize public resources at EU level along with private capital. This essential driving force of EU economic development needs new industrial infrastructure in terms of innovation, research and development of manufacturing capabilities, in line with smart specialization strategies, allowing the EU market to be more competitive and resilience in the world market.**

Therefore, Spain, Portugal and Greece call on the Commission to explore the creation of a European instrument to ensure the success of our industrial policy, as called for in the European Council Conclusions of 17-18 April 2024¹. This financial instrument would enhance production capabilities in balanced and competitive manner and would help to efficiently incentivize strategic investments in the industrial critical sectors across the Union, ensuring an effective distribution to increase overall EU competitiveness and resilience.

¹ The European Council called for “developing and implementing an effective industrial policy, in dialogue with stakeholders, that decarbonises our industry in a competitive manner, develops the Union’s competitive edge in digital and clean technologies, diversifies and secures strategic supply chains, and strengthens Europe’s defence technological and industrial base”.

The instrument should have a robust governance system, with long-term vision and focus on strategic sectors, while fostering collaboration among Member States. In other words, this instrument should become a significant strategic asset, fostering internal production capabilities and a competitive edge across the Union while strategically promoting EU's industrial integration in all EU regions. It would reinforce a unified approach among Member States and strengthen Europe's industrial sector to ensure that the EU remains at the forefront of innovation and sustainability, drives both the green and digital transitions, via demonstrating a robust industrial and economic model, thus securing a resilient future in an increasingly complex global landscape.
