

## European industrial policy for a strong and competitive economy

The European Union faces huge challenges and opportunities. Technological and demographic change as well as globalisation are transforming our economies and societies. The economic strength of Europe in the future will be dependent on our ability to remain a global industrial power. In order to strengthen this sector, we need considerably more growth-enhancing investments and a genuine EU industrial policy to enable us to compete at the global level.

The social market economy has been and will continue to be a successful model for the EU economy and worldwide. With regard to the changing economic environment, we should continue to strengthen and improve it. A forward-looking European industrial policy is a strategic aim in this respect.

Therefore, Germany and Poland call for an ambitious EU industrial strategy with clear objectives for 2030 and beyond with clear objectives and instruments tailored to the needs of industries. The strategy, adjusted to the differences in the industrial base development in the Member States, should also be a top priority for the next European Commission.

In order to succeed, we need above all to:

**(1) Invest in innovation and critical skills:** We must promote investment in innovation in key industrial sectors as well as in key technologies such as artificial intelligence. A priority objective of the EU must be to foster competitiveness and sustainable growth within the European economies in the context of constrained budgetary resources. To this end, investments and structural reforms should be further developed. This will require modernising tried and tested instruments with a view to making them more effective. This includes financial support for EU public goods and investments in innovation and research, and action to enhance the EU's competitiveness at a global level. Parallel to this, it is important to persistently pursue the creation of a pro-investment and pro-innovation environment at EU and at national level. This process is supported at regional level by investments from the European Regional Development Fund, which should be maintained .

**(2) Define common strategic goals in industrial policy:** Poland and Germany strive for a common long-term and forward-looking European industrial strategy up to 2030 and beyond. Against the backdrop of an increasingly protectionist and strategic industrial policy of other countries, action is needed to reduce these distortions and strengthen the competitiveness of the European industrial sector in the long term. The European strategy should particularly address the digital transformation, sustainable mobility, bio-economy, green technologies, the sustainable raw materials supply, low carbon / low greenhouse gas emissions economy initiatives for industry, and securing a sufficient supply of skilled labour.

**(3) Support strategic technologies:** One crucial element of European industrial policy is the continuation of the work on important projects of common European interest (IPCEIs), designed to foster investment in key enabling technologies at a pan-European level. Designating an IPCEI for battery cell manufacturing would allow the entire electric mobility value chain and the respective jobs to remain in the EU. Battery technology is therefore a key enabling technology which will be indispensable across all areas of industrial value creation, particularly for the electrification of transport systems, storage of renewable energy, and electricity use in private households. The ability to use this technology in a large variety of applications and on a large scale is crucial in order to remain competitive. European enterprises and research institutions from both countries will investigate possibilities to work together towards the endeavour of forming a project of common European interest in battery cell production.

The same is true for hydrogen, bio-economy and life science technologies which can help to move industry forward, also with respect to sustainability and a low carbon / low greenhouse gas emissions economy. To ensure its success, the IPCEI procedures have to be streamlined and simplified in order to keep up with the pace of change in high-tech sectors.

**(4) Improve our framework conditions at EU and national level:** We need to ensure that our national and the European regulatory framework is fit for purpose, future-proof, innovation-friendly and achieves its objectives at minimum regulatory cost. Unnecessary burdens should be reduced in a targeted way. This includes a further deepening of the EU single market, especially in the area of digitalisation. It also includes cost-effective measures to incentivise CO<sub>2</sub> mitigation and at the same time prevent carbon leakage. To this end, a reliable, affordable and sustainable energy supply is a crucial basis for competitive industrial production in the EU. In order to promote the competitiveness of EU industry at international level, it might be necessary to discuss the possible evolution of the European rules applicable to competition and state aid.

**(5) Defend multilateralism and open markets and promote an ambitious EU trade policy:** Poland and Germany strongly support the rules-based trading system with the WTO at its centre. We therefore welcome the EU's leadership in the essential and urgent discussion on WTO modernisation. This includes the adaptation of the WTO rulebook to improve transparency and more effectively fight against trade-distorting practices including excessive subsidies to industry.

In parallel, the EU should continue its ambitious bilateral trade agenda with our trading partners. This should also include – to the widest extent possible – a positive trade agenda with the United States of America.