

Blueprint for European Industrial Resilience: AEGIS Europe's Policy Recommendations

A well-functioning EU Single Market is a fundamental precondition to compete internationally. However, the major crises in the last years have posed several challenges to its functioning and reduced the EU's ability to safeguard its well-being and maintain a strong industrial base.

Trade data paints a deeply concerning picture, as EU industries have witnessed a massive decline in export opportunities while an increasing reliance on imports has exacerbated dependencies. Additionally, employment figures have been in decline since the start of the COVID-19 pandemic, while high-cost levels have led to massive curtailments in production. Compounding these challenges is the pressing need to address the skills gap and promote reskilling initiatives, ensuring that Europe remains an attractive destination compared to other global economic powerhouses.

Furthermore, the Single Market is struggling to protect industries and production capacities against external shocks in the international economy, such as the ongoing Europe-wide energy crisis. These challenges demand a robust and unified response underpinned by a consistent industrial policy.

A successful industrial policy at EU level requires regulatory predictability and overarching policy consistency to achieve radical improvements that would enable the EU to remain competitive on the global market and maintain a strong industrial basis while creating growth opportunities.

We invite policymakers to consider our policy recommendations below, which offer pragmatic solutions to address the pressing challenges confronting our industries and the Single Market.

1

Single Market and Industry in Europe

- **Production target:** Establish a comprehensive binding target for EU industrial production and develop an integrated masterplan incorporating innovative elements and a more impactful European Semester aligned with common EU objectives.
- **NZIA and CRMA:** Ensure complementarity and the correct implementation of the Net Zero Industry Act (NZIA) and Critical Raw Materials Act (CRMA) as important pillars of the EU industrial strategy to meet the objectives of the twin transition and create a more robust and predictable manufacturing future in the EU.
- **Resiliency and strategic autonomy:** Define a plan for an industrial renaissance around the need for Europe to produce industrial goods to be economically resilient and autonomous in strategic sectors, and reduce dependency on unpredictable, unreliable and unsustainable trade partners by scaling up European mining and processing. This includes strengthening EU funding sources into more strategic support in critical industries for economic purposes.

2

Energy and Climate

- **Secure supply of energy:** Develop national energy plans for energy-intensive industries with clear targets that consider diverse energy sources across Europe, and ensure access to secure, low-carbon energy sources at competitive rates.
- **Climate targets and impact assessment:** Include an industrial component in the 2040 EU climate targets and conduct a comprehensive assessment of the impact of climate policies (including the Fit for 55 package) on the economy and industry competitiveness.
- **CBAM:** Implement a robust Carbon Border Adjustment Mechanism (CBAM) to maintain industry competitiveness, including a viable and WTO-compatible export solution and strict anti-circumvention rules, and enforce complementary measures to address carbon leakage risks resulting from the EU ETS application in non-CBAM sectors.
- **Provide financial support to industries critical for the green transition:** Provide incentives and financial support (through private, public and EU funding) to industries involved in the energy transition and ensure faster and predictable access to funding, including a new framework for state aid.

3

Trade

- **Trade tools:** Strengthen trade defence mechanisms (including customs controls) to level the playing field with third countries and correctly implement the new autonomous trade tools (e.g. IPI and FSR) to address market access issues and unfair competition in the EU market. Additionally, explore new approaches to deal with industrial subsidies, particularly in addressing overcapacities, until WTO reforms are achieved.
- **FTAs:** Ensure reciprocity in market access, investment opportunities, and diversification through high-standard Free Trade Agreements (FTAs) with enforceable provisions and similar environmental and social standards, including mirror clauses for industrial goods.
- **Emergency instrument:** Consider using the safeguard instrument or developing an "emergency break" instrument for trade defence to address external crises or shocks based on GATT Article XXI (Security Exceptions) and empirical experience.
- **Public procurement:** Strengthen and potentially revise public procurement rules to ensure a competitive industrial policy, including the use of the MEAT principle and EU localization requirements when EU funds are involved.