



European Commission - Speech [Check Against Delivery]



A Europe that protects, transforms and projects: industrial policy the European way - Speech by Commissioner Thierry Breton at the Bruegel Annual Meeting

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War on our continent, climate change, pandemics, ageing population, global technological race, geopolitics of supply chains: tectonic plates are shifting, and there is a growing awareness that Europe needs to develop **a more sophisticated answer than pitching so-called free traders against so-called protectionists.**

Recent disruptions have exposed Europe's overreliance on a handful of actors, and the importance of securing global supply chains. Remember how we had to negotiate for the US to lift its ban on the export of vaccines or vaccine components produced by European companies on their territory. Vladimir Putin's attempt to weaponise our dependency on Russian fossil fuel imports. Or recent export restrictions from China on key materials for semiconductor manufacturing (gallium and germanium).

At the same time, there is **fierce global competition taking place to secure the clean tech and digital markets of the future,** by securing the entire value chain including a strong manufacturing base. Which is shaking the long-standing belief in just-on-time logistics, geographical specialisation and elongated supply chains. And rightly so: because our dependencies do not only weaken us economically and politically – **we also need to rethink our supply chains from an environmental and social point of view.** It is time that we confront our paradoxes, where we pursue an ambitious Green Deal yet prefer to source goods produced unsustainably or in countries that make us vulnerable. **We need both secure and sustainable supply chains.**

So in light of this new reality, what if I put forward the following ambition: *"We will build a future in Europe, with European workers, with European companies, with European made products."* No doubt I would immediately be labelled as the French protectionist. Well, let me tell you that I am simply paraphrasing President Biden's statement one year ago, soon after the adoption of the US Inflation Reduction Act.

There is a tendency to oppose industrial policy and trade. To see industrial policy as the trojan horse of protectionism. That, too, is a simplistic and self-defeating vision. **Global trade accounts for 25% of our GDP.** Trade in goods represents almost 70% of the EU's exports, and we remain the second world exporter after China and consistently ahead of the United States.

The point is, we want it to remain thus! Because we see a trend emerging of being relegated to net importers of electric vehicles or solar panels, thus replacing our dependence on fossil fuels with industrial and technological dependencies.

Last year, China overtook Germany to become the world's second-largest car exporter, as even European manufacturers are now producing electric cars in China for our market. In 2016, we imported 74 000 cars from China. In 2020, 200 000. In 2022? More than 500 000. Half of those are electric vehicles.

And China produces 98% of the solar panels we use. That's roughly two years of deployment, for the whole of Europe.

Competition – sometimes unfair – is not only coming from China. Take the US IRA for instance: it is not 360 billion dollars that will be injected in the US clean tech sector; but, according to most estimates, more than 1 trillion! And what might be good for the climate is certainly a challenge for our industry: carbon pricing and regulation on one side; and tax credits and subsidies on the other.

So, be it chips, batteries, solar panels, or hydrogen, we want the EU to remain an industrial leader that exports European products and technologies – but not our jobs.

To achieve that, we need to build a **strong manufacturing base** – entire ecosystems with suppliers and SMEs.

Just like the US government looks after the American economy and American workers, we in Europe also **strive to create growth, competitiveness and jobs** for Europeans.

Quality and local jobs. That doesn't mean we should follow the Chinese track of unrestricted subsidies. Or mimic the "American First" approach. We are doing it the European way.

Industrial policy the European way

Industrial policy "the European way" – what does it mean?

In a nutshell, **four pillars**:

1. **Ramping up our own capacities**, overcoming barriers to scaling production, and strengthening our supply chains to protect against unexpected shocks;
2. **Widening our sourcing and tech diplomacy**, in particular through strategic partnerships;
3. **Shaping markets to be competitive**, productive and fair;
4. **Investing for economic growth**

Let me try to summarise what we are doing on these four strands.

1. First, on our industrial capacities and supply chains.

We have learned (take the example of vaccine production or solar) that research alone is not enough, that there is no industrial strategy without factories, and that ultimately without a strong manufacturing base, Europe's security of supply, export ability and job creation is at risk.

A lot has been done already, starting with the work of our industrial alliances in identifying and championing the most game-changing projects. Take the more than 800 projects on hydrogen identified by the [Clean Hydrogen Alliance](#); or the pipeline of projects put forward by the [Batteries Alliance](#) to ensure that European battery manufacturing capacity matches demand beyond 2025.

And of course, the [European Chips Act](#) is the first and prime example of our new European industrial policy: one that combines regulatory and financial support where justified to **speed up project development, from lab centres to giga-factories all over Europe**.

It has inspired the regulatory triptych that the Commission has put forward: upstream, the [Critical Raw Materials Act](#), to ensure a secured and abundant access to the raw materials needed to fuel our green and digital transition but also our space and defence industry; downstream, the Chips Act and the [Net-Zero Industry Act](#), to help Europe build its industrial leadership in deep, digital and clean tech.

Together, all three regulations aim to ramp up Europe's manufacturing capacities. They include concrete goals to guide our efforts towards 2030, but also measures to simplify the business environment, in particular with regards to permitting for strategic projects. **We also want to build specific net-zero skills academies** to train, upskill or reskill the hundreds of thousands of workers needed for the transition to happen.

All the provisions we have put forward are meant to create the right regulatory conditions. But in the short run, we must **use all possible levers to continue moving forward**.

This can take many forms: using strategically public procurement and auction design for clean tech for instance; or encouraging offtakers to promote environmentally-friendly, ethical and resilient supply lines – and to pay a premium for it.

Our industrial alliances have been working successfully in this direction and I believe that the proposed **Net-Zero Europe Platform** could be a strong catalyst for pushing this approach forward with greater momentum.

Overcoming barriers to scaling production also requires **ensuring the smooth functioning of the Single Market. That has been my priority since day 1 of the mandate.** We are intensifying our cooperation with Member States to bring down existing barriers and prevent new ones from emerging. Just to give you an example, in the last two years only, the Single Market Enforcement Task Force has dismantled over 260 barriers in cross border services and professional qualifications. And we will continue to push on.

2. Now regarding my second point: sourcing and tech diplomacy.

It goes without saying: Europe cannot reach resilience on its own. We are cooperating with our partners to **coordinate policies on strengthening supply chains**, align on issues related to economic security and discuss trade-distorting practices of non-market economies.

We are also **strengthening our global engagement** with our reliable partners and developing mutually beneficial digital or critical raw materials partnerships.

For Europe, these partnerships are essential to add value in developing regional value chains and in sustainable development through [Global Gateway projects](#).

And they are also essential to **rebalance the Green Deal agenda**. Which cannot be only about Europe taking restrictive measures for its domestic industry, arguing that the mere implementation of the Paris Agreement will give European companies a first-mover advantage in new sectors.

First, because not all countries are as diligent as the EU in implementing and updating their pledges; and second, because when they do, they don't wait with open arms for EU technologies to flood their markets.

So why should we? Why should we mostly burden our companies, reduce our protection against carbon leakage? Why can't we also have an "EU made" approach in mind? This is not incompatible with engaging international partners through new types of partnerships and alliances – on raw materials and hydrogen today, maybe on green steel or sustainable chemicals tomorrow?

Partnerships in the digital field are equally important. In July, I went on a G20 digital tour to [Korea](#) and [Japan](#) to further strengthen our cooperation in critical fields such as chips, AI, 5&6G, HPC & quantum and cyber. We have already launched a digital partnership with Singapore. At the first [EU-India Trade and Technology Council](#) we agreed to increase the resilience of our semiconductors supply chains. And we have launched a new European satellite constellation [IRIS²](#) to **high-speed broadband to everyone in Europe, but also to be able to end dead zones in Africa**. This is the kind of mutually beneficial global cooperation we need.

So let me be clear: **Europe is not promoting a protectionist agenda**. None of the recent EU initiatives contain discriminatory provisions. None. We are maintaining our long-standing commitment to free and open trade.

3. Shaping markets to be competitive, productive and fair

But Europe has also learned that it needs to be more aware of the risks to its economic security, more assertive in establishing a balance of power with global peers, **less naïve in ensuring a level-playing field with industries from third countries**.

When the US closed access to factories manufacturing components essential to the production of vaccines, we had to activate a similar export control tool in Europe to re-establish dialogue and reopen supply chains.

We have equipped ourselves with new trade defence instruments: the Foreign Subsidies Regulation, the [EU Foreign Direct Investment Screening framework](#), the International Procurement Instrument and the proposed Anti-Coercion Instrument. We will not hesitate to use them to safeguard our interests. Our ability to trigger these instruments quickly when our industry's interests are at risk will be vital.

We are also strengthening Europe's stance on [intellectual property and standard-setting](#): they have become a crucial catalyst for innovation and industrial leadership in the global tech race.

Our recent [Economic Security Strategy](#) is a major step towards defining Europe's approach on the global stage. We are currently finalising a list of strategic technologies, which are critical to economic security and assessing their risks with a view to devising appropriate mitigating measures.

And we will not hesitate to present new and reinforced instruments to defend our interests: **outbound investment screening, export control coordination, strengthened FDI screening**.

4. Investing for economic growth

My last point is on finance.

No need to recall the investment needs: more than 700 billion euros each year until 2030 in clean tech deployment for our Green Deal objectives, including more than 100 billion euros in clean tech manufacturing capacity only. Not to mention massive investments required on digital infrastructure.

And no need to restate the obvious: most of these will need to be financed by private means. Public funding needs to be allocated wisely. Because competitiveness is not about whose country has the deepest pockets.

But it is equally clear that international competition is rigged. So yes, we need to avoid a global subsidy race when there is no market failure; but no, we can't stand by idly when our competitors

are funding operational costs.

So, now the question is how: and for me, the answer has been – consistently – the same: more European solutions. A basket of them, if need be, based on the **Recovery and Resilience Facility**, [REPowerEU](#), cohesion policy funds, EU ETS carbon revenues, or [InvestEU](#), to help de-risk investments and bring other investors in, including from the private sector.

Our recent proposal for a [Strategic Technologies for Europe Platform \(STEP\)](#) will also contribute. But it is what it is: a good first step. By leveraging existing programmes, STEP could bring up to 160 billion euros of new investments. And nobody is fooled. STEP will only be a game change if it is the embryo of a fully-fledged Sovereignty Fund.

In parallel, we must prevent a subsidy race within our Single Market, where only the Member States with stronger fiscal space dope their national industry. Which are not always the ones we suspect: when looking at State aid figures in percentage of GDP or population, those benefiting from new State aid flexibility are often those that depict themselves as the friends of the Single Market and the defenders of budgetary virtue.

This does not mean either that our competition rules must remain untouched. When well-designed, they can allow support and responses to international competition with a firepower that the EU budget will never have. And benefit all Member States, across all regions.

Open, but on our terms and at our conditions

For all too long, some have tried to relegate the role of Europe. To being a continent that excels in research, but leaves the commercialisation to others. To being virtuous climate policy activists without putting industrial competitiveness on equal footing. To being a bystander among growing tensions between the United States and China.

But Europe has reached a turning point. We have realised that we cannot be reduced to being a mere free trade area or marketplace. In this day and age, **Europe is becoming a geopolitical power in all fields: digital, industrial, security and defence.**

The European Union is and will remain one of the most open economies in the world. **Open, but on our terms and at our conditions.**

A Europe that sets its own rules of the game and proactively reaffirms its role and interests in the new geopolitical landscape.

A Europe that protects, transforms and projects.

Let's take pride in this mission.