

ETUC position paper A renewed EU industrial policy – ETUC reaction Adopted at the Executive Committee on 25-26 October 2017

On the 13th of September 2017, the European Commission released its communication “*Investing In a smart, innovative and sustainable Industry. A renewed EU Industrial policy strategy*”. This document presents the ETUC first reaction, bearing in mind that the referred strategy covers a wide range of dossiers and issues that will be addressed at a later stage by the relevant ETUC committees. This position therefore focuses on the main political messages the ETUC wants to convey on the EU industrial policies.

A strong manufacturing basis and the related services is a key requirement for a strong economy as well as for quality employment and sustainable social protection systems. Strong European industries need well developed public services like in education and research, care and utilities and high quality public administrations. The ETUC welcomes the initiative to put the industry back on the EC policy agenda three years after its last communication, the 2014 “Towards an industrial renaissance”. The ETUC still supports the objective of reaching 20% of industry’s share in Europe’s GDP by 2020. The current efforts to design a comprehensive framework must be highlighted. Funding for innovation, modernized trade policy, anticipation of skills needs, ambition to boost circular economy and zero-carbon economy are indispensable aspects of a renewed industrial policy. We see now a first concrete answer to the 2016 joint declaration of European Social partners that invited European institutions to act through an updated and concrete action plan on industrial policy.

The EU must set up a clear and stable policy framework that enables it to be an industrial leader in low-carbon technologies and to fully tap its employment potential

- a) The EU is presented as being a global leader in the low-carbon industry. That ambition is of course welcome but a reality check shows a very different picture.
- b) Some very positive developments can be noticed. Employment in the eco-industries has grown by 20 % since 2000 and now provides 4.2 million jobs. Wind now represents the second largest form of power generation capacity (2016 figures) and the renewable sector currently employs 1.16 million persons in the EU¹. In the same way, the cost of renewables has dramatically fallen. Wind and solar energy are now affordable and competitive technologies. This trend should accelerate the deployment of renewables in the EU, which is positive for the planet and for many industries and the related jobs. In the same way, the Circular economy package and its action plan should boost innovation and job creation.
- c) However, lower costs are not sufficient to secure an industrial leadership. Our main concern is related to the economic model which seems to be driving the deployment of some renewable technologies. The 2017 IRENA review on renewables and jobs states that “the European Union’s declining installations and module manufacturing resulted in a 22% decrease in solar PV jobs in 2015, down to 111,000.” whereas the trends are extremely positive in most other parts of the world. As far as the wind industry is concerned, the same report mentions that “Employment declined slightly to 329,700 in 2015”. These figures challenge the employment potential of the energy transition and the claimed EU leadership in low-carbon industries. With the ambition of being global leaders of low-carbon industries, we would expect to record massive job creations in the sectors driving the deployment of renewable in Europe.
- d) In addition to these statistics, projects recently implemented to deploy renewables in Europe epitomize that risk of a low-cost and low-job low-carbon transition. For instance, the largest Solar PV park in the EU has been opened in Cestas, France, a couple of years ago. None of the 1 million solar cells have been produced in the EU. 90 % of the cells have been imported from China and the 10 remaining % have been imported from Canada.

¹ IRENA, *Renewable energy and jobs, 2017 Annual Review*, p. 16.

This is worrying because we know that a significant share of the job potential of renewables is in the manufacturing activities along the related value chains. In Cestas, the construction phase created roughly 200 jobs whereas the daily operation of the park only requires a few dozen workers. That story becomes very sad when we know that at the same time, in the same country, a plant manufacturing PV cells in Venissieux closed down because of the low demand for its products.

- e) The ETUC still believes that beyond the environmental imperative that makes the transition urgent and necessary, there are growing markets and massive opportunities to create quality jobs in the EU, notably in its manufacturing industry. In other words, an energy transition where unfair competition leads to the loss of most of the manufacturing activities and on the import of goods from non-market economies, cannot be a just transition. To keep the support of citizens, the EU needs an energy transition that creates quality jobs and the EU cannot pretend to be the world leader in the renewable industry if it follows this path.
- f) As the transition to a low-carbon economy risks to adversely impact employment in carbon-intensive sectors, policies need to be put in place to stimulate their transformation while safeguarding their future and the related jobs. Ensuring a fair international trade, fighting dumping situations, boosting innovation through enhanced support for research and deployment of breakthrough technologies, a just transition for the workers impacted by climate policies (e.g. the creation of a Just transition fund) are necessary measures to ensure the future of the energy-intensive sectors in a low-carbon EU.

Trade policy instruments must better support the EU industries

- a) Trade, although strictly regulated on social and environmental bases, is nowadays crucial for our economies as well as for building a shared prosperity across the planet. But international trade must be fair. The same rules must apply to all. We cannot accept what has already happened in too many sectors or sub-sectors: seeing the EU market flooded by imported products from countries that are not market economies, and reactions from the EU which are too little, too late.
- b) In that perspective, the ETUC welcomes that co-legislators have found an agreement to amend the current EU anti-dumping methodology, which will have to take into account core ILO conventions when assessing the existence of significant distortions. The ETUC also calls for the modernisation of EU trade defence instruments. The EU needs to ensure that trade reciprocity applies fairly, mainly to avoid forced tech transfer and forced joint ventures in third countries.
- c) One of the main reasons why the trade defence instruments and anti-dumping methodology had been stuck was the issue of burden of proof in cases of alleged dumping or subsidies. The new compromise establishes that Commission will assist EU companies to produce proof on unfair practices from third countries.
- d) The ETUC also takes note of the willingness of some Member States to explore options like a Border adjustment mechanism based on carbon content (see Macron's speech). This is an idea we have been supporting for years as an alternative to mechanisms that have mainly contributed to wind-fall profits and short-term speculation.
- e) To react to situations where foreign investors are companies owned, state-owned or controlled by a government, the EC has proposed to establish a framework for the screening of Foreign direct investments (FDI). The intent of this proposal is to allow a better understanding of the origins of FDIs in the EU. However, the decision whether or not to accept FDIs would stay in the hands of the Member States. Screening FDI is necessary but needs to allow timely and proportionate reactions. Moreover, foreign investments in previously state-owned infrastructures or companies are often the consequences of brutal austerity policies and of the liberalisation of a series of sectors (e.g. the electricity market, including transport and distribution activities). In addition to the screening of foreign investments, the EC should therefore also assess the policies that have created the conditions which have led to these problematic investments.

Profits must benefit to the real economy

- a) While global markets are key to develop EU Industries, we think that Internal demand has always been a key driver of industrial growth. The 8 years of all-encompassing austerity policies and structural reforms implemented in Europe have heavily impacted internal aggregate demand. In this respect, the ETUC sees a pay rise as an important instrument of a recovery policy that would have positive effects on the EU industry.
- b) Private investment is an important lever to boost internal demand and industrial growth. Instead of following that path, available statistics show that the rate of financialisation of the EU economy is still on an increasing trend, meaning that an increasing part of profits are not reinvested in the real economy. Dividends in Europe since 2009 have increased at a faster pace than new private investments. Moreover, with a reasonable exchange rate between dollars and euro, one can even say that the amount of dividends exceeds the amount of new investment.
- c) Instead of feeding the real economy through a boost of internal demand or through investment in new technologies and new equipment, profits are too often captured by shareholders.
- d) Finally, while we see strong reasons to advocate for an increase in internal aggregate demand, we do not think that enterprises are postponing investment because of financial issues (access to credit). As reported from ECB's surveys, the main impediment for private investment is the lack of clients. Therefore, we do not think that the Capital Markets Union initiative is departing from a good basis. In addition, the ETUC opposes the relaunch of the securitisation techniques which were at the core of the 2007-2008 financial crisis, even on a more secure basis. This gives even more legitimacy to the ETUC calls for increases in public investment and wages.
- e) The Juncker plan is developing at a reasonable pace. The recent assessment of the plan revealed some structural issues, notably concerning its links with European structural funds, giving rise to an unbalanced allocation of funds between Member States in the first year. Such issues should be tackled quickly, and the ETUC will closely monitor future expenditures.

Workers participation, life-long learning policies to develop and strengthen competences are assets that must be better supported

- a) Even though the communication rightly identifies the skills/education agenda as a key challenge for the future of the EU industry, the text is rather superficial on the social dimension.
- b) We know that mega trends currently already visible (i.e. digitalisation, de-carbonisation, globalization) will continue and that their impact on the labour market will be even bigger in the coming years and decades.
- c) The ETUC is not against change, but a more integrated regulatory framework is needed to ensure restructuring takes place in a coherent, fair and responsible way all over Europe. Trade unions want to play a proactive role in anticipating, negotiating and managing restructuring. Despite two sentences on the role of ESF and of EGAF (European Globalisation Adjustment Fund), the Communication does not say a word on how concretely, "resilience" will be built and how "people and communities will be helped to seize the opportunities of change" and seems to see adaptation to change from an individual perspective whereas we know from experience that social dialogue and workers participation is a key driver for collective resilience and adaptability.
- d) The ETUC would like to reiterate the crucial role that social dialogue (at all levels) plays in anticipating change and stresses the need to develop further the involvement of social partners and other stakeholders (mainly universities, industries, local authorities) at local level. The ETUC sees a strong added-value in incentivising regions to set up structures allowing trade unions and local stakeholders to concretely prepare the future of their economy.

How to deal with digitalisation?

- a) Digitalisation is one of the most important drivers of change, not only from a technological but also a societal perspective, in particular its impact on the future of work. An important issue is the impact of digitalisation in general on the future of fair and good digital jobs, on new business strategies and on trade union strategies, and in particular the role of EWCs, WCs, workers board-level representation, collective bargaining strategies. The Commission fails to address this link to the future of jobs in its chapter on digitalisation. The ETUC is worried that the mushrooming use of platform labour may negatively affect working conditions for workers in companies competing with other companies using platform labour, as long as there is no level playing field.
- b) The ETUC agrees that 'upgrading industry for the digital age' is indeed a major challenge, but Europe's role is too limited. A first step in the right direction is to push reluctant Member States to launch a national digitalisation initiative with involvement of all major stakeholders, but it is not clear whether the Commission urges such an inclusive and holistic societal approach. Moreover, the Commission should become more proactive in the sense of a proactive industrial policy, whenever companies or Member States start cross border industrial projects instead of looking from a narrow internal market and competition perspective which does not take into account the need of European industrial leadership and European champions. Unfortunately, more examples of the narrow perspective come into mind than of a proactive industrial initiative (prohibition of merger between big automotive companies, inaction against dumping in the photovoltaic sector or the flooding of markets in the case of steel). Mere talk about future challenges is not enough, more proactive initiatives are needed. An example could be the setting up of a European value chain for e-mobility. The same goes for digitalisation policies in all Member States – a narrow internal market approach might well jeopardise the future. Much higher investment is necessary and the idea of Marianna Mazzucato that investment by states should be paid back by successful companies should be taken into account. Much more money would be available for the states if such a mechanism would be applied. Setting up a European digital agency as a pluralist expert and stakeholder capacity to shape fair digitalisation with social partners involvement would be a step in the right direction.

To support the EU in its efforts to defend and promote industry and the related quality jobs across the whole economy, as well as to contribute to answering the many questions that remain pending at this stage, the ETUC welcomes the creation of a High Level Industrial Roundtable and will work with its members to actively contribute to its work since industry provides the bedrock of our prosperity.