



Opinion piece from Prime Minister's Office, Ministry of Enterprise and Innovation

The pandemic requires a new industrial strategy

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Hans Dahlgren, Minister for EU Affairs and Ibrahim Baylan, Minister for Business, Industry and Innovation, Dagens Industry, March 30 2021

Strong action is needed to jumpstart our economy after the pandemic and secure long-term competitiveness. The pending update of the EU's industrial strategy is therefore a good initiative. We want the strategy to contribute to the green and digital transition – strengthening the EU single market – a continued strong competition policy and openness to the rest of the world.

The ravages of the pandemic have impacted us all, and the human suffering is immense. The European economy has also been hard hit. Production has been wholly or partly shut down. Many have lost their jobs. Great effort must be put into restarting our economy. At the same time, the major challenges facing society must be managed. Together, we have the opportunity to build a resilient economy that is green, digital and competitive.

The European Commission has announced an update of the EU's industrial strategy. This is welcome news. We need a plan for how to make European industry sustainable and contribute to economic recovery.

The updated strategy must respond to the challenges facing the EU: climate change, digital structural change and increased competition from countries outside the EU. This requires a policy that builds on the EU's strengths and responds to new challenges without discarding tried and tested principles and effective policies. The cornerstones of the EU single market must be safeguarded. Competition, innovation and openness to the rest of the world –

not introversion and new trade barriers – are what makes the EU's enterprises strong.

A European industrial strategy must improve our ability to respond to future crises. The pandemic has made clear to us all that certain flows of goods are not reliable in crisis situations. Stockpiling medical supplies, for example, may be part of the solution, but it is impossible to know what the next crisis will be and what resources will be needed when the time comes. Large emergency supplies alone are therefore not enough.

The EU must also improve its resilience to shocks to the world economy by diversifying value chains both in the EU and globally. Access to a broader supplier base will limit the negative impact on our societies if some suppliers are cut off in times of crisis. This can be achieved through an ambitious trade agenda that prioritises free trade agreements, and a well-functioning single market that keeps pace with technological progress.

At the same time, we must continue to create favourable conditions for the production of goods and services in the EU. A strong industrial base is important for a viable, innovative and resilient economy in Sweden and in Europe. European companies and subcontractors – particularly small and medium-sized enterprises – must be attractive business partners able to be part of global production chains. We must also seek to ensure level playing field requiring foreign enterprises in the single market to follow the same rules as European enterprises.

The green and digital transition must be at the heart of the updated strategy. The EU's continued global leadership in the green transition will create competitive advantages for European enterprises as customers around the world demand more sustainable solutions. To support this development, we must reform the State aid rules to enable necessary and ambitious climate action and phase out aid that is harmful to the climate.

A prerequisite for the EU's success in leading the green transition is securing access to innovation-critical metals and minerals for use in climate technology innovation. These are raw materials such as lithium and cobalt that are often concentrated in only a few countries outside of Europe.

The digital transition is key to achieving the green transition. To hold its own in increasingly tough international competition, the EU must make the most of its data assets and invest in digital infrastructure such as broadband expansion and connected systems. The EU must also ensure that digital

technology is widely adopted by enterprises large and small. Research, innovation and policy development within strategic technological areas need to be prioritised.

The EU's industrial policy should first and foremost focus on improving framework conditions in Europe and ensuring that all enterprises can grow and adapt to a circular and sustainable economy. In special cases, when the market is unable to take the extra step towards the green or digital transition on its own, it may be necessary to inject targeted state aid for strategically identified industrial ecosystems.

The Important Projects of Common European Interest (IPCEI) are among several tools the EU uses to strengthen industry by overcoming market failures. These projects should contribute to the green and digital transition. Sweden participates in two projects thus far, one with the Swedish Electric Transport Laboratory, for transport electrification (SEEL), and the other with Northvolt, for development of battery cells and the expansion of an electrification campus for battery research in the city of Västerås.

Sweden needs to harness the opportunities provided by these collaborative projects. However, Sweden's basic view remains the same – it is within the business sector and research community that innovation should grow and flourish. Support from the public sector must be used restrictively. We must therefore ensure that collaborative projects at EU level funded by state aid are not overused at the risk of harming competition. It is not the role of politics to identify successes, and it is not trade barriers that strengthen enterprises, but rather competition, knowledge, innovation and access to the global market.

European success translates into Swedish success. We cannot tackle future challenges on our own – whether they involve crises or the shaping of our industries. For this reason, the Swedish government strongly supports European cooperation. And this is why we are working with renewed strength for a modern and forward-looking European industrial strategy.