



CECIMO MANUFACTURING RECOVERY PLAN

Introduction

The public health crisis we are facing is having a profound negative impact on nearly every economic sector. The European machine tool industry has been no exception, as machine tool companies across Europe have experienced significant decreases in production levels, sales, machine servicing, and employment throughout. A full recovery of the machine tool industry is key to improve the European economy's technological capabilities and support its future growth. It is vital that the EU and its Member States start immediately to define an ambitious EU manufacturing recovery plan to provide the industry with the sustain needed to push forward a swift recovery from the crisis, to addressing the damage to EU economies, and restoring businesses capacity for investment and employment.

Responses from the EU member states to the pandemic have not always been coherent, which has unfortunately led to a fragmented and fenced approach in the European market. Only through a coordinated European tactic and a fast implementation of the EU industrial strategy, can we ensure that the Single Market continues to function in all circumstances and without any barriers. Therefore, we the manufacturers, call upon Member States to work closely with the European Commission to map their strategies and the various actions, and to ensure a coordinated approach when it comes to the exit strategy.

It is no mystery that the European manufacturing industry is currently being confronted with an unprecedented crisis.

- Due to liquidity problems, many businesses in the manufacturing industry are already facing bankruptcy and closure, particularly SMEs.
- In numerous sectors, such as automotive and aerospace, investment plans are likely to be delayed or reduced, given the drastically lower domestic and external demand, lower cash reserves, and increased uncertainty.
- The functioning of the single market is expected to be pressured by the introduction of temporary intra-EU border controls, export restrictions and diverse approaches to the definition of essential goods and services.
- Trade restrictions and supply chain disruptions have increased, with closures and additional checks at the EU's external borders and the introduction of several export restrictions and bans. A narrative favoring self-sufficiency could also lead to additional trade restrictions as well as investment restrictions.

It is urgently needed clear European leadership and solidarity to support and strengthen the European industry competitiveness in the post-COVID-19 world.

In line with the proposed 'Roadmap for Recovery', welcomed by EU leaders on April 23rd, the EU recovery plan should create a regulatory and fiscal environment for businesses that enables them to invest, grow and create jobs. It is also fundamental to unlock the full potential of the Single Market and guarantee free and fair-trade conditions and avoid the creation of barriers and the fragmentation of the market based on multi-lateral solutions; a prompt agreement on a revision of the Multi Annual Financial Framework (MFF) and the constitution of a European Recovery Fund as an investment on the rehabilitation of the European economy.

Strengthening the Single Market

The Single Market has played an essential role in tackling the public health crisis and it will certainly be the most important segment of the exit strategy to ensure the sustainable economic recovery. Therefore, it is indispensable for the EU to find the way to preserve the Single Market and make sure that it will be prepared for a transition toward a green and digital future in a post-COVID-19 reality.

Short-term emergency responses that would foster the EU exit strategy must be focused on the development of a comprehensive plan that would increase the investment in the EU. Therefore, the European Commission needs to restore the Single Market Strategy to ensure the normal functioning of its main principles.

In order to avoid placing additional burdens on business, addressing the following actions should be a priority:

- ▶▶ Reintroductions of border controls lead to a disruption of the free movement of workers. Moreover, unilateral and incoherent actions by Member States across the EU have created legal uncertainty for both businesses and workers. Therefore, the EU should ensure that Member States respect the principles of free movement. The EU should consider the introduction of an EU-wide certificate to ease worker mobility in case similar crises will take place in the future.
- ▶▶ It is not useful to designate individual companies as essential or non-essential. Given today's complex and deeply integrated supply chains, particularly in the mechanical engineering sectors, divergent attempts to define what is and is not essential cause disruption to the internal market and these supply chains. Given the challenges involved, we call on Member States and the European institutions to urgently develop a coherent EU approach for dealing with discrepancies between diverging national definitions of essential activities and related obligations, as well as between Member States that do and do not define what it means to be an essential activity.
- ▶▶ It is imperative for the EU to create a business-friendly environment, especially in the post-COVID-19 period establishing cost-reduction strategies for businesses. Moreover, it would be crucial to limit unnecessary administrative burdens, and to introduce more flexible approaches to regulatory and legislative actions.
- ▶▶ The new unprecedented situation caused by this crisis, as well as its consequences, will have to be clearly defined before considering what the impact will be on other important actions planned by the Commission, such as the EU Green Deal initiatives, and how to integrate harmoniously such future actions to the necessary recovery plan that will have to be constituted.
- ▶▶ To support a relaunch of the manufacturing sector, companies need tools to facilitate the compliance efficiently, such as well-defined European standards. Companies currently face significant and unnecessary costs and burdens caused by bureaucratic bottlenecks in the process of standardisation. Therefore, the Commission should

revise the processes also reducing the intervention of public EU authorities in this traditionally stakeholder-driven process.

- ▶▶ It is of paramount importance to ensure a high level-playing field in order to reinforce the cooperation within the market surveillance system.
- ▶▶ It is important to ensure a clear innovation-friendly regulatory framework that would allow the EU to become a global leader in digitalisation. It is also extremely important that regulatory power fosters innovative business models and the development of new products and services.
- ▶▶ Planning the full Member State implementation of the EU 5G Toolbox, with emphasis on securing a robust infrastructure, to enable risk assessments of suppliers and service providers and future use of spectrum allocation to roll-out 5G as a priority.
- ▶▶ Fast-tracking the industrial ecosystems to reestablish investments in sectors strongly impacted by the crisis, to bolster the industrial autonomy over time. Particular regard should be granted to technology neutral approaches as we necessitate to exploit the full potential of diverse contributions in support of the EU's Green Deal and Digital agenda – from all areas of technology and economic sectors.
- ▶▶ Speeding up planning, permit and approval procedures for projects of public interest, including trans-European large-scale infrastructures and network projects, in order to enable them to begin as early as possible.
- ▶▶ Ruling EU competition on horizontal cooperation, that would encourage companies to collaborate to achieve joint technology developments and other EU policies goals, such as environmental and sustainability objectives. EU state aid rules for the funding of Important Projects of Common European Interest, should be adapted to facilitate and accelerate decision-making processes and the implementation of projects.
- ▶▶ Being able to rely on a solid IP system for innovations and businesses in Europe. A stable and reliable IP legislative framework would be fundamental to facilitate investments and ensuring that companies progress in innovation and are prepared for global challenges. The already announced EU Action Plan on IP should be adopted without delay.
- ▶▶ Upskilling and reskilling are key to competitiveness in disruptive times and are needed to keep up with technological change. AI and data analytics will evolve jobs and businesses, and current and future workers will soon benefit from the progresses. Therefore, upskilling and reskilling should be an inherent part of the strategy and the European Commission should seek the maximum impact of the EU Funds for skills development in new digital technologies. Digital skills are essential for machine tool companies and their slow implementation is limiting investments in advanced technologies hindering their growth.

Trade / Foreign Direct Investment / Movement of goods and workers

CECIMO has always stood for free and fair trade, especially in the manufacturing sector, and a stable investment environment. Trade and investment flows, however, have been deeply disturbed by the recent COVID19 crisis, dwindling business opportunities throughout and greatly weakening industrialists' confidence.

Given the global nature of trade in goods and foreign direct investment, ample coordination will be required for the post-COVID19 recovery phase to be successful. This approach should involve multilateral institutions, national governments, and civil society, namely businesses. In this new scenario, the European Commission should retake its trade agenda and work closely with other bodies that govern global trade and investment relations, such as the International Monetary Fund (IMF) and the World Trade Organization (WTO). It is also imperative to follow the World Health Organization (WHO) guidelines, as they would help facilitate business relations in a post-COVID-19 world.

As the economic recovery will need prompt and decisive action from European policymakers, CECIMO recommends the following measures, which aim to facilitate trade and encourage international investment:

Trade

- ▶▶ Ensuring that the rules comprised in existing Free Trade Agreements (FTA) are duly observed by the signing parties. European companies, particularly Small and Medium-Sized Enterprises (SMEs), should be fully integrated in European FTAs, as hold the key to improving the Europe's economic performance in the long term.
- ▶▶ Resuming the US trade negotiations. It should be top priority to agree on a bilateral cutback of US industrial tariffs and to facilitate cross-Atlantic trade. Stronger and deeper EU-US business relations would surely help consolidate the recovery phase.
- ▶▶ Seeking to reach a new deal between the European Commission and China, that would result in leveling the playing field between European and Chinese companies.
- ▶▶ Reaching a comprehensive trade agreement between the EU and the UK. Frictionless trade in goods should be a goal for both negotiating parties, as both the British domestic market and the European Single Market are highly integrated.
- ▶▶ Resuming the bilateral trade talks of the European Commission with new partners. New agreements would help diversify the European manufacturing value chain, which is needed in light of the COVID19 pandemic. Furthermore, the European Commission should commit to strengthen the WTO multilateral dispute settlement system.
- ▶▶ Supporting digital trade and technological transfers, two business areas that have proven to be vital in containing the economic and social effects of the COVID-19 crisis.

Foreign Direct Investment

- ▶▶ Reviewing the Foreign Direct Investment Regulation and adapting it to the post-COVID-19 conditions. The new regulation, set to come into force in October 2020, should apply and effectively protect the strategic technologies and industrial assets of the Member States. European FDI rules should always favor openness and innovation, but they should also protect key sectors that have proven critical during the pandemic and prevent future strains in manufacturing value chains.

Movement of goods and workers

- ▶▶ Establishing no restrictions for international transport within the EU and at its external borders. Air and water freight traffic, as well as road transports, should be ensured in all cases. The European Commission and the Member States should set a common approach to the issue of movement of workers and cargo.
- ▶▶ Adjusting and simplifying customs procedures, implementing digital processes in fields such as inspections and payments.
- ▶▶ Lifting export restrictions or bans, allowing manufacturing companies to gradually restart their operations throughout the EU, and avoiding further disruptions to the supply chain.

EU investment funds to put industry back on track

The EU needs to support its economy with target and coordinated actions. It is essential to prepare an investment plan which would help to reinforce strategic areas that can undertake long-term competitiveness, economic growth, and a stable labour market. The instrument that would ease the accomplishment of such a plan is the new multi-annual financial framework (MFF). The EU must find an agreement on an ambitious and forward-looking MFF focusing on growth and recovery measures. The EU budget should be used by the Member States to face the current extraordinary challenges and promote measures that would guarantee an immediate increase in National expenditures. Therefore, in the next MFF, the EU should ensure:

- ▶▶ **Industrial growth and economic resilience**

The manufacturing industry and its services will continue to be the foundation for our economic prosperity, given the pivotal role this sector plays in driving innovation, productivity and employment, and its spill-overs and linkages across the whole economy. The EU should invest in building a stronger and more efficient industry sector to increase our economy's resilience during future crisis. Furthermore, it is essential to make good use of the EU budget to invest in clean and digital technologies and enhance strategic value chains, as they can play a central role in relaunching and modernizing Europe's economy.

▶▶ **Cooperative Research and Innovation**

The cooperation of industry, technology centres and universities is indispensable to reactivate innovation and ensure flexibility of production systems. As the volume of private investment in this area will likely decrease, businesses will need the support of public investment to continue to innovate during this recovery phase. Therefore, the revised version of MFF should have a specific focus on R&D, technology, and innovation.

▶▶ **Access to funding and information to SMEs**

Every measure announced by the EU, especially those providing financial support, should foresee a clear guideline for SMEs. Such document should include: how to access the available EU financial instruments, who to contact at EU level in case of questions, who are the national bodies involved in channeling the funds, and clearly state what is the role of national banks, what are their obligations, etc.

▶▶ **Promote industrial digitalization across Europe**

The MFF could boost the digitalization of the industry and digital services provisions, as well as maintaining a high degree of quality and capacity of digital infrastructures. This means, in particular:

- Allocating public funding to support the widespread rollout of high quality, cyber-secure digital infrastructures.
- Facilitating the rollout of 5G to allow the digitalization of the industry, the application of innovative business models and the digitalization of supply chains.
- Promoting incentives to foster digital skills training and helping companies and workers, benefitting from distance learning and training.

About CECIMO

CECIMO is the European Association of the Machine Tool Industries and related Manufacturing Technologies. We bring together 15 national associations of machine tool builders, which represent approximately 1500 industrial enterprises in Europe (EU + EFTA + Turkey), over 80% of which are SMEs. CECIMO covers 98% of the total machine tool production in Europe and about 35% worldwide. It accounts for more than 150,000 employees and a turnover of around 27 billion euros in 2019. More than three quarters of CECIMO production is shipped abroad, whereas half of it is exported outside Europe.

Contact

Filip Geerts, Director General: filip.geerts@cecimo.eu

CECIMO – European Association of the Machine Tool Industries and related Manufacturing Technologies

Avenue Louise 66 - B - 1050 Brussels

+32 (0) 2 502 70 90

information@cecimo.eu | www.cecimo.eu