

BusinessEurope Advisory and Support Group

 **event**



Speech by Commissioner Thierry Breton

9 November 2021, Brussels

[Introduction: building on our recent achievements]

- Mr [REDACTED],
Mr [REDACTED],
Ladies and gentlemen,
- I am delighted to be given the opportunity to exchange with you this evening. I believe this afternoon's programme has been rich and intense. It mirrors, I think, the relentless dedication of BusinessEurope to voicing the interests of our companies throughout the continent.
- And indeed, European companies must be heard, today probably more than ever. For nearly two years now, we have been navigating through volatile times. Companies, and in particular SMEs, have been on the frontline, having to deal with the consequences of such unpredictability.
- With this being said, the economic outlook has cleared up over the last few months, and I think it is fair to say that it has to do with our collective achievement regarding vaccination.

- Starting from scratch, we managed, in record time, to give Europe the industrial means not only to cater for its own needs, but also to live up to its international responsibilities. We are indeed the first provider of vaccine doses in the world.
- Europe also spearheaded global efforts on the digital front: with the EU Digital COVID Certificate, the Commission's services introduced successfully the first and so far only system operating at international level.
- Nearly 600 million certificates issued so far across more than 40 countries: with this global standard, Europe has boosted people's confidence and eagerness to travel again. It has helped the tourism ecosystem get back on track.
- Obviously, the pandemic is still with us, but this European success tells us one thing: when we, Europeans, get our acts together, we set the pace and we go the distance.
- Now, to be honest, we had not anticipated that the global economy would start getting back on its feet so rapidly. This sudden rise in global demand has created tensions that are partly fuelling the current energy crisis.
- As you know, the Commission has set up a toolbox to mitigate its effects and we are discussing with Member

States on how to go about it in the longer run. But there is already one lesson to learn from it: we must anticipate our transition. We must build on our recent achievements to become more confident about Europe's capacity to lay the ground for its strategic autonomy, and consequently, for a more resilient Single Market.

[Resilience = rebalancing global value chains]

- Resilience has been a strong leitmotiv in the last months, but what does it really mean, what does it entail when talking about industry and the economy?
- Well, first, we have to think about the scale: the pandemic has revealed to what extent all economies were intertwined at global level.
- Contrary to what some may think, the intention of the Commission is not to flee this global integration but to better harness it, by mitigating Europe's dependencies, by finding a new equilibrium, by instilling more assertively its values and its rules.
- Industrially speaking, this means re-balancing global value chains, just like what we did with vaccine production. We must replicate this on other fronts. I have in mind, of course, semiconductors. Probably the most striking example of the challenges awaiting us.

- To put it simply, semiconductors are our future: 5G and 6G, edge computing, the Internet of Things, artificial intelligence, to name but a few. The market will double by the end of the decade.
- We must be ready. Not only for the current 20nm semiconductors - for which we need to increase our existing capacities – but also for the next generation of semiconductors below 5nm and even 2nm. These will power our green and digital transition and ensure our resilience.
- We must also be vigilant about the current geopolitical developments. We know that the heart of the geopolitics of chips is in Japan and South Korea. We are all aware of the tensions between the US and China.
- In this context, Europe cannot afford to wait and see. We must be ambitious. We have the best research in the world. Take IMEC, LETI or Fraunhofer. Europe has the key to technological breakthrough, and with the European Chips Act, recently announced, we will further support such excellence.
- And to turn this excellence into industrial leadership, we must beef up our capacities, in particular by setting up large manufacturing facilities. Let's be clear about this: the *fabless* approach is outdated. I am not saying we

must and we can re-shore everything. I am saying we must stop systematically relocating all our manufacturing processes like we used to.

- Not only should we regain manufacturing power, we should also get our strongest international partners to establish their own manufacturing capacities on European soil; to invest in European know-how.
- This will be good for our competitiveness and for our jobs. Obviously, we will have to ensure that we have the right skillset to match such transformation. Through the Pact for skills, we launched several skills partnerships, including on microelectronics. We want to ensure that businesses, large and small, have all the talents needed to innovate and grow.
- So you see, re-balancing global value chains entails a series of bold decisions, from domestic capacity building to international partnerships, from technological know-how to industrial deployment.
- And what goes for semi-conductors goes for many other sectors, such as raw materials - another essential driver of our twin transition - where we will also need to strike the right balance between domestic sourcing and international partnerships.

- I also have in mind hydrogen. Here again, Europe has to lessen the gap between its technological excellence and industrial scale-up.
- But I am confident: lately I have referring quite often to the first fossil-free steel vehicle that I discovered in Sweden a few weeks ago. I see this as the shining proof that decarbonising at industrial scale is becoming possible; that Europe is showing the way towards new markets for low-carbon products.
- I am also confident that Europe has enough leverage to attract the big players and to rebalance the industrial world map, notably because we have our Single Market, the biggest integrated market in the world.

[Strengthening the Single Market]

- Which brings me to my second point: strengthening the Single Market.
- It is indeed the ultimate engine of our long-term recovery. It is the cornerstone of Europe's economy. When the pandemic started, companies, in particular SMEs, were hit hard and were all taken off-guard. We must ensure that it is functioning well, under any circumstances.

- This is why, in 2022, we will come up with a proposal for a Single Market Emergency Instrument. This instrument will provide a swift and flexible response to the impact of any given crisis on the Single Market, with one sole objective: to safeguard free movement.
- Emergency measures must be complemented by a structural approach.
- As you know, last May, along with the updated Industrial Strategy, we published the first Annual Single Market Report. It analyses, industrial ecosystem by industrial ecosystem, the progress made in addressing Single Market barriers and reports on the implementation of the Single Market Enforcement Action Plan.
- The Commission knows too well that businesses continue to face too many barriers to cross-border trade and investment, especially in services. This is why we will explore a legislative proposal to facilitate cross-border trade in services for key business services supported by harmonised standards.
- It is also important that the Commission and Member States continue to cooperate in addressing and preventing barriers. It is vital that we assess and anticipate the impact on the Single Market of any planned national measure.

- Hence the importance of the Single Market Enforcement Task Force, which was set up to discuss transparently about how to remove barriers to the Single Market.
- The Commission will continue to ensure Member States' compliance with their existing obligations. We will also strengthen market surveillance of products and continue to mobilise investments to support SMEs.
- In this endeavour, the Single Market Programme, adopted before the summer, will be key. It pools crucial activities financed under several previous programmes. It provides a more coherent and agile framework that will help our Single Market reach its full potential, in the interest of businesses and consumers.

[Conclusion]

- Ladies and gentlemen,
- I have used the word “confidence” a couple of times and will use it one last time to conclude. In these times of hardship and uncertainty, we have set ourselves ambitious goals and we have come up with ambitious tools to achieve them.

- I could have mentioned all the collective work we have been doing under the industrial alliances.
- I could have mentioned also the Fit for 55 package, which will provide Europe's new growth strategy with the right regulatory framework, or the Recovery plan, which will give us enough firepower to uphold our green and digital transition.
- This goes to show that we have all it takes to succeed. Rest assure that the Commission will do its utmost to provide businesses with the most conducive environment to sustainability and competitiveness.
- Thank you.

[1500 words]