DIGITALEUROPE

6 December 2023

Europe's industrial priorities for 2024 -2029: seizing tech leadership to avoid a business exodus

Executive summary

Europe is at the forefront of advanced manufacturing, a position we must zealously protect if we are to make our continent more resilient and climate neutral. More than anything else, this leadership will hinge on our ability to integrate digital technologies to capture, harmonise and analyse data.

Setting the right industrial priorities for the EU 2024-2029 mandate is crucial to preserve our competitive edge. These must address two main goals: transforming Europe into a globally attractive advanced manufacturing hub and establishing it as a computing innovation leader. There is room for delay amid escalating risks of business exodus. **20%** of all French unicorns have relocated their headquarters to the US just last year.[1] Europe must now send the right signal to investors, start-ups, and established manufacturers that it remains a dynamic region fully committed to digital-driven supply chain resilience and climate neutrality.

Below, we lay out actionable recommendations to guide the industrial policy mandate of the next set of EU 2024 – 2029 leaders. To view our full 2024 Manifesto recommendations, please refer to our 'Europe 2030: A Digital Powerhouse. DIGITALEUROPE's manifesto for the next Commission''

How to make Europe a more attractive manufacturing location:

Removing fragmentation and burden from the EU's regulatory framework: Regulatory simplification is the bedrock for attracting more manufacturers within the EU. **60%** of regulatory barriers have remained unchanged for the last 20 years.[2] The imperative for the forthcoming European Commission is to **deliver a harmonised enforcement of existing regulations, rather than proliferate new ones.** We have already extensive evidence of an alarming trend of

[1] Sifted counts 23 private VC-backed businesses worth over $1bn with French headquarters.
[2] European Commission, Staff Working Document, 2023 Annual Single Market Report: Single Market at 30

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- fragmentation across more than **25** industrial segments. The concrete outcome of this fragmentation is inflated operational expenses for businesses, which need to tweak products for local specificities and increase expenditure on legal services to navigate rising regulatory complexity. Left unchecked, this fragmentation can effectively neutralise any important financial incentives offered by national governments to attract production investments within their borders.

  In tandem, Europe must actively bolster support for business compliance. **The next Commission can ensure a lasting legacy by creating an EU-wide one-stop shop to assist firms**. This is key to streamline government oversight and therefore alleviate bureaucratic burden on businesses. In this vein, it must also streamline taxation and make it more predictable by advancing the concept of the real-time economy in public administration. Taxation compliance costs for SMEs can soar to **30%** of their tax bill. [3] The existing system of the EU's 27 distinct tax models disproportionately impacts SMEs due to their relatively heavier administrative load. Digitalisation drastically cut these costs by replacing antiquated paper-based business transactions and introducing automated exchanges of digital, structured, and machine-readable data in standardised formats.

- ***Reducing energy costs***: EU electricity costs hiked up to **50%** compared to last year. This stands in stark contrast to the dropping prices in the U.S. Europe must focus more on the opportunities of digitalisation to lower energy prices. Provisions in the proposed Energy Performance of Buildings Directive requiring structured, efficient data management for building energy performance should serve as an example. So should those in the draft Electricity Market Design (EMD) regulation to accelerate the deployment of smart meters, intelligent metering systems and solutions to optimise energy supply for cost-effectiveness and reliability.[4] The EU energy price disadvantage can undermine the EU's appeal as a manufacturing hub. If untamed, it would push firms to relocate to more cost-effective regions. Erasing these risks is vital to make the EU an option on the table of manufacturers assessing where to expand capacity.

- ***Provide comprehensive connectivity***: Manufacturing expansion in Europe hinges on the availability of robust connectivity. Enhanced European very-high-capacity (VHC) networks, along with cutting-edge 5G and fiber technologies, are pivotal in driving industrial competitiveness in Europe. This is because they enable critical advancements like IoT, AI, and Industry 4.0, offering significant growth opportunities for European companies.

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[3] European Commission, Communication (SWD 2020/54), Identifying and Addressing Barriers to the Single Market

[4] So-called demand-side flexibility

- ***Prioritise stable raw material sourcing in trade agreements with like-minded partners***: 'Friend-shoring' and building a global network of trade partners will be vital to diversify raw material supply. The EU will need more magnesium, cobalt, and silicon to manufacture semiconductors and computing components, which are crucial to underpin vital technologies such as medical equipment to critical communication infrastructures. Today, the EU imports **79%** of its lithium and **97%** of its magnesium from extremely geographically concentrated sources.[5] At the mining stage, it is completely import-dependent for antimony and borate and more than 80% import-dependent for another six materials. At the refining stage, this is true for six materials with 100% import-dependence and seven more with an import reliance of more than 80%.[6]

How to make Europe a computing powerhouse

- ***Accelerate the integration of design and manufacturing:*** Design decisions account for **80%** of a product's ecological footprint. EU funding programmes for R&D and first industrial deployment must consider design and make as a singular, interconnected discipline. New generative design technologies enable a myriad of opportunities to test various design iterations and find workable solutions to make products greener, safer and longer-lasting.
- ***Establish a first-of-a-kind Twin Transition Fund:*** this Fund would be key in consolidating and directing funding from the EU, Member States and the private sector into projects that blend digital and green initiatives. Key focus areas should include digital twins, industrial data spaces, virtual worlds for industrial manufacturing, energy efficiency. The Fund should also help to achieve the Digital Decade's goals of 10,000 climate-neutral nodes and Gigabit network coverage for all households, alongside 5G connectivity in all populated areas by 2030. Europe is at the beginning of its journey to commercialise edge computing, with a 2022 baseline of no installed node yet.[7] The Fund should be characterised by a new model of agile investment co-ownership by the public and public sector, and strong alignment with the Digital Decade roadmap.
- ***Interoperability between industrial segments to accelerate AI model training and deployment:*** Europe must urgently prioritize market-driven standardization efforts to make voluntary data-sharing

[5] Spain's Presidency of the Council, Resilient EU 2030
[6] Allianz, Critical raw materials: Is Europe ready to go back to the future?, 2023
[7] European Commission, Staff Working Document on Digital Decade Cardinal Points, 2023

across various sectors the norm. Data Spaces, in areas like manufacturing, will only success if there is a clear understanding of the return on private investments into these initiatives. Progress on interoperability should be incremental and focused on the most practical, self-evident applications first.

Key industrial segments for Europe

The following list is the outcome of discussions with our members pointing to some of the most critical industrial segments for Europe's growth and competitiveness in the near future.

- ***Chips and semiconductors:*** Europe's large industrial base will continue to require both high-performance processors in smaller structure sizes, as well as power semiconductors, analogue chips, sensors, or MEMS in more mature structure sizes
- ***Connectivity:*** Europe's prominence in VHC networks and 5G stands out as a key area of global leadership, providing a significant foundation for innovation and resilience. Manufacturing's future needs 5G Standalone for speed, reliability, and tailored connectivity across industries.
- ***Defense ecosystem:*** AI, drone technology, advanced communication systems, and military-grade cybersecurity
- ***End-to-end mobility ecosystem***: EV production as well as development of advanced battery technologies, extensive charging infrastructure, and smart grid integration for bi-directional energy flow
- ***Energy efficiency:*** active energy efficiency solutions such as energy flow optimization, demand-side flexibility and management technologies (peak-shaving and load-shifting); smart grid technologies (e.g. sensors, meters, software); electrification; sector integration (e.g. waste heat recovery and reuse); heat pumps; district energy.
- ***Industrial Metaverse:*** Augmented Reality (AR) and Virtual Reality (VR) technologies for applications in areas like manufacturing, training, and remote collaboration and jointly with digital twins for industrial processes
- ***Personal computing and digital infrastructure ecosystem***: hardware, software applications, as well as innovative processor designs
- ***Recycling and recovery of secondary CRMs and related ecosystem:*** development of sophisticated recycling processes for extracting CRMs from end-of-life products and industrial waste.

- ***Renewable energy:*** applications such as wind, solar, as well as energy storage, including thermal storage and recovery of excess heat (i.e. from renewable sources)

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About DIGITALEUROPE

DIGITALEUROPE is the leading trade association representing digitally transforming industries in Europe. We stand for a regulatory environment that enables European businesses and citizens to prosper from digital technologies. We wish Europe to grow, attract, and sustain the world's best digital talents and technology companies. Together with our members, we shape the industry policy positions on all relevant legislative matters and contribute to the development and implementation of relevant EU policies. Our membership represents over 45,000 businesses that operate and invest in Europe. It includes 108 corporations that are global leaders in their field of activity, as well as 41 national trade associations from across Europe..

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