

State of the Union - President von der Leyen 16 September 2020

Orgalim analysis

I. INITIAL ANALYSIS

Overall, there were no big surprises in President von der Leyen's State of the Union speech this morning. For the full speech, see [here](#).

She outlined again the broad goals that her Commission had identified by the start of the mandate, focusing on the twin objectives of climate and digital.

Of course, the current economic and health crisis has changed the context and she again highlighted that an increased focus on these twin objectives will need to guide Europe towards recovery.

SINGLE MARKET AND TALKING MONEY

The President mentioned the importance of a fully functioning Single Market to ensure European prosperity and for its recovery. Talking about recovery, the Next Generation EU (NGEU) recovery package will play a crucial role. Von der Leyen mentioned that she aims to have 37% of the NGEU to go to spending on the Green Deal objectives. 20% Of the NGEU would be invested in Digital.

GREEN DEAL: EXECUTION OF PLANS, INCREASED AMBITION

As expected, the President called for an increased ambition of 55% in emissions reductions target by 2030. This is up from the current target of 40%. Orgalim has supported an increase to 50% in our recent submission to the Commission's consultation. However, [we also pointed at that time towards critical aspects](#) that may impact Europe's ability to reach those goals, as well as conditions for success. The announced proposal of a 55% reduction hence further highlights the necessity of a stable legal framework, and the urgency of unlocking major investments, both private and public.

EUROPE'S DIGITAL DECADE: FROM DREAM TO REALITY?

According to von der Leyen, "Europe must now lead the way on digital – or it will have to follow the way of others, who are setting these standards for us. This is why we must move fast".

She put forward three focus areas: **data**, **artificial intelligence (AI)** and **infrastructure**.

On data, she repeated the by now well known (Breton) line that "Europe was too slow on personal, B-to-C data, and shouldn't be the same when it comes to industrial data." She continued stating that "about 80% of industrial data is not put to use, she added, and Europe must secure data and make it fully accessible." "We need common data collection in the field of energy and healthcare." She highlighted the building of a European Cloud as part of NGEU, based on GaiaX. Orgalim has been actively involved in the data discussions and [called for a European data space for](#)

[advanced manufacturing](#) in the past. We recently also provided input in the Commission consultation on a "[Legislative framework for the governance of common European data spaces](#)".

On the priority of **AI**, she said that "algorithms must not be a black box and there must be clear rules if something goes wrong". The Commission will propose a law to this effect next year. Also here, we did expect this and have been very actively engaging with the Commission to dissuade them from such a proposal. See also our recent submission to the European Commission consultation on "[Artificial Intelligence – ethical and legal requirements](#)".

As part of the discussion on control over our personal data she said the Commission will soon propose a secure European e-identity.

Finally, **regarding infrastructure**, she called for investment in 5G and 6G (which Orgalim welcomes) and a "common approach on connectivity" and announced a €8 billion investment in the next generation of supercomputers - cutting-edge technology made in Europe. Finally, she reanimated the previous concept of an "Airbus of microchips" when she mentioned the goal of "European industry to develop our own next-generation microprocessor that will allow us to use the increasing data volumes energy-efficient and securely". Which is an interesting point right around the time the UK's ARM is being bought by American chip manufacturer NVIDIA. From an Orgalim perspective, we need to be careful that this chip focus will become the main focus and hence, take away funding from our industries' other objectives.

INDUSTRIAL STRATEGY 2.0

No news apart from the fact that they plan an update to the industrial strategy they proposed earlier this year, by the first half of 2021. See here [for our views](#) at that time. She also linked it clearly to the competition policy framework review. We will continue to heavily focus on these developments and share our views on ecosystems, reshoring and other political elements of such strategy.

TRADE – GEOPOLITICAL CONTEXT

No surprises on the trade topics. She put forward three focus areas: EU-UK, EU-US and EU-China, outlining the views from the European Commission, all along the lines of taking a tougher stance. It is also clear that this will be linked to the industrial strategy objectives. To that end, Orgalim is currently finalising our views on the European Commission's Trade Policy Review. See below for more details on these trade points.

ORGALIM ACTIONS

Please note that we also [released a statement from our Director-General](#) right after the speech.

There might also be some follow up discussion in some specific Orgalim Working Groups (WG) and Task Forces (TF)

II. SPEECH – KEY TOPICS

INDUSTRIAL STRATEGY – SINGLE MARKET

- Updating the Industrial Strategy in the first half of next year and adapting the competition framework.
- Proposing a new strategy for the future of Schengen.

CLIMATE – ENERGY

- Proposing to increase the 2030 target for emission reduction to at least 55% as the status quo would not allow for the EU to become the first climate-neutral continent by 2050.
- Highlighting importance of circular economy. Orgalim will publish mid October a Strategic Paper and a detailed Position Paper on Circular Economy with our views on the New Circular Economy Action Plan. On 15th October, there will be an Orgalim webinar on “A Circular Economy supporting Europe’s Green Deal climate ambition”. See details including registration [here](#).
- Spending 37% of NextGenerationEU on EU Green Deal objectives.
- Revision of all climate and energy legislation by next summer.
- 30% of NextGenerationEU’s €750 billion euro through Green bonds.
- A Carbon Border Adjustment Mechanism (see also under trade). For our recent views, [click here](#).
- NextGenerationEU to create new European Hydrogen Valleys and kickstart a European renovation wave.

DIGITAL

Von der Leyen outlined that there is a need of a common plan for digital Europe with clearly defined goals for 2030, such as for connectivity, skills and digital public services. It should follow clear principles: the right to privacy and connectivity, freedom of speech, free flow of data and cybersecurity. Europe must now lead the way on digital – or it will have to follow the way of others, who are setting these standards for us.

- Investing 20% of NextGenerationEU on digital.
- Building a European cloud based on GaiaX.
- Artificial Intelligence – propose a law next year.
- Proposing a secure European e-identity.
- Industrial data is worth its weight in gold when it comes to developing new products and services. This is why we need to secure this data for Europe and make it widely accessible. Need of common data spaces - for example, in the energy or healthcare sectors.
- Investing 8€ billion in supercomputers – cutting-edge technology made in Europe.
- Developing the EU next-generation microprocessor in order to use the increasing data volumes energy-efficient and securely.
- Investing in expansion of 5G, 6G and fiber.
- Driving expansion of connectivity for revitalising rural areas.
- Digital taxation: proposal early next year in case it is not possible to reach an agreement in the framework of OECD and G20.
- Some of our views on these topics:
Orgalim sees the transition to a data-driven economy as essential for their future growth and competitiveness, as well as inevitable. Orgalim supports the development of common European data spaces to facilitate voluntary data sharing in strategic sectors and domains of public interest, while respecting intellectual property rights (IPR) and the know-how of the companies (IPR), data privacy and security requirements.

Orgalim strongly endorses the overall policy objective of ensuring the development and uptake of trustworthy AI across the Single Market. However, Orgalim believes that, before putting a new legislation in place, existing regulation needs to be carefully analysed, potential gaps precisely formulated, and the right tools adequately proposed, based on a realistic definition of AI. For the manufacturing sector, the most important aspect to keep in mind is that AI is not a product, but a technology embedded in products (applications), which puts all concerns related to AI into another perspective. It is important for policymakers to differentiate between the varying degrees of risk linked to use of AI technologies in their different applications.

TRADE

- **WTO:** “the EC pushing for a reform of the **World Trade Organization**, to enable our Union to continue reaping the opportunities of global openness and integration, while addressing the vulnerabilities of our economic and political systems. In particular, the EU wants to find an agreement that fixes the **Organization's dispute settlement system**. As the system is currently not working, the EC decided to strengthen its trade enforcement rules in the event of a trade dispute, we are ready to use countermeasures that protect European interests, in full compliance with international law”.

Orgalim is convinced of the benefits for Europe of rules-based free trade, including an effective framework at the multilateral level such as the World Trade Organisation (WTO). We, therefore, regret the current stalemate in the nomination of judges to the WTO Appellate Body. To enable continued ruled-base free trade, the dispute settlement mechanism of the WTO, including the Appellate Body, needs urgently to be fixed.

- **EU-China:** “The European Commission has worked to place our relationship with China on a more solid footing, with more reciprocity and a level playing field in trade, investment and beyond. The EU–China Summit was an opportunity for the EU to deepen the EU-China cooperation”.

Orgalim supports a swift conclusion of the negotiations for an EU-China investment agreement, which have been in progress since 2013. The main requirements are free-market access rights for EU companies and a significant reduction in the negative list of sectors where access for foreign investors in China has been restricted to date. The investment agreement should also govern other issues such as the prohibition of subsidies for companies in the local market.

- **EU-US:** “We need new beginnings with old friends on both sides of the Atlantic”, she said, adding that “we might not always agree with decisions of the White House, but we will always cherish the transatlantic alliance” based on shared history and bonds of the people. See our [position](#) on EU-US trade relations.

Orgalim advocates for a trade agreement between the EU and the US, covering issues such as tariffs, regulatory cooperation and standards, would be an important step towards increasing transatlantic trade flows.

- **EU-UK:** “The EC has worked non-stop to reach an agreement on a new partnership with the United Kingdom. We have engaged constructively in negotiations to achieve a mutually beneficial result and protecting European interests. In parallel, the full and timely implementation of the Withdrawal Agreement remains the EC priority and it cannot be unilaterally changed by the UK”.

Orgalim believes that one overarching Free Trade Agreement should be the objective of the ongoing EU-UK trade relations. A future EU-UK trade agreement should address the following objectives: maintain the level playing field, avoiding tariff barriers and ensuring simple rules of origin, removing/avoiding non-tariff barriers, enable customs facilitation, the free flow of data, access to public procurement and the deployment of qualified personnel. See [our position on EU – UK](#).

- **Carbon Border Adjustment Mechanism:** “CBAM should motivate foreign producers and EU importers to reduce CO₂ production. Carbon must have its price. If there is no agreement at the plurilateral level, the EU will act unilaterally in full compliance with WTO rules.

Orgalim supports the EU's climate ambition and the goal of carbon neutrality by 2050. Even though we support the rationale, we question the workability of a possible Carbon Border Adjustment Mechanism (CBAM) for our sectors.

Orgalim represents Europe’s technology industries, comprised of 770,000 innovative companies spanning the mechanical engineering, electrical engineering, electronics, ICT and metal technology branches. Together they represent the EU’s largest manufacturing sector, generating annual turnover of over €2,100 billion, manufacturing one-third of all European exports and providing 11.5 million direct jobs. Orgalim is registered under the European Union Transparency Register – ID number: 20210641335-88.