

Orgalim statement on EU exit and recovery strategy



Representing the mechanical, electrical, electronics, ICT and metal technology sectors in Europe, Orgalim accounts for roughly a third of Europe's total industry with 11 million direct employees and 2.1 trillion Euros of annual turnover. The companies we represent range from large multinationals to smaller "hidden champions" that embody Europe's industrial prowess. They manufacture the technology products and systems that enable everything from Industry 4.0 to clean energy systems, smart cities, a circular economy, and connected and autonomous mobility.

EUROPE'S TECHNOLOGY INDUSTRIES AT THE HEART OF THE COVID-19 RECOVERY

Our future-oriented industries will have a decisive role to play in ensuring a rapid and sustainable upturn in the wake of the Covid-19 pandemic. We are therefore calling on Europe's leaders to prioritise helping our industries, of which 90% are SMEs, to survive these challenging times and regain their financial vigour.

Orgalim welcomes the focus of the EU institutions and the Member States on adopting the measures required to support Europe's economy in overcoming the Covid19 crisis. These measures will include the short-term steps to allow industry to transition out of the current lock-down situation, as well as the longer-term strategy to kickstart a strong and sustained recovery for our industries. The two parts are clearly intertwined and need to be developed in tandem, so this statement looks at both.

The twin objectives of the digital and climate transition should provide the anchors for the EU's exit and recovery strategy. If the right choices are made now, this crisis can provide an opportunity to accelerate Europe's transformation and reinforce its global competitive position. Europe's technology industries are fully mobilised in support of this ambition.

EU COORDINATION IS VITAL

As Member States start putting in place their exit strategies and plans to support the recovery, it is crucial that there is a coordinated European approach. The measures taken over the next weeks will determine whether the crisis resulting from an external shock becomes a structural crisis.

Orgalim represents Europe's technology industries: companies that innovate at the crossroads of digital and physical technology. Our industries develop and manufacture the products, systems and services that enable a prosperous and sustainable future. Ranging from large globally active corporations to regionally anchored small and medium-sized enterprises, the companies we represent directly employ 11 million people across Europe and generate an annual turnover of around €2,000 billion. Orgalim is registered under the European Union Transparency Register – ID number: 20210641335-88.

What industry needs now is coherence, clarity and speed in the steps taken to get out of the crisis. Europe cannot afford in this crucial phase to create further confusion that will add self-inflicted damage to businesses and make it even more difficult for our industries to maintain or restart their production. We call upon Member States to work closely with the European Commission to map their strategies and the various actions, and to ensure they are as harmonised as possible.

FINANCIAL PRESSURE ON BUSINESSES MUST BE ALLEVIATED

The Covid19 crisis has led to a significant reduction in economic activity. Supply chains have been disrupted to a point where businesses are short on supply to sustain normal activity. Companies are stockpiling in order to deal with a prolonged disruption, but this requires capital at a time when consumption is low. In addition to the supply chain disruption, transport costs in all modes of transport are surging.

For all these reasons it is imperative for the EU and its Member States to review the 2020 Work Programme in support of the recovery, to improve companies' liquidity, to remove obstacles to the functioning of the Single Market, and to further facilitate trade. We look at each of these in turn.

THE 2020 WORK PROGRAM SHOULD BE REVIEWED AND CONSULTATIONS DELAYED

Orgalim believes that any legislative and regulatory action in 2020 should be focused on supporting the EU's recovery. Therefore, we call on the European Commission to review the 2020 Work Program and set up clear, transparent criteria for prioritising those measures which would directly support the immediate recovery. This review should include compliance deadlines of existing regulations and planned reviews.

The single most important factor should be the economic impact, positive or negative, of such measures. In the context of this review, we are also calling for all current and planned consultations to be delayed by six months. Only when a clear case is made about the direct contribution to the recovery of the legislative measures concerned, based on agreed criteria, should these consultations go ahead as planned – or even be brought forward.

To be clear, Orgalim is not calling for a stop to all legislative actions. We are asking for the political framework to support the ability for our industries to refocus all required resources on the immediate challenges of recovering from the crisis, so that a solid and sustainable industrial basis can be rebuilt for supporting the twin digital and climate transitions over the years ahead.

FINANCIAL SUPPORT MEASURES SHOULD BE CHANNELLED TO THE RIGHT PRIORITIES

Financial support measures must remain a key area of focus. We welcome the actions already taken at national and European level to support short term survival of Europe's companies. We believe an effective and non-discriminatory liquidity support package is required and we call on all Member States to give a strong European response. Crucially, to help kick-start and sustain the recovery, liquidity support is needed to allow companies to invest in new machinery and related equipment. It is vital that any liquidity support allows such capital investments to proceed.

Beyond the short term, we need a strong and ambitious economic recovery package to support industries and businesses across the European union. This should pull together all available existing means as well as new proposals, including a possible loan scheme to support labour markets. The recovery package should be based on the twin priorities of the digital and climate transition. Medium-long term investments should be channelled to those priorities, including financial support for innovation, infrastructure, digitisation and other technical solutions. Ambitious investments in research, development and innovation in particular will ensure an agile and resilient European industry.

Orgalim calls on the Member States to ensure that Europe can live up to the ambition of global leadership in technological development and cutting-edge innovation.

A SINGLE MARKET OPEN FOR BUSINESS: MAINTAINING THE FREE FLOW OF GOODS, WORKERS AND SERVICES

The EU's Internal Market must be the cornerstone of a recovery plan. Export markets in other parts of the world may be more difficult to access in the months and years ahead, so it is more important than ever that the Internal Market functions properly.

As outlined in our earlier [statement](#), the continued free movement of workers, goods and services, among EU- and EFTA-countries and the UK is key for maintaining operations throughout the crisis. Obstacles to free movement arising in the early phases of the crisis, have resulted in severe disruptions to our industries and their supply chains. Considerable steps have been taken to remove these obstacles but a number of them remain, directly hampering an exit strategy as well the broader recovery. We call on the European Commission to continue working with Member States, EFTA-countries and the UK to find solutions that reconcile national concerns with the requirement to have a functioning Single Market.

ESSENTIAL ECONOMIC ACTIVITIES

One example of this challenge is the discussion on essential or systemically relevant economic activities. Orgalim believes that defining essential or systemically relevant economic functions, beyond the immediate medical dimension, is a difficult exercise. We recognise that some Member States felt such classification was required from an immediate health and safety perspective. The EU should learn from these experiences, however, as we turn our attention towards an exit strategy focused on restarting our industries.

First, we do not believe it makes sense to designate individual companies as essential or non-essential. Second, even if a given part of industry is identified as essential, it can be heavily reliant on products or services of supposedly "non-essential" sectors. Given today's complex and deeply integrated supply chains, particular in the electrotechnical and mechanical engineering sectors, divergent attempts to define what is and is not essential in themselves cause disruption to the internal market and these supply chains. If sectors were to be categorised as essential and non-essential, all the industrial sectors represented by Orgalim, as well as the sectors that are supplying us, are a key part of Europe's industrial backbone and hence should be looked at as essential or systemically relevant.

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.

HEALTH AND SAFETY

A second area where stronger coordination is urgently needed across the Single Market concerns health and safety requirements. The health and safety of our employees, suppliers and customers is a top priority for our industries. To ensure a consistent exit strategy where industrial activity can resume smoothly across the Single Market, a coordinated European approach is needed on health and safety aspects. Workers need to be protected and given confidence that consistent health and safety provisions are being followed across Europe. Practical measures are needed to ensure a coordinated approach on social distancing measures, to requirements for wearing Protective Personal Equipment (PPE) and approaches to testing for Covid19.

TRADE AND INVESTMENT ARE VITAL FOR THE RECOVERY

We are concerned about continued disruptions to supply chains not only within the European Union, but also as they extend across the globe. We call for a strong coordination at the multilateral level and ask the European Commission to accelerate efforts regarding the removal of tariff and non-tariff barriers and the simplification of customs procedures beyond the measures taken in the recent guidelines.

Orgalim believes that the European market needs to remain open to foreign direct investment, considering its positive impact on growth and employment especially during the recovery. Public procurement should be leveraged to the fullest, as an emergency engine-generator. We call for an expedition of tenders at a European and National level.

The UK's membership of the EU ceased on the 31 January 2020, with a 11-month transition period during which the majority of existing arrangements will remain. From 1 January 2021, the UK's relationship with the EU should be ruled by free trade arrangements agreed between the UK and the EU, which would have to be negotiated in 2020. Orgalim at this stage calls for an extension of the Brexit transition period as our members believe that the current situations does not allow for adequate time to negotiate such a new arrangement. Similarly, more time should be allowed for the negotiations regarding an institutional framework between the EU and Switzerland. No new measures limiting the effect of the bilateral agreements should be imposed.

GOVERNANCE FOR A PRO-GROWTH RECOVERY STRATEGY

Finally, we call for a structured dialogue between industry representatives and the European Commission. Such a dialogue should be used to agree on the criteria applied in the evaluation of the 2020 Work Program. It would assist the European Commission and the member states with sharing industry practices as well as providing feedback and guidance on planned regulatory actions. We would also support the setting up of clear KPIs with regards to the various strands of an economic package, and a dedicated accountability and tracking mechanism. A structural role for the European Parliament when it comes to its implementation should be envisioned.

Orgalim and its member associations remain fully committed to working closely with EU and national decision makers at this critical stage. We are available for further detailed discussions on the various aspects related to the exit and recovery strategy.