

European Office



# #EUmatters

Our vision for a competitive Europe



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## VDMA key demands for the EU legislative term 2024 – 2029

In the pursuit of a strong and robust Europe, a competitive and sustainable industry is essential. As the EU enters a crucial and challenging new legislative period, we want to contribute to a pragmatic and robust strategic approach. This paper aims to provide inspiration to decision-makers with regards to an economically strong and globally competitive Europe. This is what the machinery and equipment manufacturing industry in Europe stands for.

### 1. A bold masterplan for a strong European industry

In the past, the EU has been a good place for sustainability, innovation and globally competitive companies: a regulatory framework providing legal certainty, a Single Market as a launchpad for scaling new solutions, a trade network providing access to global markets, and a skilled workforce were a competitive advantage for EU businesses.

However, the EU's success model is under threat. In addition to external factors such as the climate crisis and geopolitical developments, internal factors are becoming a serious drag on the EU's attractiveness as a place for business and innovation: they include demographic change, ageing

infrastructure, expensive energy and an increasingly obstructive regulatory framework.

The EU has responded with the “Green Deal” and “Open Strategic Autonomy”. These plans, however, require an industry which is strong, resilient and sustainable – not because it is protected or subsidised but because it successfully competes in global markets, leads in strategic technological fields and attracts investments. In the next legislative cycle, the EU's objective must be to become the world's leading place for the development and manufacturing of clean, advanced and competitive technologies and products – to supply Europe, but also to enable clean solutions around the world.

To achieve this, the next EU institutions must pursue four priorities:

- **Manufacturing matters:** The EU must make manufacturing a key political priority to again become an attractive and competitive location for factories and manufacturing innovation. The manufacturing ecosystems in Europe are essential to maintain key know-how and the partnerships between equipment suppliers and industrial customers. It is the precondition for resilience, technological leaderships in global markets, the digital economy and for

good jobs. Without manufacturing, the EU's prosperity and sustainability goals are at stake. This requires manufacturing sites, but also leadership in manufacturing innovation as a core element of open strategic autonomy.

- **Making the EU's legislation an innovation driver:** The EU's legislative framework must be substantially overhauled, converting it from the burden it has become into a competitive advantage. A first step in the upcoming legislature must be to analyse the most burdensome laws and to change them. Revisions and new initiatives must follow the "better regulation" principles such as proportionality, subsidiarity, and technological neutrality. The final check-point for all legislation must be its impact on innovation, global competitiveness and smaller economic actors.
- **Regain leadership in research and innovation:** To stay globally competitive and to develop the enabling technologies needed for sustainability, the EU must lead in research and innovation, stepping up its ambition to reach the 3% target for R&I-intensity. As the provider of the lion's share of R&I investments and the crucial actor for uptake and scaling-up of results, industry must be closely involved in R&I programmes and the next EU Framework Programme must prioritise applied industrial research.
- **Allowing entrepreneurs to thrive:** The EU's industrial policy must be based upon market economy, freedom of entrepreneurship and competition rules. Rather than

attempting to pick winners and technologies, the EU must focus on setting the right framework conditions and incentivising private investment for all economic actors – in terms of adequate infrastructure, R&I, education, trade policy and good regulation. Intervention in markets and business decisions must be the exception – for example, when markets fail or when European interests are at stake. State aid that fragments the Single Market and starts a subsidy race among EU member states must be avoided.

## 2. Comprehensive update to strengthen and deepen the EU Single Market

The European machinery and equipment manufacturing industry has benefited from the EU Single Market more than almost any other sector. Since Jacques Delors' ambitious plan to complete the EU Single Market in 1992, many medium-sized machinery manufacturing companies have succeeded in scaling up their activities in Europe. Europe has not only become these companies' undisputed home market but has also served as a springboard to markets in other parts of the world. The larger market, improved access to resources and primary products and the increased pressure to compete and innovate in the Internal Market, have made machinery and equipment manufacturing a European flagship industry that is still a global leader in many areas.

In recent years, the Single Market has been politically neglected. In many member states,

the free movement of goods, workers, services and capital is now seen more as a threat and the European Commission has shown no ambition to remove barriers or prevent the creation of new ones, for example, the posting of workers in Europe. This is a devastating signal, especially at a time when geopolitical tensions are putting global trade under increasing pressure.

Strengthening and deepening the EU Single Market, including its digital, energy and capital markets, must become one of the EU's top priorities in the coming years. This is the only way to maintain the competitiveness of European industry in general and European machinery manufacturers in particular, in a world characterised by geopolitical upheaval.

To this end, the European Commission must present a far-reaching masterplan for strengthening and deepening the EU Single Market as quickly as possible, based on a comprehensive analysis of existing obstacles.

The following areas should be addressed with high priority:

- **Create an open Single Market in services:** The free movement of services and workers is still subject to considerable and even increasing obstacles in Europe. The immense bureaucracy surrounding the posting of workers is one example of how EU member states make the cross-border provision of services very difficult in the machinery industry.

- **Remove barriers for a circular economy:** One of the major EU policy priorities is the green transformation and the creation of a circular economy – looking at the full life cycle of products and new business opportunities behind them. At the same time, the Single Market is not fit for purpose. Diverging and complex rules make it impossible for businesses to fully exploit the potential of the Single Market. How can an EU market for circular products develop if there has been (or in some cases are) still no clear definitions and no legal framework on the “R-Strategies” of a circular economy: Rethink, Reduce, Repair, Re-use, Refurbish, Remanufacture, Repurpose, Recycle?
- **Strengthen the New Legislative Framework and the European standardisation system:** One of the success stories of the EU Single Market is the approach to define only essential requirements for products in EU legislation and leave the application for specific products to harmonised standards developed by industry, the so-called New Legislative Framework. This legislative approach provides a practicable and effective legal framework for businesses in the Single Market. Instead of more and detailed Single Market legislation, a strengthening of the New Legislative Framework and the standardisation system is urgently needed.
- **Enforce Single Market legislation effectively in the entire EU:** The Single Market has always been heavily regulated and the high number of new regulations in areas such as the Green Deal or digitalisation

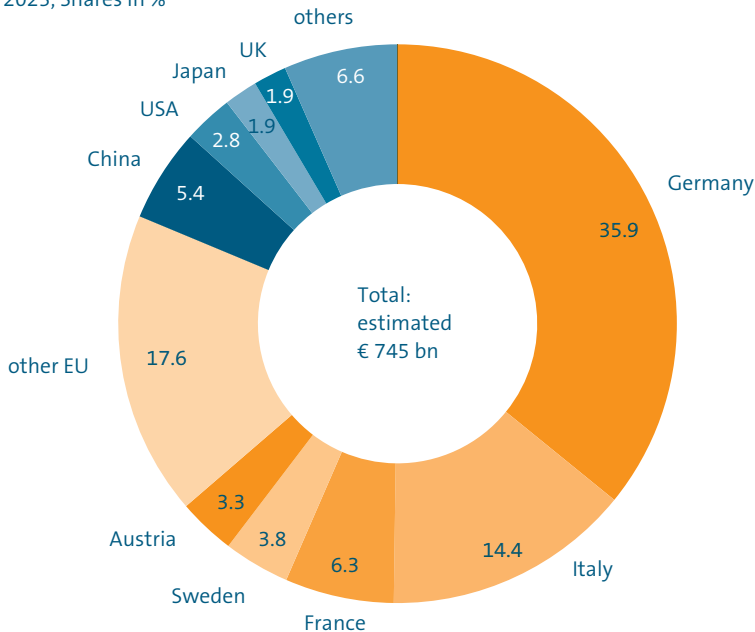
adds another significant layer of requirements for businesses. Companies need at least to have confidence that the rules will be enforced equally for all economic operators active in the Single Market. This applies in particular for products imported into the EU. Market surveillance needs to be significantly strengthened throughout Europe.

### 3. Pushing for trade relations – at eye level

A strong Europe and free trade are essential for the competitiveness of companies in Europe – especially in these tense geopolitical times with increasing protectionism. To ensure that the machinery and equipment manufacturing sector (with its export orientation and its SME focus) can continue to operate successfully in the world, export markets must be kept open and existing trade barriers in third countries must be dismantled.

#### A real contribution to resilience: machine sales in the EU27 market by origin

2023, Shares in %



Source: VDMA estimation

Therefore, the EU needs to focus on the following:

- **Accelerate ongoing FTA negotiations:** To open up new markets and to maintain the competitiveness of European industry, there should be significant progress in EU trade agreements in the next legislative term. Ongoing negotiations with important third countries, such as India and Indonesia, should be accelerated and finally concluded. Negotiations with third countries or regions must not take forever!
- **Make sure that concluded FTAs enter into force:** Once the negotiations on a FTA are concluded, the EU institutions need to make sure that the FTA also enters into force. In particular, the FTA with Mercosur and Mexico must finally enter into force. Otherwise, export-orientated sectors cannot benefit from trade agreements.
- **No overload with policy objectives that have nothing to do with trade:** A key reason for the stalled negotiations with many countries is, in our view, the EU's demands on non-trade issues. From environmental standards to social requirements and the threat of sanctions, there is a tendency for the EU to overload trade agreements with topics that are not directly related to trade. This overburdens many of the potential partners and they become unwilling to make the required commitments. As a result, third countries such as China that offer themselves as easier trading partners benefit from the hurdles that the EU erects. This cannot be in the interest of the EU.

## Machinery and equipment manufacturing industry – A European export powerhouse

Machinery and equipment manufacturing is an industry strong in exports, internationally active while developing and producing a vast range of products and services: from components to complete systems, from robots, machine tools, gears, wind turbines to drones and much more. Many of the businesses are long-established in their own region, loyal to Europe while at the same time highly interconnected across the globe. Their customers are businesses worldwide with individual requirements, making the products of the machinery and equipment manufacturing industry unique and tailored to specific needs.

The companies are sometimes referred to as “hidden export champions” as the often family-owned enterprises might not be known by their brand in the public arena but nonetheless their global significance is impressive. Machinery and equipment manufacturers in Europe employ highly specialised workers such as engineers, data scientists, IT specialists, technicians, and many other qualified talents.

At the same time, the industry is characterised by a high level of digitisation. Intelligent and networked production processes, as well

as an advanced data management, are key for a digital transformation and successful new business models.

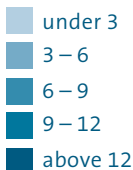
The entrepreneurs of the machinery and equipment manufacturing industry are driven by the constant desire for innovation and sustainability, especially in times where everyone is keen to contribute towards climate neutrality. The machinery sector is acting as an enabler, offering climate-friendly technologies and solutions across all industrial sectors;

86% of global CO<sub>2</sub> emissions could be reduced by the machinery and equipment manufacturing industry.

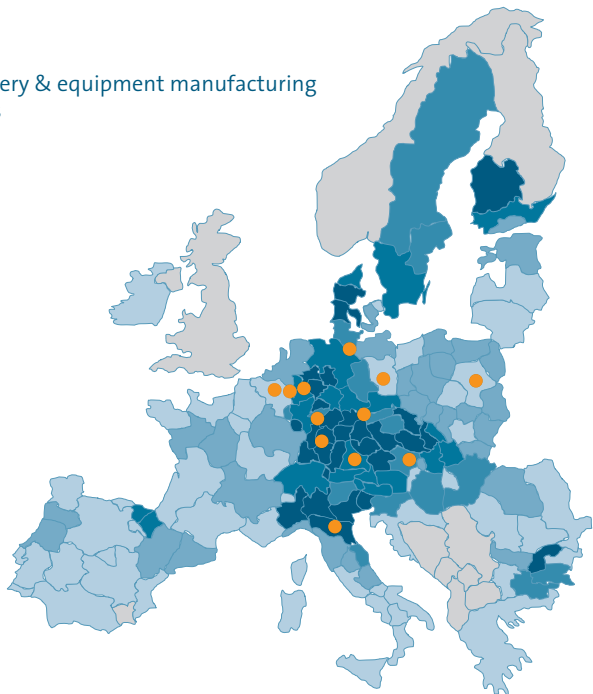
Company leaders have been taking their social and environmental responsibility seriously for years, aiming to offer added value for society and keeping Europe a strong and competitive entrepreneurial location. It is therefore no coincidence that industrial SMEs form the backbone of Europe's economy and are valued across the globe.

## The machinery industry as an employer across Europe

Employees in machinery & equipment manufacturing per 1,000 inhabitants



● VDMA locations



Source: Eurostat, VDMA

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