

Mr J.G. de Hoop Scheffer
Chairman of the Advisory Council
on International Affairs
P.O. Box 20061
2500 EB The Hague

Date 17 May 2021

Re Request for advice on EU industrial policy

Dear Mr De Hoop Scheffer,

The debate on the European Union's strategic autonomy is in full swing, and is taking place against the background of the EU's geopolitical role. The debate concerns political power and influence in a foreign policy context, but equally it centres on the EU's position as an economic and trading power. Another common topic of discussion in this regard is the formulation of EU industrial policy.

In its European Industrial Strategy, published in March 2020, the European Commission explicitly committed to advancing the EU's industrial autonomy and competitiveness. At a meeting in October 2020, the European Council stated that achieving strategic autonomy was a key objective and, at the urging of the Netherlands and other countries, stressed that this should go hand in hand with 'preserving an open economy'. For this reason, the Council coined the concept of 'open strategic autonomy'.

In the government's view, open strategic autonomy should not be an end in itself, but a means of maintaining our ability to protect public interests. It is therefore necessary to identify undesirable dependencies and then determine whether they can be reduced and, if so, what policy is required for this purpose. This debate entails a risk of the EU rashly opting for greater economic protectionism and measures that would threaten the functioning of the open market economy.

It is also important to note that the debate on strategic autonomy and limiting dependencies is being followed closely by partners outside the European Union, particularly (though not exclusively) in the area of international security policy. The government believes that

collaboration with international partners must always be our point of departure, and that by taking more responsibility for its own security the EU will strengthen its relations with NATO and its transatlantic partners.

The government put forward this vision of open strategic autonomy in a joint non-paper drafted together with Spain and signed by both countries' prime ministers.

In a letter to parliament of 30 October 2020 (Parliamentary Papers no. 29826-124), the government set out its vision on the future of industry. The government stated that cooperation within Europe was a condition both for a strong Dutch industrial sector and for Europe to strengthen its position in the world. EU industrial policy should comprise a sensible mix of open markets, promoting fair competition, EU cooperation on technological development and innovation, and protecting public interests. The ambition is to achieve greater strategic autonomy vis-à-vis the rest of the world while preserving an open economy. The government will press for open markets with which we can retain the advantages of international trade, access to global value chains and international competition. In addition, strict competition rules and politically independent supervision of the single market remain necessary. At the same time, the government wishes to strengthen European industry by promoting the right frameworks for sustainable growth, as reflected in the government's response of April 2020 (Parliamentary Papers no. 22112-2862) to the Commission's Communication on a new industrial strategy for Europe. Relevant topics in this regard include strengthening the single market, improving (digital) infrastructure, skills, reducing regulatory pressure, protecting intellectual property, ensuring good access to financing, stimulating innovation, creating markets for clean technologies and ensuring robust and independent competition frameworks. To this end, the government intends to make investments; for example, in the development of key technologies, and through use of European industrial alliances and important projects of common European interest (IPCEI). EU cooperation is needed when it comes to strategic value chains. The EU should use its market power effectively to enforce a level playing field on trade with other countries by means of new and existing instruments. The Commission's White Paper on foreign subsidies (see e.g. Parliamentary Papers no. 22112-2917) has an important role to play in this regard. In order to pursue an effective climate policy, the government favours the principle of a carbon border tax and awaits the Commission's proposal with interest. From a national security perspective the government is alert to the risk of undesirable investment.

Further research is under way on industrial policy. The Social and Economic Council, for example, has published an advisory report on 'reshoring', and is developing a broader advisory report on strengthening the industrial sector (to be published in May 2021).

Other member states are also adopting positions on this issue. On 19 February 2019 France and Germany presented a joint manifesto on the future of European industry.¹ This offered a basis for the debate on the need for European 'champions'. Poland later aligned itself with these countries' position. On 16 February 2021 France and Germany published a new joint non-paper in the context of the publication, expected in April 2021, of an update to the European Industrial Strategy.² The above-mentioned Dutch-Spanish non-paper provides a contribution to this debate on European industrial policy.

Questions:

In light of the above, the government would appreciate receiving an advisory report from the AIV by October 2021 addressing the following questions:

1. The government requests that the AIV, taking the government's position into account, examine how the Netherlands can best position itself in the debate on industrial policy in the EU. Subsidiary questions could include:
 - a. How can the Dutch position on EU industrial policy best be propagated within the EU?
 - b. What is the appropriate message in this regard?
 - c. Which elements of the Dutch position should be emphasised?
 - d. Which other member states should the Netherlands seek to work with in propagating its position?
 - e. How can we organise successful industrial alliances in strategic fields within the EU?

2. Given that the government has noticed that several international partners outside the EU interpret the debate on strategic autonomy as a move towards more protectionist policies, the government requests that the AIV advise on what the Netherlands' stance should be towards these partners in regard to this debate.

¹ https://www.bmwi.de/Redaktion/DE/Downloads/F/franco-german-manifesto-for-a-european-industrial-policy.pdf%3F__blob%3DpublicationFile%26v%3D2

² <https://www.bmwi.de/Redaktion/EN/Pressemitteilungen/2021/02/20210216-germany-and-france-together-for-a-new-and-innovative-european-industrial-strategy.html>

3. The government would also like to know whether, in the AIV's view, the above considerations require an adjustment to the Netherlands' position on European industrial policy and, if so, which elements and individual areas it should modify its position on. In this connection it is not necessary to conduct an economic analysis of European industrial policy; the AIV could base its considerations on existing recommendations by institutions such as the Social and Economic Council.

Yours sincerely,

Stef Blok
Minister of Foreign Affairs