

A New Industrial and Competition Policy for Europe

Report on the hybrid workshop, held 12 October 2022 in Berlin



The aftermath of the pandemic, combined with the war in Ukraine, has led to high inflation rates and consequently in an increase in the cost of living. This made Europe's dependency relations in a globalized world particularly clear. An energy policy that has so far been heavily geared towards fossil fuels restricts the EU's ability to make decisions at geopolitical level and is a burden on the European economic situation. In view of these developments, the idea of a self-sufficient Europe or of de-globalization, respectively, has become the focus of political discourse. This includes various paths to achieving goals, such as shortening and recovering supply chains and production sites, independence from raw materials, digitalization and, last but not least, decarbonization. In this context, trade unions are faced with the task of involving and protecting workers and organized civil society in the process of restructuring.

In order to bring together the various strands of discussion within the European trade union movement and to work towards a common understanding and common political demands, the DGB and FES invited trade unionists and experts from all EU member states to a workshop in Berlin. The question discussed was which concrete measures are necessary in which policy areas in order to implement trade union goals towards a new industrial and competition policy for Europe and to overcome the various crises of the present. The workshop was hybrid, i.e. conducted both with presence in the conference room of the FES and with digital participation. It was the fifth forum in the annual "Social Europe" series organized by the DGB and FES.

In his keynote, **Björn Hacker**, Professor at the University of Applied Sciences in Berlin, presented his theses on "Strategic autonomy and de-globalization - the new path for Europe?". For a relatively short time, "strategic autonomy", "strategic sovereignty", "geopolitical power", "de-globalization" or even

the “turning point” have been discussed in European political forums. Just three years ago, these were marginal issues of foreign and security policy that were at best ridiculed. Now, in the new, still confusing reality of the pandemic and the Ukraine war, we have to discuss how we can help shape the further course of changing economic, cooperation and power positions - and what role the EU should play in the post-globalization-phase is due. To this end, Björn Hacker posed three questions: what are the risks of the globalized world, what are the EU's home-grown problems and what potential does Europe have at the turn of the century?



According to Björn Hacker, hyper-globalization could not have been permanently saved even without the recent culmination. The world financial and economic crisis of 2008/09 first shook the euphoria of market-driven "hyper-globalization". Until then, the principle of “Faster – Farther – Higher” of deregulation and international interdependence applied to the markets. Since then, global risks have become more apparent. The external factors to be managed now are climate change, pandemics, migration movements, global trade conflicts and the energy supply. In addition, there is the economic structural change due to decarbonization and digitization. With the world market, we have opened a flood-gate that generates prosperity, but does not have enough political actors, institutions, and processes to mitigate risks, solve acute conflicts or solve collective action problems. The EU in particular is an exposed target of cross-border risks in a world economic order determined by global competition. From an economic point of view, Germany is certainly one of the winners of globalization. Nevertheless, there is concern about job loss and professional and social decline as well as the feeling of powerlessness in the face of a "failed globalization".

According to Björn Hacker, the EU has failed to adapt its economic integration model. Europe's first response to the emergence of new international economic interdependence after the end of the Cold War was to strengthen the EU as a world-class economic power. However, insufficient attention was paid to the development and defence of original European specifics. The growth and competition paradigm of corporate competition in cross-border markets was largely uncritically adapted for the European welfare states and their regional authorities. However, the internal competition between institutions, systems and policies does not automatically result in a spill-over of the best practices tested in the integration area, nor does this automatically result in a stronger position in the concert of international competitors. Intensified internal competition has even damaged the economic position of the EU in global competition. The systemic deficits of the currency union culminated in the euro crisis, but the competition paradigm was already so well established that the crisis management mistakenly wanted to use austerity policies to combat



a cyclical economic slump. This artificial prolongation of the crisis lead economically to a lost decade for the EU and to a deepening of social disparities. The lack of creative will solidified a double social and spatial polarization in the EU. This is reflected on the one hand in differentiated resilience and socio-economic divisions between the member states, and on the other hand in major differences within the member states - centres and metropolises equipped for global competition and peripheral areas in the countryside and in smaller towns that have been stagnating in the long term.

Nevertheless, Björn Hacker also saw great potential for the EU to shape the “turning point” in their favour. With the common market and the economic and monetary union, the EU has extensive market integration. Its institutional design, with its mixture of supranational and shared but coordinated responsibilities, distinguishes the EU from other economic integration areas in the world. In the last 30 years, the association of states has included additional policy areas in the common design horizon, including social and employment policy, energy and climate policy as well as justice, home affairs and asylum policy - in particular to improve the functionality of the large integration projects. Areas that are not yet perfectly integrated and where there is a vacillation between supranational requirements and national claims to sovereignty.

Quoting the sociologist Ulrich Beck, he postulated: World problems create transnational communities. Whoever draws the national card loses. Interdependence is not a scourge of humanity, rather, on the contrary, the prerequisite for its survival. Cooperation is no longer a means but the goal. This means that every step backwards from hyper-globalization must not lead to playing the national card, as certain political groups have in their portfolios. Instead, at the same time, one step (preferably two) forward in EU integration must be taken.



Strategic autonomy does not mean that the EU will completely withdraw from the world economy. The term is also misleading: Europe will never be able to be completely autonomous in many areas, and that would not be an advisable programme, neither economically nor politically. The core issue is that the EU has the ability to make decisions itself, to prioritize and implement them independently. Two things were central for Björn Hacker: On the one hand, to take precautions against protectionism, trade restrictions, patent and product espionage and data theft, to secure the supply

networks, the (critical) infrastructure and services of general interest. On the other hand, to tackle the challenges in the association of states together, such as the structural change in the economy towards decarbonization and digitalization, but also by establishing a social and employment policy.

In industrial policy, this means reducing dependencies by maintaining key technologies and creating capacities to pull up certain industries/products locally from scratch; the infrastructure must be developed in such a way that it can be built on at any time, and the specifics of the European economic and social model must be integrated and promoted.

In competition policy, this means to think in a completely new way. In certain areas, competition should no longer be the top priority in the internal perspective of the common market, but in the perspective of European competitiveness vis-à-vis third parties. The EU has the market power to drive changes worldwide by setting standards and thus help shape globalization: Examples are climate protection, the General Data Protection Regulation (GDPR), and the European free trade agreements. However, the contours of a separate European economic and social model that limits internal dumping processes, reduces socio-economic disparities, tackles new challenges with shared know-how and develops greater crisis resilience to external attacks are not sufficiently developed.

Strategic autonomy for the EU can only be successful if it dares to actively pursue industrial policy and at the same time softens the mantra of internal competition. For Björn Hacker it was clear that only states are able to guarantee infrastructure, services of general interest, education & training, basic research and development, sustainability or employee protection - the market will not regulate that.

Going together here, at least in a coordinated way, could make the “turning point” an opportunity to increase not only the European economic model but also European identity.

In the discussion that followed, **Petra Bolster-Damen** from the Dutch trade union federation FNV pointed out how dangerous it is that the EU is often portrayed as a failed experiment, which is not true. The trade unions in particular should make this clearer and show it in reality. The potential of the EU is great, but because countries are also in competition with each other, this is often thwarted. She saw it as crucial to make the EU's chances clear, so that Italy, the Netherlands etc. would also see it that way.



Fausto Durante from the Italian umbrella organization CGIL demanded that the trade unions increase their commitment to a social Europe. Because the current crises must not lead to decision-making power being shifted even further into the hands of national governments. The European perspective is in jeopardy if we don't find a strong European response. In Germany there are pro-European parties who also see it that way. But other countries have governments that are explicitly against Europe. The risk of the end of cohesion in the EU is great.

Pavel Viček from the Czech trade union federation CMKOS gave an example from his work at a mobile phone operator, where the Czech government hid behind the excuse “the EU has to do it” in order not to push ahead with the expansion of mobile phone communication in the country. In this way, the EU is portrayed as the culprit and anti-European resentment is encouraged. The Czech Republic is an industrial country, and high energy costs are a threat to jobs. He gave the example of a company that now wants to move production abroad due to high energy prices, resulting in the loss of 400 jobs. A lot for a structurally weak region. EU programmes must accept local specifics.



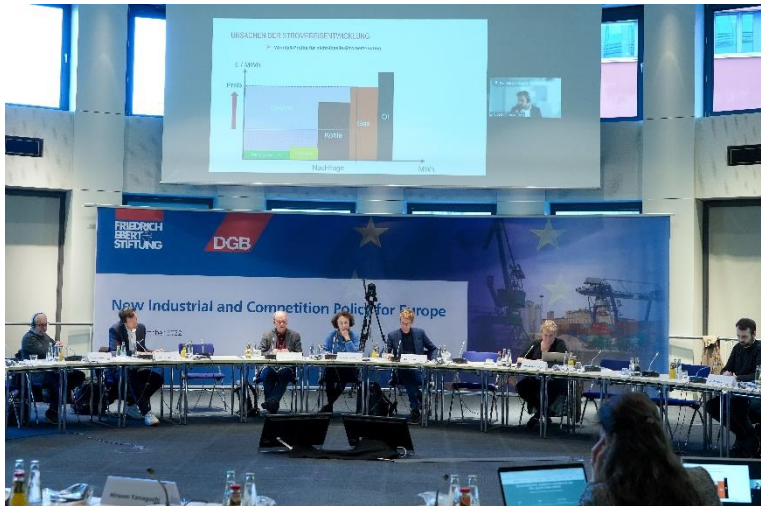
Björn Hacker emphasized in his response to the contributions to the discussion that there is no single answer to all these problems, but trade unions can very well make demands. With the temporary economic stimulus package "NextGenerationEU", the EU had mobilized its own funds for the first time to counter the Corona crisis. This was a fundamental paradigm shift. What is needed now is a "NextGenerationEU 2.0". In the current social crisis, fuelled by energy prices and inflation, we don't have to invent something new if we can continue with the tried and tested. One could also consider imposing conditions on supply chains so that they follow socio-ecological and human rights criteria.



In his presentation on a new design for the energy market for Europe, **Josef Thoman** from the Vienna Chamber of Labour first pointed out that all EU member states are currently trying to take national measures to counteract the high gas and energy prices, which is a huge strain on national budgets. He advocates decoupling the electricity price from the gas price. Using current data, he showed how massively the gas price has exploded to 10 to 20 times the price of a few years ago, how the Russian Gazprom manipulated the energy price and how the Ukraine war has made our

dependence on Russia clear. The requirement to fill the gas storage tanks quickly also drove the price up. There is also speculation on the energy market, including from Deutsche Bank, but also about high-frequency trading.

The electricity price, which has increased more than tenfold, is developing just as explosively. Josef Thoman illustrated why this is the case, even though renewable energies produce much more cheaply. The "merit order" system ensures that the market is organized in such way that the power plant with



the highest marginal costs that is still required to cover demand determines the market price and thus the revenues or contribution margins of all cheaper providers. These are usually fossil, mostly gas power plants. As gas prices have exploded, operators of renewable and nuclear power plants are reaping huge windfall profits. Hence, we are currently witnessing an unprecedented redistribution from consumers to energy producers. There-

fore, according to Josef Thoman, a reorganization of the electricity market design by decoupling electricity and gas prices would be necessary. When electricity prices become cheaper for consumers, inflation falls, competitiveness increases, redistribution slows down, and yet prices remain high enough to keep investments in renewable energies worthwhile. There is already a working example of such an approach, called the Iberian model. In Portugal and Spain, the gas price is capped, i.e. the purchase of gas from energy producers is subsidized, which stabilizes the electricity price at a significantly lower level. From Josef Thoman's point of view, this model is a very good and practicable template for an EU-wide intervention.

Commenting, **Ludovic Voet** from the ETUC underlined the importance of having this Iberian model because it shows that individual countries can do something. Unfortunately, only the EU is lagging behind. He was critical of the current switch to other gas sources and referred to the human rights situation in Qatar as an example. In the long term we need more renewable energies. He agreed with Josef Thoman's demand for a decoupling of gas and electricity prices. However, the EU also needs appropriate financing options for this, so that even higher levels of debt do not lead to even more injustice in distribution. He demands not only a gas price cap, but also a solidarity levy to skim off excess profits and redistribute them to households. In addition, the EU must invest massively in renewable energy and strive for a new design for the energy market. In his opinion, the same applies to other commodity markets (e.g. nickel), in which monopolies have pricing power and eliminate competition.





The next topic focus was on the trade union perspective on regional transformation processes. In her fundamental contribution to this, the DGB Chairwoman **Yasmin Fahimi** demanded that the trade unions should not always just call for improvements, but should be actively involved in the formulation of strategies in the various political fields right from the start. Also, and especially in view of the current crises, they must push even harder for a transformation towards a climate-neutral economy and society.

This goal is clear. And the assumption that the trade unions are only brakemen in the transformation process is not correct. The trade unions only ask the relevant question of how the goal can be achieved in practice, how socially just, socially sustainable and socially responsible solutions look like in order to make the EU more resilient and the location more competitive. Yasmin Fahimi saw the EU in a competition between social systems with autocrats and social models like in China. In this context, she asked how the transformation can be made more efficient from the outset, strengthen Europe's geostrategic sovereignty and build responsible supply chains. All issues are reflected in the supply chains in particular: climate, human rights, development cooperation, etc. The trade unions aim to involve everyone and create perspectives for everyone. It is necessary to develop technically and socially ambitious strategies for industry, for the service sector and for infrastructure.

Yasmin Fahimi emphasized that employees must be involved in the overall strategy. The trade unions have centuries of experience in shaping trade and the economy, they are not just a "wage machine", but the voice of economic reason, they have the economic competence because the employees know "every screw in the company" and know how technical processes work. They are the experts in the workplace who can provide information for formulating economic strategies. Only a competitive company can keep or create jobs in the long term. Bundling this knowledge is a unique selling point of the trade unions. Trade unions are a link between business and politics. In crises, unions are called in to get everything done peacefully, but when it comes to the future economic direction, they should please take a back seat. This typical employer perspective does not work at all. For the trade unions, more co-determination is not just a requirement, it is a condition for the success of a sustainable transformation. That is why, according to Yasmin Fahimi, the DGB is calling for a revision of the guidelines for European works councils, for example. German companies are currently using European laws to circumvent the strong German co-determination law, to undermine national regulations and to evade co-determination. That has to be stopped.



Even if many fathers and mothers claim it for themselves, one of the most creative ideas of the German trade unions was the short-time allowance, which in Germany already made a significant contribution to cushioning the effects on employees during the financial crisis of 2008. With the SURE program, this model was raised to a European level for the first time. This must now be consolidated. Equally, the trade unions now have to come up with creative ideas and concepts for the future design of the energy market. It doesn't work the way it is now. It is an essential question of how it can be set up differently in order to relativize the market logic. The keyword is "gas price brake". The Federal Government's expert commission has made proposals for Germany, which the DGB also supports in principle, since



they can make concrete contributions to overcoming the current crisis. However, these ideas still need to be developed further.

For Yasmin Fahimi, other important topics for the transformation of work in the future are the challenges in designing platform work and other new forms of employment. In addition, she expects the federal government to launch a national action plan for collective bargaining that links the award of public contracts and funding instruments with collective bargaining, such as subsidies for renewable energies. It should also not be the case that companies that have benefited from the subsidies for years close down their wind power plants and then use the profits to invest in China, as has just happened in Rostock. Yasmin Fahimi advocated linking subsidies to the condition that profits be reinvested locally and that location commitments be made so that work can be kept in Germany in the long term.

In the further debate on the subject, **Pavel Vlček** first addressed the situation in the Czech Republic. The newly elected government is fundamentally neo-liberal and doesn't think much of social dialogue. The Czech trade unions have recently made several recommendations on how to deal with high inflation (11 percent before the Ukraine war, now 18 percent). The government has done nothing. Although there have been debates about possible special tariffs for energy for a long time, the government only began to talk about a possible energy price cap at the end of August and has brushed off the demands of the unions for eight months. Now they are waiting for a European solution.



Fausto Durante also addressed the new situation in Italy following the election victory of the right-wing populist, post-fascist party "Fratelli d'Italia" and the foreseeable formation of a government under



a new Prime Minister, Georgia Meloni. He wasn't sure if the unions could get involved constructively in this new situation or if they had to prepare for a fight. Because the Italian unions are pursuing a pro-European approach. Overcoming the energy crisis is the touchstone for Europe's economic and social future. The crises make it clear that we need a better, more social strategy, in the sense of the NextGenerationEU recovery fund. The shift to the right in Italy, which will prioritize national responses, could endanger social cohesion in Europe and result in a drifting apart.

The Italian CGIL sees four priorities for a European energy policy: 1. the EU must enable joint gas purchases, 2. a gas price cap must be imposed quickly, 3. the prices for electricity and gas must be

decoupled and 4. the gas market should be protected from speculation in order to ensure that the population is supplied with energy at reasonable prices. Italy is 50 percent dependent on LPG, mainly from North Africa. With the energy crisis, Italy's competitiveness is in danger. Italy still ranks No. 2 in manufacturing, but energy-intensive industries are struggling. More and more companies, especially in sectors like chemicals, steel, glass, concrete, paper and wood, are saying it's not worth continuing with energy prices now 300 times higher than last year. The automotive industry is also undergoing an essential change, trying to switch from the production of engines, valves, cylinders, etc. to components for electromobility. These transformation processes need to be the subject of trade union negotiations with the government and also at European level, not only during the crisis, but when shaping new policies to achieve a zero-carbon economy.

Petra Bolster-Damen saw it as difficult to strengthen the social partnership with the new (old) right-wing liberal government of Mark Rutte. She also agreed with Yasmin Fahimi that subsidies without social and human rights conditions are useless. The trade unions in the Netherlands are now prioritizing higher wages. In the long term, however, a realignment of the economy is required, away from profit maximization towards a sustainable economy based on renewable energies. The focus must not be on outsourcing, but on reinvestments. As an example, she cited the closure of two of the five coal-fired power plants to reduce CO2 emissions. In the past, the trade unions would simply have drawn up a social plan, but now they have spent a lot of money advising the employees on how they can generate income elsewhere in the future, what the transition to other employment could look like. The motto is: "Nothing about us without us".



When asked by the moderator, Yasmin Fahimi stated that trade unions always talk about cooperation, but cannot find any real answer as to how this should look. She hoped that such a debate would be continued at the forthcoming ETUC Congress in May 2023, wished that the European trade union federations would not only put indents for countless motions, as is usual, but also consider what the messages, the strategic issues are that should emerge from the ETUC Congress. She spoke out against "jet-set unionism" and only gentle feel-good messages. Every organization must contribute critically to the ETUC, and the ETUC must be able to stand up to critical reflection.



The last session of the workshop was themed “Strategic Autonomy and Green Deal”. In a first input, **Isabelle Schömann** from the ETUC sent a clear signal that there should be no Green Deal without a Social Deal, without social progress. This applies both to industrial policy and to Europe's strategic



autonomy. The focus must be on people; further training, the design of workplaces and the role of the trade unions are important. The ETUC therefore also interferes in competition policy. And there have been small successes lately. After many years of efforts by the ETUC on various directives, the competition authorities have shown themselves open to allowing access to collective bargaining for self-

employed persons, social policy regulations, etc. to be incorporated into the design of competition policy. Gradually, it is also about the design of working conditions. For Isabelle Schömann, strategic autonomy means that we in the EU retain important competencies, including education and work organization. Since COVID-19, we also understand that healthcare security is an important part of strategic autonomy. The same applies to agriculture. It is important for the ETUC to develop a broad, holistic understanding of strategic autonomy and to bring it into the current discussion. This approach must also be included in the European supply chain law, as well as in the procurement guidelines for public contracts. Energy and other services of public interest must not only be purely private goods. As the current war situation shows, where energy and also agriculture are used to increase influence in war, these sectors must be included in the overall strategy. The limits of economic, competition, energy and trade policies make it clear that strategic autonomy is much more, it is also important for anchoring and securing the democratic pillar of the EU.

ETUC's **Claes-Mikael Ståhl** focused his comments on the global perspective, stating that the period when trade was left entirely to the market is over. This approach was naive. The issue of multi-lateral versus bi-lateral or pluri-lateral should be dealt with within the WTO. The ETUC focuses here in particular on social clauses, which should be binding elements in trade agreements. The EU-US Trade and Technology Council (TTC) must also include social issues in its transatlantic trade dialogue. Europe has a strong influence, the EU must advocate a “workers-centred trade policy”.



Petra Bolster-Damen said it shouldn't be taken seriously to talk about energy autonomy when we are so dependent on Russian gas. Energy would be weaponized today. What can you do about it - cap energy prices, go it alone nationally at your own discretion? In the end, taxpayers and employees always foot the bill, while public subsidies flow into the pockets of company owners. She saw solutions in the joint determination of gas prices and in joint gas purchasing. She also recalled that the EU actually developed out of an energy crisis - the Montan-Union of 1951 was a reaction to the crisis in the coal and steel industries at the time. **Fausto Durante** called for the EU's industrial future to be competitive. Today's rules hinder the chances of European companies to become globally competitive. Siemens and Alstom are not allowed to merge in order to survive against Chinese supremacy on the world market for train manufacturers, Italian and French company takeovers are stopped. And this despite the fact that the EU demands that we have to become competitive on a global level. He also complained about the unequal competitive conditions, especially with non-democratic countries that do not respect human rights. Decent work and collective bargaining must be put back on the agenda. The EU must negotiate more intensively here, and the ETUC is called upon to do so. And the corona pandemic has shown how dependent we are in our supply chains, not only for gas, but also for patents, pharmaceutical products, semiconductors, etc. **Pavel VIček** pointed out that he is a member of the

Czech Sustainability Council. The Czech Republic will not be able to finance the costs of the European Green Deal on its own. Today, the Czech Republic needs to focus on strategic sectors. The Czech energy strategy of 10 years ago has disappeared, now it needs to be brought out again. It must be based on today's reality, not ideology.



Claes-Mikael Ståhl responded to these statements by reiterating the call for trade unions to ensure a fair basis for competition and trade so that unfair competition between EU countries is avoided. Because history shows that this can lead to wars. It's not just about competition, it's also about investing in technology and also in education, in people who know the technology. This requires reasonable working conditions and wages.

There must be no “silo approach”. The EU's competition policy must define projects of common European interest so that we can develop technologies within the EU that we will need in the future. And that also raises the question of how companies can come together for this. We want competition with the world, but fair competition, which does not necessarily mean free competition. We lose competitiveness because we think we should set the same rules for internal and external competition. Nor are trade unions “barriers to trade” for the internal market. For example, unions in Latin America are being asked to participate in merger decisions. Not so in the EU. International and national procurement rules need to be revised by following the principle of reciprocity in market opening. The same applies to standardization: If the European principles and values are not included in international standardization, then the instrument of import control must be used, e.g. for products that are based on forced labour. This is where the supply chains come into play: if we can organize them in such a way that they are structured fairly, if there are clear rules for co-determination, participation, etc., then that is a good basis for sustainable competition.



All pictures by Maren Strehlau