

Ways to relaunch – Setting the course for the future

A discussion paper with the assistance
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Foreword

The current global pandemic is a unique challenge. It affects our society as a whole. It presents the healthcare sector with enormous challenges and it affects our economy, companies and employees to an unprecedented extent. A new normality will only be able to develop gradually in all areas, and the exit from the shutdown can only take place slowly.

The uncertainty is great, it will only gradually change and dissolve. The measures initiated by the Federal Government in the field of preventive health care and for the stabilisation of companies and employment were necessary, and are in principle correct.

However, they do not yet provide an answer to the question of how, after the shock, the European and German economy can get back on track for growth, how employment can be strengthened and secured and how necessary investments, innovation and the transformation of the European and German economy can be supported. Regardless of the Corona crisis, the global economy is facing enormous structural changes due to digitalisation, decarbonisation, electrification etc.

There is a very broad consensus that additional economic and social measures are necessary, at European level as well as in Germany. It is therefore important that these include a coherent balance of stabilisation measures, strengthening the demand side, supporting investment and innovation, and necessary transformation decisions to strengthen sustainability and competitiveness. This balance is of central importance.

Such a programme, its content and profile should therefore be discussed now and decisions taken by mid-year. There are several reasons for this. Companies and employees need clarity about the framework conditions and supporting measures in order to be able to make decisions for their companies. And the preparation of decisions in the EU, in Germany at government level and in the parliaments will take time, not to mention the implementation and realisation of certain measures.

The necessary measures must fit together and have the indicated balance. Decisions based on the first-come, first-served principle - or whoever has the strongest lobby wins through with his demands - become counterproductive. Consistency and clarity are important for the package of measures to be effective.

Coping with the tasks ahead will entail enormous financial burdens. However, the consequences and costs of inaction would be higher, compared to the costs of decisive and consistent action. The economic substance, the social situation, sustainability and also democratic stability in Germany and in Europe will be significantly influenced by this.

This paper from the Wirtschaftsforum der SPD e.V. (SPD Economic Forum), with the participation of the Forum's Scientific Advisory Board, begins this discussion and the necessary dialogue with associations, companies and trade unions. Joint action, joint projects and measures are necessary to overcome the crisis and set the course for the future.

Germany and Europe face enormous challenges

The Corona crisis will lead to the deepest global economic crisis since the Great Depression in the late 1920s. Global and regional growth will collapse more sharply than in the financial crisis of 2008/09. As this crisis will lead to a shock on both the supply and the demand side, and because all major economic regions will be affected in the real economy, the consequences will be more far-reaching than in previous global economic crises. The necessary shutdown puts the economic substance of many economies under massive pressure, with consequences for large and small companies in almost all sectors and regions, and the danger that companies, value chains and employment, and thus economic value creation as a whole, will be massively impaired.

The measures introduced so far in Germany with a hitherto unknown volume of funding are necessary and correct in order to stabilise companies and employment. However, their implementation must be made less bureaucratic, especially for small and medium-sized enterprises, so that the aid really does reach the enterprises concerned as well as their employees.

These stabilisation measures pursue the goal of maintaining and securing the economic substance during the shutdown as comprehensively as possible. However, they are not yet an answer to how the course for more growth and employment will be set after the end of the shutdown.

It is therefore necessary to develop measures now that will provide an impetus for economic recovery, the strengthening of investments, and measures to transform our economy towards digitalisation, decarbonisation, electrification etc. It will take time for these measures to reach the real economy and take effect. Timely action is therefore crucial. The current crisis has also highlighted the indispensable, systemically relevant importance of functioning welfare state structures. The welfare state is a collective rescue umbrella without which central parts of the current anti-crisis programme cannot be realised, even though the consequences of the economisation of these areas in recent years are clearly evident in the health and care sector.

Securing and expanding the welfare state is an investment in the functioning and acceptance of democratic societies. An efficient welfare state is a productivity and solidarity factor. Welfare state services are therefore not consumptive expenditure, they are investments in the efficiency and cohesion of societies. This fact, too, must have consequences for policy responses and measures to the crisis.

What is also needed is a new culture of valuing work, especially in terms of its material gratification in the form of wages and salaries. Work in certain areas, which yesterday were perceived as less relevant for the competitiveness of an economy, today show their systemic relevance. This must lead to consequences in terms of collective bargaining policy, staffing, especially in the health and care sectors, working conditions and also in terms of raising minimum wages.

The stabilization measures initiated so far are necessary to cope with the tasks that lie ahead of us, such as how, after stabilization, growth and employment can be supported by strengthening investment, innovation and the necessary transformation. And the measures taken so far do not yet give companies and employees any orientation for the future. Such orientation, however, is indispensable for a new start.

A necessary economic stimulus, investment and transformation programme must be designed in such a way that it contributes to strengthening demand, boosting private and public investment, strengthening innovation for the sustainable transformation of our economy and strengthening welfare state structures and services of general interest.

This requires that the coordination of these measures be improved both in Germany and in Europe. Only through joint efforts will it be possible to overcome the Corona shock and thus make growth, employment and competitiveness possible in the coming years. This is politically and economically essential for the future of Europe.

Such a programme must take into account the fact that the first thirty years of the 21st century will lead to the most profound, rapid and comprehensive change in the economy and society since the beginning of industrialisation, independent of the Corona crisis. The need for transformation will also involve a readjustment of the global economic and technological power architectures of states, regions and companies.

We are experiencing a massive polarisation of the global economy, which will be characterised above all by the struggle for technological leadership, especially between the USA and China. Technology policy is becoming a central element of new geopolitical strategies with the aim of securing or expanding economic and political dominance.

Germany and Europe must rise to this challenge. The question is what role Europe will play in the triad of the USA, China, and Europe. This is not only politically relevant, but has far-reaching economic significance in terms of growth, prosperity, employment, innovative capacity, technological sovereignty, trade policy, etc.

The German economy has developed quite positively over the past decade. With sustained economic growth, there has been a strong increase in employment and a significant fall in unemployment. A specific “business model” based on three concentric circles was responsible for this development:

- a strong export orientation,
- a high share of industry in the value added, and
- a strong focus on the automotive sector and mechanical engineering.

This model now faces increasing challenges:

- protectionist tendencies, particularly in the United States and China, to reduce the export dependence of the domestic economy,
- the decarbonisation of economic processes required by climate change,
- the increasing importance of digitalisation in key areas,
- the loss of technological competitiveness.

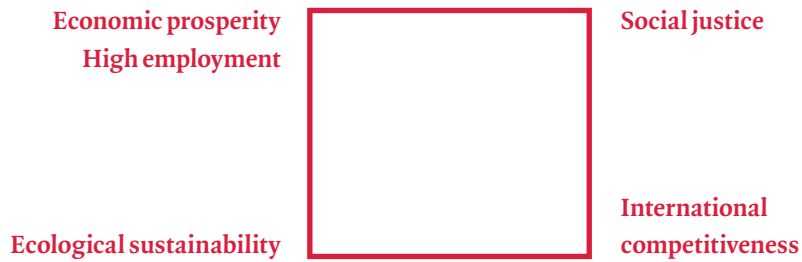
The decline in industrial production since mid-2018 suggests that the transformation required by these challenges will not be risk-free. There is a danger that disruptive processes will result, which could lead to noticeable losses of prosperity and cause Europe not only to fall behind in competition with the USA and China, but also to lose competitiveness, economic and technological sovereignty and political influence as a result of growing economic and technological dependence.

In addition to this technological challenge, the path for more sustainable production and growth, as well as for restructuring our economy in response to the climate crisis, must be developed and consistently implemented. This presents both challenges for the economy and great economic opportunities. In order to make such a path possible and implement it, public investment, intelligent regulation, incentives for private investment and an industrial policy that accompanies and supports this process are needed.

The current crisis must not lead to future challenges being neglected or postponed. This means, irrespective of the current crisis, reorienting economic, technological and industrial policy in the face of these challenges. We need economic thinking that is outside the box.

This is far from an easy task, as it involves a readjustment of the Magic Square, taking into account environmental sustainability, international competitiveness, economic prosperity and social justice in equal measure.

Magic square of the ecological-industrial-social transformation



and implemented, an accompanying industrial policy and regional structural policy must be established to support the transformation process, and an integration of all qualification potentials and reserves for the labour market must take place. These five “Is” must be a central element of the additional necessary coordinated programme and be at the centre of a future-oriented economic and transformation policy.

In order to achieve these goals, public and private investment must be strengthened, the innovative capacity of regions and companies must be improved, modern infrastructure must be promoted

European responses are more urgent than ever

Europe is challenged by the current Corona crisis in an unprecedented way, both in terms of health policy as well as economic and social issues. These issues affect the stability of the European Union not only economically but also, to a large extent, politically. In response to the Corona crisis, the last few weeks have led to a de-solidarisation and even renationalisation of policy in Europe by the individual Member States. The crisis has also, to a large extent, highlighted the weaknesses of the EU as a union which acts as one.

At the same time, it is becoming increasingly clear that an answer can only succeed at European level. This applies to health policy as well as to economic, financial and social policy. Europe must therefore now begin to define answers to the challenges of economic, social, monetary and fiscal policy. This will have a major impact on its cohesion, its ability to act, and the sustainability of the EU and the Euro.

The following key points are of central importance for a sustainable response to the crisis:

- expansive macroeconomic conditions,
- implementation of the Green Deal,
- industrial policy initiatives for certain lead markets and for the convergence of national production models in Europe,
- strengthening EU research and innovation spending,
- increased economic integration measures in the development of a digital single market or in the services sector, etc.,

- generalisation of the dual system of vocational education and training with high permeability of the entire education system, further and continuing education and training free of charge,
- further development of cooperative industrial relations, expansion and intensification of co-determination at company and inter-company level, early involvement of employees in the introduction of new technological systems (e.g. AI),
- joint European efforts in the development of key technologies for digitisation, robotics and AI etc., and,
- the social security of work and new work forums.

Europe must now show that it is capable of providing a coordinated, solidarity-based response to these challenges. Only in this way can we succeed in reversing the loss of acceptance of recent weeks and overcome the economic and social shock.

It is necessary to launch an integrated and coordinated economic recovery, investment and transformation programme. Decisions on this must be taken by the middle of the year so that the economy can be stabilised and growth, employment and investment in the future can be set in motion. Such a programme should include the following elements:

- Additional investments through a corresponding EU programme. For this it is imperative that the negotiations on the EU's medium-term financial framework be concluded as quickly as possible and that additional funds be made available for the EU budget by the Member States.

- Establishment of a European short-time working scheme, as proposed by the Commission, the financing of which is guaranteed by a guarantee from the member states and ensures a level of short-time working of 80 percent.
- These measures must be accompanied by national recovery measures. To this end, appropriate coordination structures must be established within the EU framework.
- The EU heads of government's decision on a €540 billion aid package to safeguard against unemployment, a guarantee fund at the European Investment Bank and extended credit lines for the ESM, which are due to come into force on 1st June, are an important first step.
- However, more far-reaching measures must be initiated, with a significantly higher volume. To this end, the European Commission should be authorised to raise bonds that are guaranteed by the respective member states on a percentage basis. It is important that not only new credit lines but also grants for the stabilisation of the European economy and its companies can be issued.
- Making EU competition law more flexible to allow legally secure, pre-competitive cooperation between companies, authorisation of consortia of companies for specific technology and investment projects, and mergers of companies.

- EU laws and regulations on state aid must not impede certain stabilising, investment or technology and innovation support measures under such a programme. Therefore, EU state aid law should be relaxed for 2 years and partially repealed.
- Priority must be given to investment and innovation. There should therefore be a two-year moratorium on raising regulatory standards in economically relevant areas and existing standards should be reviewed, provided that this does not make the EU's climate protection goals unattainable.
- The EIB should be further developed into a comprehensive European development bank on the model of the KfW.
- Strengthening EU research and innovation spending with the aim of realising well over 2% R&D funding of economic output by 2027 to support sustainable industrial development.

Securing the global competitiveness and innovation capacity of European industry, including the related services sector, is one of the key challenges of the coming decade. Achieving such competitiveness will hardly be possible at Member State level alone; instead, joint and concentrated efforts are needed at EU level.

Despite a deepening internal market and increasing economic interdependence between EU Member States, the common economic area is still too often viewed through “national spectacles”, where national egoisms block work on necessary economic, investment and technological tasks for the future. European investments in physical and human capital, for example in infrastructure and education, increase not only the income of an EU Member State, but also that of other producers and of the EU as a whole.

What is needed is a long-term strengthening of the supply side of the economy (infrastructure, training, location development), also through an expansive monetary and fiscal policy. This will create the conditions for greater competitiveness, higher employment and a sustainable capital stock, which is particularly important for future generations, and will strengthen Europe's role in the global economy.

The European market, which after all accounts for around a quarter of world GDP, can develop global standards that help European companies achieve a strong position on the world market. Europe and Germany have the chance to become the most sustainable business location since the most energy- and resource-efficient business location will also be the most competitive business location in the future. An intelligent energy and climate policy that is not only oriented towards goals but also towards real transformation strategies offers the opportunity to combine sustainability and competitiveness.

A modern trade policy, progressive European trade agreements and good financing opportunities for foreign investments by European companies through European financial institutions are an important basis for this.

It is necessary to focus on strengthening European added value. Measures must therefore not be based solely on the national perspective or geography; the focus must be on strengthening the pan-European value-added potential. The creation or entrenchment of permanent structural regional inequalities must be avoided.

The EU's capacity to act must be strengthened. This includes a review of previous European decision-making processes and an economic and ecological agenda for the future to readjust the magic square of ecological sustainability, international competitiveness, economic prosperity and social justice. The German Council Presidency must provide appropriate impetus and agree on the cornerstones of such a future agenda in the EU.

An economic, investment and transformation programme in response to the crisis

The German economy is facing enormous challenges. It must be brought back on course for growth after the shutdown. At the same time, considerable measures are needed to enable the transformation of the German economy in the face of disruptive technological challenges and the need for a sustainable economic and growth model.

Such a programme must boost demand, stimulate investment and combine technological investment and innovation to transform our economy. This must be embedded in a European response.

Given its high dependence on exports - 60% of all German exports go to the EU - Germany in particular must have a great interest in achieving an economic turnaround throughout Europe. The recovery of the German economy and the safeguarding of employment depend very much on this.

Such a programme must not only consist of robust financial resources but also improve the framework conditions for approving and realising investments, promote cooperation between companies in key areas, reduce bureaucracy to ensure that investments are given priority and support future projects in the field of digitisation and decarbonisation.

Such a programme should be launched in the middle of this year, so that after the end of the shutdown, economic impulses are set and the fight against the crisis is orientated towards a sustainable future.

The following elements are therefore priorities:

- Launch of an economic stimulus, investment and transformation programme amounting to 4 to 5% of GDP, i.e. about 140 to 170 billion euros. We have refrained from sector-specific proposals at this point. Once the key data have been established, sector-specific proposals will have to be fleshed out together with companies and trade unions. Such a programme should contain the following elements:
 - a hospital- and care-specific investment and modernisation programme,
 - an equity fund for investments in future and transformation projects,
 - improving the depreciation conditions for investments, particularly in the areas of digitisation, decarbonisation, energy and sustainable infrastructure,
 - a state investment allowance of 20-50% should be introduced for loss-making companies, to be repaid over a period of 10 years,
 - temporary negative income tax for small and medium-sized enterprises up to 250 employees,
 - retroactive reduction of the solidarity surcharge for 2020 to boost domestic demand,
 - increase of the benefits of the basic security especially for families with children by 150 euros,
 - a programme to reduce bureaucracy in licensing and authorisation procedures as an essential prerequisite for bringing investments to market more quickly,

- in order to reduce unemployment, avoid consolidation and make re-employment possible, special instruments are needed. A rescue package for new hires is necessary. This would involve temporarily suspending social security contributions for employers and employees for the newly established jobs.
- further development and qualification of employees must also play a central role now. Qualification is essential, so a special education bonus should be introduced, which is paid continuously to all those who complete a suitable longer qualification period during unemployment.

Municipalities are facing enormous challenges in the current situation. At the same time their financial base is shrinking due to declining revenues and rising costs for anti-crisis measures. It is therefore necessary to set up a municipal rescue fund financed by the federal and state governments, which enables the municipalities to set up budgets and to fulfil their tasks adequately. This must be clarified very quickly, and the federal and state governments must now reach an appropriate agreement with the municipal umbrella organisations.

Public investments are more important than ever in this phase, they are a driver of economic progress in Germany and Europe. Investments in modern infrastructure and education can create the conditions for the productive, sustainable and social development of the German economy.

Even before the crisis, two-thirds of German companies stated in surveys that their business activities were hindered by deficiencies in infrastructure. The growth in investment is far from sufficient to foreseeably eliminate the investment backlog that has accumulated over some two decades.

The Institute for Macroeconomics and Economic Research, together with the Institute of the German Economy, has estimated the additional investment requirements for the public sector in Germany over the next 10 years at 457 billion euros.

To ensure the future viability of the German economy, we need to give priority to investment. It is important that this is not simply a matter of spending money, of course, but of working through specific investment needs in a targeted manner.

Policymakers are therefore called upon to define the necessary investment priorities, to clearly identify investment needs and to present a clear stage and timetable for their implementation, and to ensure the reliability of funding.

In addition to more financial resources for investments, capacity building is also needed in local administrations and in the construction industry. Only if there is a prospect of permanently higher investments will municipalities have a sufficient incentive to build up planning capacities.

The necessary additional investment volumes cannot realistically be financed from current public budgets. In times of very low and even negative real interest rates on public debt, an extensive ban on borrowing makes no economic sense. This ignores the fact that the majority of the investments mentioned above even allow fiscal returns above the financing costs. This means that over the operating life of the capital goods it is to be expected that the government will receive additional tax revenues from the positive growth effects.

It is therefore necessary to interpret at least the rules in such a way as to allow investments within the scope of the rules. One conceivable option is to finance the additional investment through a newly established public organisation (such as a public law entity). This organisation could be endowed with equity capital, which would be financed by the federal government through borrowing (this would not be counted as a “financial transaction” when calculating the deficits for the national debt brake) or through direct borrowing by the companies.

Since a considerable proportion of investments in Germany is implemented by the municipalities, it is also important to create scope for investment by the cities and municipalities. Although there are municipalities with sufficient financial resources, a large number of municipalities are still so heavily in debt that they can neither employ the planning staff for necessary investments nor carry out the actual investments. Steps to support and relieve the debt of municipalities must remain on the agenda.

However, the slowdown of investment activity of the public sector in Germany has not only happened because of lacking financial resources and insufficient planning and implementation capacities. There are many indications that planning procedures have also become too lengthy. A comprehensive review of the planning procedures with the aim of significantly accelerating them is necessary. There must be no prohibitions on thinking. Experience from neighbouring countries such as Austria or the Netherlands shows that faster planning procedures are possible even if the rule of law is upheld and citizens are appropriately involved.

Strengthening innovation capacities

A European strategy must focus on increased technology competition in the triad - USA, China, Europe. Europe must not become technologically dependent. 5G is an important example. What is needed is an economic, innovation and investment policy that focuses on markets of the future in order to strengthen Europe's competitiveness.

Digitisation is the biggest challenge for the European economy. Current core competences of the European and German economy are facing disruptive challenges. Without a comprehensive digital investment-, innovation- and pan-European regulatory policy, Europe and Germany will find it difficult to survive in the economic competition between the world regions.

The German production model, with its focus on diversified quality production, is fairly well placed for this digital transformation. The digitisation of the industry requires an intelligent combination of digital technology and the in-depth experience of a qualified skilled workforce.

Digitisation will lead to massive structural changes, within and between companies, in business models, products and competitive conditions, for employment and qualifications:

- horizontal and vertical cooperation will expand significantly and thus create new types of network structures (network economy),
- the transitions between production and services will become more fluid,
- the interaction between intelligent products, machines, equipment and storage systems will massively change production and logistics value chains,
- linking production and consumption data on the basis of the Internet of Things will realign products and distribution channels, and
- the increasing delimitation of the enterprise can lead to a systemic rationalisation along the value chain.

Without European digital sovereignty, i.e. without independent skills and competences in key digital technologies, Europe will not be a competitive economy. An important step is the finalisation of a digital European internal market as a prerequisite for enabling more scalability of own business models and increasing the attractiveness for settlement and investment.

A German and European innovation policy must therefore focus on the challenges of transformation, the change of business models, value chains, products, distribution channels and the emerging lead technologies and lead markets. The economic, investment, innovation and fiscal policy instruments must take this into account and initiate suitable financial priorities, new clusters and collaborations.

Europe and Germany must be able to hold their own ground in the lead markets of the 21st century. Lead markets are those markets in a changing global economy in which central and strategic future needs are linked with technological innovations. The ability to be present in these lead markets with innovative technology is a decisive factor in a country's international competitiveness. This requires more than just research.

This requires a modern innovation system, the interaction of all institutions that produce knowledge, accumulate and transfer knowledge, train the workforce, develop the technologies that produce and disseminate innovative products and processes, including the relevant regulatory regimes and public investment in related infrastructure.

Lead markets are future markets that are not exclusively determined by economic factors, but also include socio-political guiding ideas about the quality of life, and new technological solutions and innovative technologies make an important contribution to their realisation. What is needed is an "innovation of innovation policy" on the part of the state through new funding programmes and instruments and a rethinking of companies through "innovation of their operational innovation management".

Fundamental research remains central to developing the technological potential to strengthen competitiveness. It is therefore necessary to increase the share of research and development in the federal budget to 3.5% and to make it long-lasting. At the same time, the networking of university and non-university research institutes in the field of key technologies must be improved and the proportion of industry-related research increased. At the European level, R&D expenditure must be significantly increased in the Medium-Term Financial Framework, for example by reallocating funds from the agricultural sector.

A successful business start-up scene in an economy significantly strengthens its innovative power. The number of start-ups has declined sharply in recent years. Since start-up support policy is innovation policy, the inhibiting barriers to innovation support in the funding programmes should be significantly reduced.

In particular, there is a lack of a consistent policy to strengthen venture capital as an instrument for promoting business start-ups and their growth opportunities. Although the instruments in the area of seed and pre-seed are certainly available in the business start-up sector, there is a lack of instruments for the

targeted promotion of growth of innovative, young, technology-oriented companies, with the consequence that promising companies and innovations do not reach the market or are taken over in early stages by non-European investors. What is therefore needed is a start-up growth fund that provides targeted support for growth investments of between 10 and 50 million euros. There is a considerable financing gap here. This start-up growth fund with a starting volume of 3 billion euros should be set up as a blended investment from public and private funds.

Digital sovereignty also means creating an ecosystem for digital identities. In a networked world, the actors, whether human or machine, must be clearly and securely identifiable. An open, European ID login should be created, allowing citizens to use both commercial services and services provided by the state, where a low to medium level of trust is sufficient.

A modern economy and society need a modern public administration. Where applications are complicated and lengthy and planning and approval procedures are cumbersome, business activities cannot be carried out at the speed that is necessary. Germany lags behind internationally in e-government. In addition, the confusion of competencies between the federal, state and local governments threatens to create isolated solutions. Germany must significantly increase the speed of its implementation of the law on online access, and the planned portal network with uniform citizen and company accounts must become reality. If necessary, the federal government must lead the way with solutions.

The competencies in the field of digitisation in the Federal Government must finally be developed consistently. The current digitisation policy must be brought together in one department with a leading role. Furthermore, the establishment of a digital agency is overdue. This digital agency should bundle tasks from the subordinate authorities in the digital sector, carry out comprehensive market monitoring, resolve regulatory conflicts, manage the federal government's digital promotion programmes and create capacities for strengthening and enforcing consumer rights.

Launching a forward-looking and green industrial policy

The structural change taking place in our economy makes a new industrial policy necessary and indispensable.

The time for fundamental debates on regulatory policy must come to an end. In any case, they have never corresponded to economic reality. Industrial policy is not a question of “if”, but of “how”. The question today is: is industrial policy still adequately sustainable and is it capable of supporting the necessary transformations and innovations?

This involves an intelligent interplay of state instruments, private sector initiatives and a focus on lead markets and key technologies for the competitiveness of the business location.

Europe and Germany are challenged today. The American innovation model is essentially based on a gigantic market for venture capital - i.e. risk capital for investments in the future - as a key driver of innovative strength and technology development. China is pursuing a state-guided, long-term industrial policy that aims to put the country in a leading international position in key areas. This Chinese industrial policy has already resulted in Chinese companies taking a leading role in areas such as solar cells, battery cells, communication technologies (5G) and digital platforms.

The European way neither can nor will be based on one of these models. We need a third way, a coordinated, cooperative industrial policy with state impetus, intelligent framework conditions, public investment and European platforms for pre-competitive cooperation between companies in key sectors. An integral industrial policy of this kind must finally be launched in Europe, otherwise Europe will not be able to stand up to the competition between locations in the next decade.

The first task in Europe must be to jointly identify the key technologies that are central to transformation and competitiveness and to coordinate and finance them through coordinated European and national initiatives. To this end, appropriate shifts in the medium-term European financial planning must also be made with a view to future fields and innovation priorities.

To make this possible, an Industrial Policy Council for Europe should be set up to identify projects, support their funding, promote industrial platforms as a forum for cooperation between private companies in key areas, and stimulate, monitor and review the implementation of an overall European strategy. This also includes making one of the Vice-Presidents of the EU Commission responsible, as in the case of climate protection, and pooling and coordinating activities within the framework of the Commission as a whole.

A particular focus must be on the topic of digitisation in its entire range from infrastructure development, the accelerated realisation of a digital European internal market, the creation of a European cloud, massive support for developments in the field of artificial intelligence, and massive efforts in the field of next generation mainframe computers, such as quantum computers.

Such an industrial policy strategy is also necessary to achieve the goals of the Green Deal. Climate policy goals are worth nothing if the necessary investment instruments of technological and industrial policy are not implemented. Advocates of climate policy cannot remain silent about industrial policy. To this end, a comprehensive concept of an ecological industrial policy must be developed.

The Green Deal proposed by the Commission must contribute to achieving the climate protection goals in Europe and strengthening economic and technological competitiveness while also boosting employment and skills in Europe. Europe can only strengthen its declared leadership role in climate policy in a credible and assuring manner if climate policy measures, and competitiveness and job security, go hand in hand.

There will be conflicting goals. These must be named openly and policies must also be developed to minimise these trade-offs. A just transformation must be guaranteed; the Just Transition Fund is an important contribution to this and must be consistently developed further. Increasing the CO₂ targets necessarily requires a clear, comprehensible innovation, industrial and investment policy strategy. This is the only way to successfully implement the necessary restructuring.

European cloud infrastructures are essential for the digital transformation of the German economy. The change in business models, including those of traditional industry, to an “as-a-service” model requires not only a European cloud infrastructure that can guarantee the necessary scalability, the data generated must also remain on the European continent. The Gaia-X project is a step in the right direction, creating an incubator for a European cloud. Building on this, a clear legal framework must be created to enable data portability. Companies must be able to decide for themselves with which players they want to pool data.

A sustainable transformation of the industrialised society requires a comprehensive electrification strategy. Electricity from renewable energy sources must increasingly replace fossil fuels. This applies to the mobility sector as well as to industrial processes. To support this development, a comprehensive CO₂ pricing system is necessary as an incentive for energy conversion. The energy tax should be changed on a CO₂ basis. Electricity prices are also relevant for the competitiveness of our industry. Therefore, the electricity tax should be reduced to the required EU minimum.

We can only achieve climate-neutrality by 2050 if hydrogen becomes a central energy carrier, especially in industrial applications. This requires massive investments in renewable energies in Europe, the establishment of a European hydrogen cluster of companies and science, and programmes to promote research and market introduction. At the same time, this requires a new European foreign policy on energy as the demand for green hydrogen will not be satisfied in Europe alone. Regions and countries must be identified in which sufficient renewable energy can be produced to meet the demand for hydrogen in the coming decades.

Germany and Europe must finally become the lead market and leading provider of electric mobility. The task now must be to significantly increase the number of electric vehicles among new vehicles. This can be a contribution to more sustainability in the transport sector. But measures are also needed to achieve significant CO₂ reductions in the existing fleet, including the 47 million passenger cars in Germany alone. Synthetic fuels can make an important contribution to this. In order to support manufacturers of synthetic fuels and improve market access, it makes sense to credit synthetic fuels against the European fleet limits. This would also support further investment in hydrogen technology.

To make the energy turnaround successful, storage capacities are indispensable in addition to the expansion of the pipeline infrastructure. Storage facilities are a missing link in the energy system transformation process. First of all, a clear, legally binding definition of energy storage facilities is needed to prevent possible double charging of storage facilities. At the same time, support programmes for the construction of Power-to-X facilities must be made available.

Industrial policy instruments must also contribute to enabling new European ecosystems, i.e. the pre-competitive interaction of companies in areas of key technologies, and provide targeted financial support for the corresponding activities of these companies. One such instrument is the Important Project of Common European Interests (IPCEI) programme. Such an approach must be strengthened and systematised for different areas of key technologies. Such an IPCEI can provide free financial support to companies in key areas and thus promote new collaborations and ecosystems for the development of European clusters and technology cooperation. The European Battery Alliance (EBA) is a good example of this and should be extended to other areas.

A central strategic element of an industrial policy strategy is the adaptation of European competition law to the changing global economic architecture and its power structures. Mergers of European companies must also be considered under the premise of changed market segmentation and the changed global competitive structure by large non-European companies. A “broadening of the horizon of industrial policy” is necessary. For in global competition, the EU will in the future also be dependent on so-called European industrial champions (especially to secure jobs within the EU).

In this respect, both EU state aid law, which is primarily governed by primary law, and even more so merger control law, which is governed by secondary law, already offer considerable, but unused, potential. This existing law could be better purposed for the legal consideration of strategic industrial policy considerations in the interests of securing the global competitiveness of European industry. Wherever such scope exists, it should be better exploited in future by adapting the relevant administrative practice. Where they are lacking, a careful adaptation of the current legal situation is necessary. An intelligent balance must be found between safeguarding competition within the internal market and maintaining the competitiveness of European companies in oligopolistically structured global markets.

Europe wants to be a pioneer in climate protection and the sustainable transformation of our economy. This goal is and remains the right one. It must be taken into account that the measures introduced will not lead to carbon leakage, i.e. a migration of industrial value added from Europe to regions with lower CO₂ targets, and that the CO₂ footprint of imports is also taken into account appropriately. It is therefore necessary, as announced by the EU Commission, to examine the introduction of a CO₂ border tax compensation scheme at the external borders of the EU. The competitiveness of energy-intensive companies must remain guaranteed in the future. A significant reduction in the number of sectors that receive compensation for the additional costs of electricity caused by emissions trading, as currently being discussed by the Commission, is the wrong way to go about this.

Anyone pursuing ambitious goals, for example in the expansion of renewable energies, must set clear, comprehensible and reliable framework conditions. Only then can the 65% target for renewable electricity in 2030 be achieved. To this end, it is necessary to establish a uniform nationwide regulation on the distance requirement for wind turbines. The 1000-metre distance requirement favoured by some is blocking the expansion of wind energy in Germany. The photovoltaics expansion cap of 52 gigawatts must be lifted and the share of offshore wind capacity must be increased to 20 GW by 2030.

Setting the course for the future

This paper is intended as a contribution to a necessary economic and industrial policy discussion. In a number of fields we could only touch on topics or name them as examples.

We are concerned with the sustainability of Germany and Europe and how Europe can secure and maintain its economic, technological and social role in the world of the 21st century. This requires new policies, both European and national.

In any case, the continuation of current policies will not be sufficient, they will not lead to a positive future. In a world of economic crisis and economic change, we also need change in policies, ideas, instruments and debates.

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