



European Entrepreneurs CEA-PME
Confédération Européenne des Associations
de Petites et Moyennes Entreprises

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S.O.S European Industry – A Call to Action

The recovery will come from Europe's SMEs and Mid-caps

While the European Union is caught in a trap between self-defeating bureaucracy, US trade diktats and the Chinese trade offensive, it is the millions of micro, small and mid-sized companies making up the European *Mittelstand* that are bearing the burden. We refuse to become vassals and to decline: growth is still possible, provided we urgently implement a strategy for competitiveness and European common action that is commensurate to the challenges we face.

In the coming months, the very existence of European industry is at stake. We have moved from a "benign globalization", full of promises of prosperity, to a self-interested globalization, shaped by power struggles and ambitions of conquest and hegemony, either by force, finance or trade. Nations that are not prepared for this are on a path to impoverishment and decline. This is the singular moment in its history that the European Union now finds itself, a time to stand strong and, most important, united.

Thousands of companies have become insolvent or decided to reduce or re-locate, hundreds of thousands of quality jobs in European industry have been lost over the past 3 years of stagnation in Europe. Today, it is our businesses, our employees and our citizens who are suffering the full force of Europe's decline. We refuse to resign ourselves to it.

Europe, once a land of inventions and industrial success, and still endowed with a market of 450 million consumers, is now squeezed between overregulation, US technological leadership, tariffs and the immense capacity of Chinese factories. These threats could very soon undermine our economic and financial autonomy. And for now, the European Union's response is too slow, not powerful enough and too bureaucratic. In the absence of an adequate response, the first victims of this new global order are the companies of the European *Mittelstand*.

With them, lies our industrial know-how, the quality of our products, our jobs, social cohesion, and the European project itself that are all under threat.

Our business organisations represent the beating heart of European industry: millions of SMEs and mid-caps rooted in our villages, our medium-sized towns and our regions, showcasing European excellence around the world. For these companies, becoming vassals of a Chinese or American order cannot be an option. None of them can resign themselves to the supposed inevitability of Europe's decline.

Have the rules of the global economic game radically changed? If so, it is urgent that we adapt.

Time is running out. The urgency is real. That is why we are putting forward proposals structured around five priorities.

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Absolute priority: the competitiveness and long-term viability of our companies.

This is first and foremost a matter for the Member States, which must agree on an emergency agenda to defend cost-competitiveness and the margins of our companies – a precondition for their ability to invest, innovate, pay wages and remain rooted in Europe. Without margins, there is no investment, no jobs, no higher wages, no ecological transition. This means supporting the activity and transfer of our companies through tax systems adapted to European ownership of European assets. The greatest threat is the takeover of our companies by non-European players. In this context, policymakers in Paris, Berlin, Rome, Warsaw, Madrid, et al., must understand that one more tax on capital, cash or business transfers will only have one set of consequences: closing factories, weakening our champions, making them uncompetitive and, very soon, forcing them to be sold to foreign investors.

Second priority: rules that protect us, not weaken us.

An absolute moratorium must be declared on any new regulation imposed on our companies. Wrapping ourselves in virtue is one thing, but dying virtuous makes no sense in today's world. It is also imperative to enshrine the principle of technological neutrality: it is for companies, not public authorities, to choose the most effective solutions to organize their ecological transition, decarbonisation and energy efficiency. Let them invest, organise and innovate so they can withstand climate change. We must always prefer projects over paperwork! Repealing legislation must be in this moment more than only the last option.

Third priority: energy as the cornerstone of our competitiveness.

Europe is perfectly capable of producing the energy needed to meet the demands of its industry, provided that this energy is decarbonised and follows a clear trajectory. Let us show intelligence and solidarity: let us pool our strengths, our infrastructures and our production capacities to guarantee, over the long term, an energy price compatible with the development of our industry. It is imperative to review the European energy market in depth, in particular by organising hubs, by subsidising the input, not the output, to get the prices down in the existing merit-order system, by reforming the ETS, making it a free and open market, by reducing energy taxes, by removing all barriers to the full roll-out of hydrogen as the best battery without rare earths that we can have, to promote nuclear energy, so as to obtain competitive costs for our industries. Europe has all the assets it needs to achieve energy sovereignty.

Fourth priority: a genuine European preference and a clear approach to local content.

It is time to recognise, in our industrial and trade policies, that production and technologies created and carried out in Europe, by European companies must be better valued and better protected. This means strengthening synergies and networking among companies of all sectors and sizes, in order to deepen the market, build a shared offering at European scale and speed up cooperation, including joint ventures. Likewise, public procurement must always prioritize buying European. And if this implies tariffs, particularly vis-à-vis China, we must implement them before it is too late and our dependence on imports prevents us from doing so. Free market applies both ways, no access to their markets should mean no access to ours.

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Fifth priority: innovation policy for SME and mid-caps can be a core driver of competitiveness.

In the wider European industrial debate innovation is regularly seen as something happening thanks to basic research and disruptive start-ups. This is only half of the truth. The often lamented “mid-tech trap” is a result of incremental innovation produced in large quantity and with immediate economic benefit for our societies by Europe’s *Mittelstand*. Better organised, assisted with experts that work in and for SME and mid-caps, shared on district, cluster and value chain levels, pushed by external stimuli from innovators, or pulled to solve challenges of clients and society, this incremental innovation can lead to astonishing breakthrough innovation. The reality is the proof: European excellence is present throughout global value chains and is at the heart of thousands of *Mittelstand* companies, the absolute majority of the world’s hidden champions.

Europe must not abandon its place in the economic concert of nations, as this would be the prelude to other forms of domination and interference. This is the meaning of our appeal: strong and urgent measures must be taken to cut red tape and energy costs, strengthen the competitiveness of each country and establish a genuine European preference. We are counting on the Commission, on Members of the European Parliament and on our respective governments to launch this movement.

The European *Mittelstand* is the key to the survival of our European economy, of our European social model and of the European Union itself.

Save our European Industry!

#SOSIndustrEU

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