



Europäische Metall-Union
European Metal Union
Union Européenne du Metal

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Will the COVID-19 outbreak change our supply-chain and manufacturing habits?



The COVID-19 outbreak represents an unprecedented situation, which will have extremely damaging and long-term effects. It has the potential of exhausting companies' cash flow and cripples the construction value-chain for years to come, crushing the millions of SMEs in Europe and beyond. In these difficult times, the focus is needed on the crucial role of Europe's SMEs and industry to support society's needs. After the crisis, a strong industry will be essential to ensure that we stand ready to tackle the socio-economic consequences of the crisis.

The deep economic implications of the coronavirus crisis have made it clear that unprecedented measures and a concerted response on the EU level are vital. On 22 March 2020, the European Commission adopted a roadmap for the EU's economic recovery. It includes a fully functioning and revitalised Single Market, an unprecedented investment effort and the restoration of global trade. EU leaders also agreed on a 540 billion euros package of safety nets, which complements measures for SMEs taken at the national level by most EU governments. It is however clear that the EU level of governance, and above all the EU budget, will play a key role in the recovery plans to meet the challenges stemming from globalisation, climate change and digital transformation.

At the global level, economists expect lower productivity growth in the aftermath of COVID-19 due to cash flow constraints, higher operating costs and a retraction of globalized dispersed value chains. Even before corona, globalization was partly reverse due to the US-China trade tensions

and the US attempts to undermine the World Trade Organisation (WTO). The corona crisis will only serve to speed up the process of reshoring activities currently performed overseas by multinationals, with repercussions on SMEs. Moreover, post-COVID-19, the global geopolitical situation is likely to be even more challenging than before.

At a company level, since an epidemic like the corona-virus is not a regular occurrence and hard to counter efficiently, it is difficult for companies to come to design a model to protect themselves from such instances in the future. The challenge is, however, that the uncertainty related to these predictions is such that effective contingency planning is still difficult. The focus over the last couple of decades on lean manufacturing, offshoring, and supplier consolidation had the benefit of achieving substantial efficiency gains. However, that same focus also had the effect of significantly increasing the overall global supply chain risk, by concentrating manufacturing facilities. Supply chains have become more integrated but at the same time, less flexible. It is now important for companies to look at production in a long-term model, and look to invest more in production to protect themselves from such risks. Ideally, companies should not consider pricing as a major factor; instead, the focus should be continuous production.

It is obvious that we as an organisation should support the European Institutions and the European Governments on their efforts to maintain the free movement of goods and of the workforce needed to restore production as much as possible. EMU Members also want to protect the safety of employees, suppliers and customers. Our members across Europe are committed to adhere to relevant health and hygiene measures, in close consultation with their workforce. We remain convinced that taking resolute action in a coordinated European approach is essential to manage the immediate medical needs and mitigate the wider socio-economic impact of COVID-19. Metalwork SMEs are committed to help protect our people today and to develop our economies tomorrow.

EMU is a Member of SME United, the voice of Craft and Small Medium Size companies in Europe. SME United is regularly gathering data and information on problems identified by its Members on the functioning of the Single Market due to the COVID-19 crisis. If you have experienced such difficulties, please send the information to EMU secretariat (office@emu-sme.eu). There is no deadline as the database is updated on a regular basis.

Launch of the European Green Deal

The European Commission presented its European Green Deal on 11 December 2019. It is a roadmap, with almost 50 key actions, for making the European economy sustainable by turning climate and environmental challenges into opportunities in all policy areas and making the transition to a climate-neutral Europe fair and inclusive for all. This drastic transformation of our economic model requires major investments, estimated at 260 billion per year. 'The transition will work for everyone or will not work', said Commission President Ursula von der Leyen.

The Green Deal package includes a New Industrial Policy Strategy. Europe needs to harness the potential of the digital transformation, which is a key factor in achieving the Green Deal objectives. Decarbonisation of energy-intensive industries, such as steel, will have a prominent place here.

The new Action Plan for the circular economy will stimulate the development of lead markets for climate-neutral and circular products. This action plan will also include a policy for 'sustainable products'. Special attention will be paid to resource-intensive sectors such as textiles, construction, electronics and plastics.

No need to say that the COVID-19 crisis jeopardized the whole Green Deal process.

However, what did we have before the crisis? A sluggish, linear, carbon-based economy, struggling to increase employment and quality of life while depleting natural resources, not to mention the climate change crisis. There is another way: aiming for qualitative growth, with a circular, sustainable and highly competitive economy. How can this be achieved? By replacing old infrastructure with modern, clean and efficient infrastructure in industrial processes. This would create many more jobs and grow our GDP much more than the old way.

Instead of using stimulus packages to support the status quo - by maintaining obsolete business models and investing in assets that will soon be abandoned - we should invest in the new economy to emerge from the crisis in better shape than we entered it, ready for the future: sustainable, inclusive, competitive and prepared. This will help us to create the biggest industrial market of the century because it has become more profitable today to protect the environment than to destroy it.

A 'Green Steel for Europe': pilot project launched by the European Parliament

The European Parliament launched the Green Steel for Europe pilot project, which is designed to help the EU achieve the 2030 climate and energy targets and the long-term strategy for a climate-neutral Europe by 2050 by proposing efficient solutions for low-carbon and carbon-neutral steel production.

The project will develop a technology roadmap and define pathways for the decarbonisation of the steel industry. It will also analyse financing options, assess the impact of economic, social, environmental and industrial leadership of EU policy measures and ensure dissemination of results and stakeholder involvement. The innovative contribution of the project lies in the combined assessment of technologies, industrial transformation scenarios, policy options and promising effects.

The project is part of the proposal for the Clean Steel Partnership under the EU research and innovation programme Horizon Europe. In the context of the EU's quest for a climate-neutral Europe by 2050, the steel industry is working on innovative technologies for low carbon and carbon-neutral steel solutions. This partnership will provide opportunities for synergies to accelerate the start-up phase of the European steel industry's move to carbon neutrality.

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