

PIVOT.

Towards a new industrial strategy: beyond technology and manufacturing

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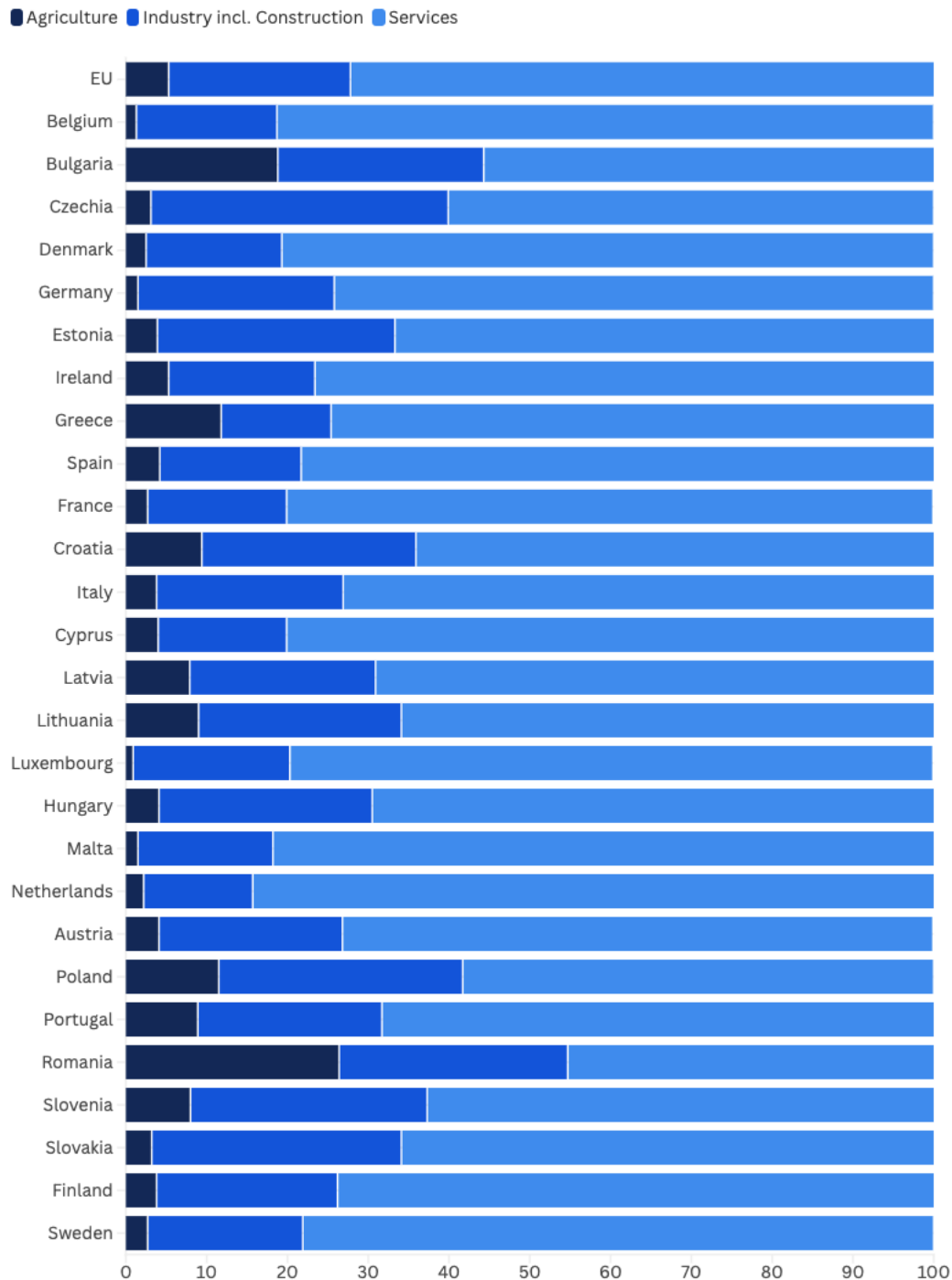
*Joint roundtable by Pivot and the European Policy
Centre*

Advanced technology may generate the most excitement, but this is not where most Europeans make their living. Three out of four Europeans work in the services sector – the true backbone of the EU's economy. Any industrial strategy that neglects this reality risks undermining societal stability. This was the key message from a roundtable jointly organised by Pivot and the European Policy Centre in Brussels on 2nd July: Europe urgently needs a comprehensive, inclusive industrial strategy.

The EU's industrial policy currently centres on advanced technology and manufacturing. Substantial support in the form of subsidies, the easing of regulatory burdens, the simplification of market access and political attention from the EU and member states has been flowing to these sectors. Initiatives such as the Net-Zero Industry Act, agreed in 2024, are a case in point as they seek to boost the manufacturing of clean technologies to support the energy transition.ⁱ

Whilst these initiatives are laudable and very much needed to preserve the EU's competitiveness in the face of intensifying rivalry from China and the United States, this approach overlooks a fundamental reality: **the services sector accounts for about 75% of the EU's GDP and jobs**, and this is unlikely to change in the foreseeable future.ⁱⁱ

Figure 1: Number of persons employed by sector, 2024

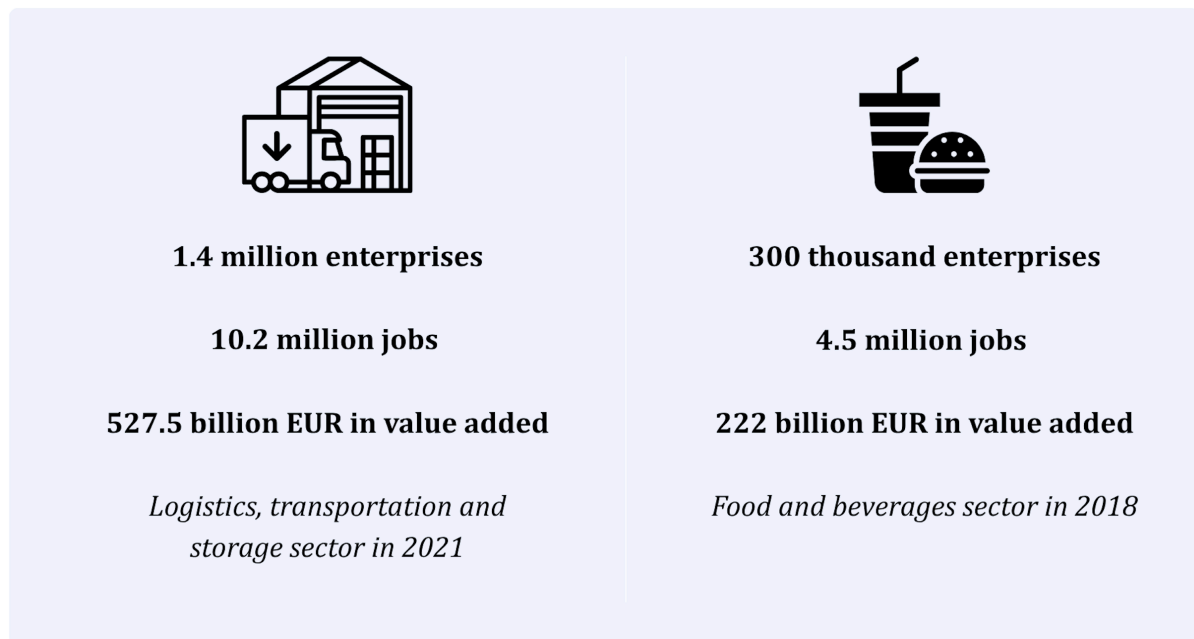


Source: [Eurostat](#)

Whilst automation may eventually transform some roles, human workers will remain essential in a broad range of sectors. These jobs are vital not just for the economy, but also for social stability - advanced technologies and AI breakthroughs, however impressive, may not create employment for delivery drivers, baristas or waiters. Whilst the EU undoubtedly needs to strengthen its technological edge, it also needs to ensure that its policies support the sectors that provide jobs for most of its citizens.

3 out of 4 jobs in the EU: Why industrial strategy must include services

Of particular relevance are sectors that account for a significant share of GDP and jobs, have growth potential and operate in a complex regulatory environment. One example is the logistics, transportation and storage sector. In 2021, it comprised 1.4 million enterprises (i.e., 4.5% of the business economy), employed 10.2 million people in the EU (i.e., 6.5% of all jobs in the business economy) and generated 527.5 billion EUR in value added (i.e., 5.6% of the value added in the business economy).ⁱⁱⁱ



Another is the food and beverages sector, which includes both manufacturing and services elements, but tends to be ignored in manufacturing-focused industrial strategies. In 2018, it comprised almost 300,000 enterprises, employed 4.5 million people in the EU and generated 222 billion EUR in value added.^{iv}

Both sectors face similar challenges related to reliable supply chains, sustainability of packaging and transport, and the adoption of new technologies, for example for tracking and traceability. In addition, they are fundamental to the smooth functioning of the EU's internal market and the wellbeing of the population.

These sectors would benefit from a similar policy toolkit as advanced manufacturing: streamlined regulatory processes, enhanced market access facilitation and harmonised intra-EU rules. Just as the Net-Zero Industry Act provides accelerated permitting and priority handling for green technology manufacturers, logistics and food and beverage companies could use similar regulatory simplification and cross-border coordination - particularly given their critical role in connecting the EU's single market and ensuring supply chain resilience.

Beyond subsidies: Building Europe's industrial future without breaking the budget

Importantly, such an approach need not rely primarily on subsidies. Public budgets are already strained by mounting pressure on member states to increase defence spending in light of Russian President Vladimir Putin's full-scale invasion of Ukraine and uncertainty about the United States' commitment to Europe's security. Instead, a smart policy mix is needed: removing barriers that limit intra-EU trade and hence restrict the size of the addressable market for companies, streamlining regulations, and creating the right conditions and incentives to mobilise private investment. Without these broader reforms, subsidies risk creating an unbalanced economy where only hand-picked sectors prosper.

"It is about time that member states take up the challenge to make Europe competitive again"

Malcolm Harbour, Senior Advisor, EPC

This matters not just for economic efficiency, but for social cohesion. As automation and artificial intelligence reshape labour markets, service sector jobs will continue to provide livelihoods for millions of Europeans and contribute to the social fabric of communities. A comprehensive industrial strategy must recognise that Europe's long-term competitiveness depends not only on producing the most advanced technologies, but also on ensuring that the sectors employing the majority of its citizens can thrive. By extending the same regulatory attention and market integration efforts currently reserved for manufacturing to the broader services economy, the EU can build an industrial strategy that reflects economic reality and serves all Europeans.

ⁱ European Commission (2025). [Net-Zero Industry Act](#)

ⁱⁱ European Commission (2025). [Services - statistics](#)

ⁱⁱⁱ Eurostat (2024). [Businesses in the transportation and storage sector](#)

^{iv} Food Drink Europe (2021). [Data & Trends 2021 EU Food and Drink Industry](#)