



EUROCHAMBRES

Connecting **business to Europe**

Position Paper

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A new industrial policy for Europe

EUROCHAMBRES contribution to the debate further to the 2nd high level conference on industrial competitiveness of 26 April 2010



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European Industrial Policy

EUROCHAMBRES considers that the following instruments are crucial to Europe's industrial competitiveness and sustainability:

- *A value chain approach, taking into account the specific needs and requirements of businesses at grass roots level (bottom up approach)*
 - *Effective and efficient access to finance instruments*
 - *A well functioning internal market*
 - *The integration of European standards in global trade*
 - *Impact assessment and SME test on related policy initiatives and the creation of synergies with other policy fields*
 - *Efficient use of resources*
 - *Technology and innovation as key drivers*
 - *Access to skilled and flexible labour markets*
 - *Smart consumption as catalyst for sustainable industrial production*
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INTRODUCTION

The European Commission, in its report "EU manufacturing industry: what are the challenges and opportunities for the coming years?", offers a snapshot on the situation of European industry with regards to its overall development over the last 10-15 years, the impacts of the economic crisis, and the challenges to be faced in the coming years.

EUROCHAMBRES welcomes the report as it represents a valuable discussion paper that can help to address the issues at stake.

The paper is to contribute to the development of the industrial policy initiative that is to be launched in the frame of the Europe 2020 strategy.

The main objectives of the Europe 2020 strategy is to generate smart, sustainable and inclusive growth: exiting the economic crisis, bringing the European economy on to a sustainable growth path which at the same time reinforces its role on the global economic scene and last but not least offering European citizens quality jobs for them to be fully integrated in the knowledge society.

The objectives "smart, sustainable, inclusive" should also be applied to the upcoming industrial policy initiative for it to actively contribute to the achievement of the Europe 2020 strategy. European industrial policy should pave the way for industrial competitiveness and sustainability on a global scale.

The different challenges that the Commission mentions in its document are pertinent and do need to be addressed swiftly.

The challenges having been identified, the instruments for remedying them need to be designed and implemented without delay, enabling all relevant players to take advantage of the timid

economic recovery and turn it into a sustainable recovery and growth.

The role of public authorities is to guarantee the right framework conditions that enable companies to be innovative and competitive, and can thus actively contribute to economic growth.

A bottom-up approach is essential for formulating industrial policy as the needs and requirements of the companies at local level need to be taken into account.

From a general perspective, the future competitiveness of Europe's economy will not only depend on so-called "green" industries, but on a successful transformation of all industrial sectors which must also be able to benefit from the right framework conditions for enhancing their competitiveness.

The instruments:

Following instruments appear to be crucial to EUROCHAMBRES for the development of the "new industrial policy" initiative:

1) Value chain approach

Efficient infrastructures contribute to fostering businesses competitiveness, be they physical or virtual, and to the creation of successful industrial clusters.

As pointed out in the Commission's document, a purely sector based approach to industrial policy would not take into account the reality on the ground. Industry and services are increasingly interlinked, requiring a value chain approach.

Successful cluster policy examples could contribute to shaping the "value chain" approach in industrial policy, moving away from a purely sector based approach.

The sector approach will contribute to identifying possible bottlenecks at sector level and suggesting remedies.

2) Access to finance

Access to finance is crucial to stimulate innovation, particularly in SMEs. Venture and risk capital are valuable instruments that offer businesses new perspectives. The introduction of additional venture or risk capital mechanisms should not occur at the expense of existing mechanisms, as each target group needs its dedicated instruments. Also prior to introducing additional mechanisms, existing mechanisms should be evaluated as to their efficiency and effectiveness and where applicable be improved.

Sector related public aid schemes should be temporary by definition and only be used as a last resort during restructuring periods. They should not contribute to maintaining obsolete industrial structures that do not adapt to the changing requirements of the knowledge society, or that do not address fundamental questions like over capacity.

Fiscal incentives at national level could be used to promote innovation in companies, helping them to bridge transition periods towards a successful adaptation to the new market requirements, training the work force and creating new employment. However, fiscal incentives must be considered as part of a whole innovation policy design and of an encompassing fiscal reform in the Member States. Fiscal incentives should not crowd out bottom-up project-based financing programmes.

3) Markets:

a) The internal market:

Considering the increased interconnection between the services and manufacturing sectors, a rapid completion of the internal market for services is of paramount importance for the manufacturing sector to be in the position to take advantage of the free circulation of goods and services.

Considering that advances in ICT will also contribute to modernising European industry, it is also important that the digital single market is implemented most rapidly, allowing the free circulation of knowledge to realise the so called 5th freedom.

European Chambers believe that some of the main barriers to European businesses exporting their 'know-how' in technology and services are the non-respect of intellectual property rights (IPR), different quality requirements in the EU than in the rest of the world and the fact that the promotion of level playing field conditions for EU industries is not always considered when designing policies. Moreover, protectionism in other countries sometimes prevents the market access of EU products.

b) The global market:

One of the first priorities of the EU industrial policy should be the enhanced global competitiveness of European businesses. EU environmental and climate protection measures should not, therefore, disadvantage European businesses vis à vis their international competitors.

The EU industrial policy should seek to promote European industrial standards at a global level, making European industry the front runner in sustainable production, an example that other continents will want to emulate.

In order to help enhancing the role of the EU 'know-how' globally, EUROCHAMBRES proposes the adoption of international minimum requirements, to improve the scope of agreements on IPR, to ensure enforcement and to promote the use and transfer of energy efficient, low carbon technologies, products and services in EU development and trade policies.

4) Better regulation:

Like all other policy fields, initiatives in the field of industrial policy should undergo a thorough impact assessment and be submitted to a SME test prior to being launched.

Besides, synergies with other policy fields (education, R&D, innovation, regional policy...) should be created for a major efficiency of the policy and its implementation, also with view to limited financial means.

5) Resources:

In terms of energy supply and security, it is crucial for industry to increase energy efficiency in market oriented ways, and thus reduce its energy consumption on the medium term.

Increased energy efficiency should be coupled with the further development, roll-out and facilitation of access by industry to renewable energy sources.

Besides the energy questions, the availability of raw materials is crucial for the manufacturing industry. While certain sectors cannot subsist without the raw materials that originate from outside the EU, and are subject to price fluctuations and speculation, other industry sectors should continue to investigate the usage of recycled raw materials.

As for energy, the overall leitmotif relating to the usage of raw materials should be increased efficiency and a rational use.

6) Technology and innovation:

EUROCHAMBRES considers that leveraging innovation represents a key challenge in sustainable industrial policy.

European Chambers stress the importance of fostering actions that could promote innovation for better performing technologies, products and services. Preference is given to actions to improve linkage between research centres and business, to speed up technological uptake and align research to business needs. In this framework, more support should be also given to SMEs to comply with existing regulations and standards.

Finally, attention should be devoted to increase research funding to promote technology development for more efficient industrial processes.

The new industrial policy should in any case look for synergies with the "innovation union" initiative and seek inspiration from best practices in clusters policy.

Since it is impossible to define beforehand what the result of an innovation process will be, technology neutrality is key. This should also be taken into consideration in the effective use of financial means.

When speaking about technology and innovation, particular care should be given to the protection of intellectual property rights, as European businesses need an effective and efficient protection and enforcement system. The European patent also plays an essential role in this field, and the debate on industrial policy should drive forward the debates on the European patent and bring them rapidly to a conclusion for the benefit of European businesses.

7) Public procurement

Public authorities can play an important role in promoting sustainable production processes and products.

Public procurers could for instance be encouraged to purchase more energy and resource efficient products. This could be achieved by including environmental criteria into the evaluation criteria for public procurement decisions. However, this should not lead to over burdensome administrative

procedures that would inevitably preclude smaller businesses in particular from submitting tenders. In addition, the criteria have to be chosen carefully in each case, to preserve market competition and avoid creating a quasi-monopolistic market in case only one company is in the position to fulfil them.

8) Skills supply

Having a skilled workforce at its disposal is a crucial issue for the competitiveness of European industry and there are several challenges to overcome linked to restructuring, the ageing and shrinking of Europe's workforce, and rapid technological advances in production processes for instance.

The role of European industrial policy should be to support the skills supply and help industry overcome skills shortages. It could promote a closer cooperation between universities/education institutes and businesses, a better matching of qualifications/skills demand and supply, an enhanced skills forecasting and last but not least the implementation of coherent and comprehensive national lifelong learning strategies in every member state in which industry and education institutions cooperate closely together. Attention should also be paid to an overall valorisation of the so-called "blue collar" jobs.

When considering the skills supply, labour market conditions also play a crucial role. In line with flexicurity principles, industry should be in the position to benefit of flexible labour market conditions for it to be in the position to react rapidly to market changes.

9) Smarter Consumption

Sustainable industrial production must go hand in hand with smarter consumption if European industry wants to remain competitive and successful on global markets.

EUROCHAMBRES stresses the importance of the demand side to develop the market for more efficient products and production processes. Consumer awareness of sustainability challenges is crucial, considering the shared responsibility between producers and consumers. Acknowledgement by consumers of the importance of sustainable products would allow businesses to shoulder more easily the risk and cost associated with the development of such more sustainable products.

EUROCHAMBRES is the sole European body that serves the interests of every sector and every size of European business and the only one so close to business. EUROCHAMBRES has member organisations in 45 countries representing a network of 1,700 regional and local Chambers with over 19.8 million member companies. Chamber members employ over 120 million employees.

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