An Integrated Industrial Policy for the Globalisation Era: Putting Competitiveness and Sustainability at Centre Stage

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EU tools in support of Europe 2020

EU monitoring and guidance

- Macro, thematic and fiscal surveillance
- Annual Growth Survey
- Annual policy guidance

EU flagship initiatives

- Digital Agenda (May 2010)
- Youth on the Move (Sept. 2010)
- Innovation Union (Oct. 2010)
- New Industrial Policy (Oct. 2010)
- New Skills and Jobs (Nov. 2010)
- Platform against Poverty (Dec. 2010)
- Resource Efficiency (Jan. 2011)

EU levers for growth and jobs

- Single market relaunch
- Trade and external policies
- EU financial support
Europe 2020 flagship initiative for industry

Europe needs industry and industry needs Europe.
Manufacturing in the EU Economy

Gross value added

- Agriculture, hunting, forestry & fishing: 1.8%
- Industry: 20.1%
- Construction: 6.5%
- Financial, real estate, renting & business activities: 28.1%
- Distribution; HORECA; transp. & comm.: 21.1%

Employment

- Agriculture, hunting, forestry & fishing: 5.8%
- Industry: 17.6%
- Construction: 7.4%
- Financial, real estate, renting & business activities: 15.1%
- Distribution; HORECA; transp. & comm.: 25.3%
- Public admin.; health; education; other services; households: 28.9%
The names of the game are “specialisation” and “internationalisation”
A fresh approach to Industrial Policy

- Promoting competitiveness and sustainability
- Integrating full range of EU policies
- Closer co-operation with Member States
- Reporting on competitiveness policies and performance
Key actions

- Integrating industrial policy
  - Competitiveness proofing
  - improving sectoral policy frameworks
- Strengthening the Single Market:
  - enforcement, services, infrastructure
- Industrial innovation strategy
  - key enabling technologies
- Sustainable industrial policy
  - energy-intensive industries
  - clean and energy-efficient vehicles
Integrating industrial policy

➢ “Competitiveness proofing” of new policy initiatives

- Initial list of policy proposals to undergo assessment agreed within the Commission
- Potential for Member State assessment of competitiveness impacts of own major policy proposals?
Strengthening the Single Market

- Single Market
  - Improving market surveillance and anti-counterfeiting
  - Creating a market for business services

- Improving infrastructure
  - Address transport and energy bottlenecks
  - Continue to liberalise energy markets

- More timely standardisation
Industrial innovation

- High Level Group on Key Enabling Technologies
  - 28 June - detailed recommendations

- Common Strategic Framework for Research and Innovation

- Smart Specialisation and local/regional policies
Resource efficiency

- Clean and Energy-efficient Vehicles (CARS 21)
  - WG Innovation, infrastructure, energy supply and use
  - WG Future regulatory framework
  - CARS 21 Report in Spring 2012

- Energy-Intensive Industries
  - Sustainable Industry Low Carbon Scheme (SILC)
  - Possible Private-Public Partnership
Improving Member State competitiveness

- Annual monitoring of Member State competitiveness and performance (Europe 2020 and article 173 on industry)
- Peer reviews and good practice on:
  - Small businesses policy through SBA
  - Access to finance for SMEs
  - Growing green businesses
  - Key enabling technologies
  - Market surveillance and anti-counterfeiting
Key messages from the 2011 Competitiveness Reports (I)

1. Labour productivity (per person employed in manufacturing): The productivity rate is above the EU average in Ireland, Netherlands, Austria, Finland, Belgium, Luxembourg and Sweden whilst it is below the average in Slovakia, Poland, Slovenia, Cyprus, Hungary, Czech Republic, Portugal, Estonia, Lithuania, Romania, Latvia, and Bulgaria.

2. The EU has less young innovative firms: EU companies have a poorer performance in terms of the applications and commercialisation of research and innovation relative to the US and Japan. The share of innovating companies among all companies is especially high in Luxembourg, Germany, Belgium and Portugal, whilst it is low in Hungary, Poland, Latvia and Lithuania.

3. Industry is increasingly intertwined with services: In particular knowledge intensive business services are increasingly used as direct and indirect inputs by industry, accounting for up to 9% of EU-12 and 18% of EU-15 exports.
Key messages from the 2011 Competitiveness Reports (II)

4. EU industry is improving raw material efficiency: It is increasingly using recycles and innovative substitute materials, but accessibility and affordability of non-energy raw materials are crucial for the competitiveness of several raw material intensive manufacturing industries in the EU.

5. Industrial efficiency: The EU is leading the way in many instances, generally ahead of the US and closing the gap on Japan. However, there are significant differences in performance across Member States and industrial sectors in the EU.

6. Business-friendliness of government regulation: The group of countries where it is less burdensome for companies includes Luxembourg, Finland, Estonia, Cyprus, Denmark and Sweden, whilst companies complain most in Belgium, Portugal, Greece, Hungary and Italy.
Economic recovery and international competitiveness

EU 27 production indices 1993 – 2011 (trend adjusted)
Economic recovery and international competitiveness
Labour productivity per person employed in manufacturing
Towards an innovative industry

Share of innovating companies among all companies in %

Unweighted average 2008
Business environment

Business-friendliness of government regulation

Unweighted average 2011
Annual policy cycle (as of 2011)

- **January**: Annual Growth Survey
- **February**: Debate & orientations
- **March**: Annual economic & social summit
- **April**: Adoption of National Reform Programmes (NRPs) & Stability and Convergence Programmes (SCPs)
- **May**: Policy guidance including possible recommendations
- **June**: Finalisation & adoption of guidance
- **July**: Endorsement of guidance

- **Autumn**: Peer review at EU level
- **Autumn**: Decisions at national level
Country Recommendations

On public finances:

- sustainability of public finances: greater ambition needed
- More needs to be done to reform the structure of tax systems and to protect growth-enhancing expenditure items
- fiscal measures for reduction in budget deficits not specific
**Country Recommendations**

**On labour markets:**

- **Boost labour force participation:**
  - retirement age, early retirement
  - childcare

- **Combat structural unemployment and integrate vulnerable groups:**
  - payroll taxes
  - active labour-market policies

- **Reduce youth unemployment and early school leaving:**
  - labour contracts
  - links between education and employment

- **Ensure that wages correspond to productivity**
Country Recommendations

On structural reforms:

- Business environment:
  - excessive regulatory constraints
  - making it easier to start a business
  - facilitating access to finance, especially for SMEs

- Services sector:
  - Services Directive
  - competition and regulatory frameworks in network industries

- R&D and innovation:
  - incentives for private R&D investments
  - matching R&D and innovation with business needs
Web links

Europe 2020:
www.ec.europa.eu/europe2020

Communication 2010 industrial policy and its accompanying documents:

Communication 2011 industrial competitiveness and its accompanying documents: