What measures can be implemented to overcome the industrial and competitiveness divide in Europe? How did decision makers respond to the increasing calls for action on industrial policy from the private sector? Innovation: a topical concept wrongly regulated and badly financed in the EU? These were some of the more or less provocative questions addressed during the extraordinary meeting of the Employers’ Group which was set to launch an intense debate on the links between industrial policy, growth and global competitiveness and analyse them from a business perspective.

While the Lisbon Strategy, launched in the year 2000, did fail to produce the intended results, the current Europe 2020 Strategy is aiming to boost competitiveness by achieving innovation-driven, sustainable and inclusive growth in a more focused way. Yet, during the economic crisis most of the attention of policy makers was on short-term "firefighting" to alleviate the immediate effects of the crisis. In the meanwhile, several Members States started implementing reforms and measures to boost their competitiveness. However, it appears that Europe has trailed behind other advanced economies such as the US in terms of national competitiveness. Strong policies are therefore essential to give shape to the future.

(Continued)
According to David Wilkinson, director of JRC (European Commission) – Europe is currently facing two simultaneous challenges, i.e., looking at 2050 on a sustainable level (environment, increased urbanization) while facing globalization. To address these challenges, the EU market remains too fragmented. Reinhilde Veugelers, professor at KU Leuven and Senior Fellow at Bruegel Think Tank, therefore highlighted the importance of the EU internal Market policy complemented by access to specific skills, cheap energy and finance. Measures should result in large integrated markets, not only for goods but also for service, transportation or telecommunication, as well as access to skilled staff with an emphasis on mobility.

Besides, Alexandre Affre, Industrial Affairs Director, BUSINESSEUROPE stated that in the run up of the February 2014 EU Council, it is now time to shape an industrial compact for Europe. It is essential for EU policy makers to be better informed and educated about how industry operates.

No Apple and no Google in Europe

As symbolically stated by Jacek Krawczyk, President of the Employers’ Group, in his welcoming address: Europe has no Apple and no Google. Emerging powers such as China are rapidly catching up and are already surpassing Europe in certain areas.

Confronted with growing competition from emerging economies, the competitiveness of EU manufacturing is now increasingly driven by innovation, knowledge-based capital and embodied or embedded services. But with a competitiveness gap dividing Europe into mainly two blocks: a highly productive, export-oriented North and a less productive South and East, the EU needs to address geopolitical imbalances.

Moreover, Member States are today specialising in different industries according to their comparative advantage. This has resulted in EU exports having an increasingly foreign (primarily EU) content, but has also significantly benefitted the competitiveness of the EU and its member states in a global perspective.

It nevertheless appears that the globalisation of value chains still raises major policy challenges for EU Member States. Moving up the value chain thus implies a continuous process of change, innovation and productivity growth.

A 20% GDP threshold for manufacturing. But what type of manufacturing?

According to Reinhilde Veugelers, who recently edited a report on Manufacturing Europe’s future, the current EU-wide share of manufacturing in GDP reaches 14%. While 20% represents the right target, what really counts is to focus on “high-added value sectors”. Veugelers thereby stressed that the discussion should be more on growth and external competitiveness and less on jobs, stating that more than 40% of jobs in manufacturing are already service oriented – which represents an increasing trend.

Fabian Zuleeg, Chief Executive of EPC, pointed out that Europe needs to shift from a supply side policy to demand sides’ policies.

Provocatively, Vitor Neves, CEO of COLEP industries recalled the need to find a place for “traditional old-fashioned manufacturing”, that is discussing how traditional industries could be reconverting into high-added value businesses.
What type of regulation environment for EU industries?

Most panellists agreed on the need for a macro-level regulatory framework, with enough freedom to companies. Protection is not essential, but representatives of the industry stressed the need for efficient trade defence mechanisms, in particular with regard to Asia. The level playing field appears crucial; in terms of “fair competition”, we have to make that external competitors follow the same rules and standards within the EU market. Hence, yes to free trade, but with steadfast self-defence mechanisms. Rather sceptical on trade defence, Philippe de Buck from the EESC, noted that one should rather emphasise on competitiveness. R. Veugelers added that one ought to be careful with trade defence as companies are by nature involved in import and export. For F. Zuleeg, Europe should focus less on public finance, but rather focus on investment; venture capital is a major issue. But the current mind-set in Europe does unfortunately not accept failure: “we do not live with the idea that 9 projects out of 10 will fail” said Zuleeg.

SMEs and multinationals hand in hand?

While it clearly appears that SMEs require more appropriate financial engineering as well as new financial sources such as insurance companies and pension funds, most panellists considered it a mistake to see a conflict between SMEs and big businesses’ interests. As stressed by Alain Berger, Vice-president of Alstom, SMEs are often pushed by multinationals as contracting companies.

The need for a consistent vision

Vitor Neves declared that the EU is good at setting goals but less successful in terms of execution and implementation. Consistency is key for companies to grow. The regulatory framework requires stability. A. Berger also regretted the permanent change of targets. A company such as Alstom needs 10-15 years targets, or more. While representatives of the Industry leave it up to academics and politicians to determine the targets, the later should be stable.

Innovation remains key

According to F. Zuleeg, lots of the arguments on innovation have not changed over the years: “why has it not produced the results we were looking for?” he asked.

Developed economies can only grow by inventing new technology, by innovating products and processes and by designing new management methods. Key Enabling Technologies and other crosscutting technologies remain crucial for EU- and national R&D programmes.

Several panellists and EESC members nevertheless agreed on the lack of an entrepreneurship culture in Europe. Industries and universities should further collaborate and conclude innovation partnership.
Employment and Training

Austria’s best practices

Austria has the 2nd lowest level of youth unemployment in the European Union. But this success is not a coincidence; it’s an effect of a long term strategy imposed by the government. The participants of the extraordinary meeting of the Employers’ Group Bureau in Vienna were trying to identify the solutions that could be spread around other EU countries to help reduce youth unemployment.

Vocational Education and Training (VET) and apprenticeship training in Austria works well thanks to strong governance and partnership with companies. Austria invests a lot of money in education and training to keep unemployment low and preserve social stability. The companies have a sense of ownership of the apprentice and training system. That’s why WKÖ is important as a competent body to steer the training system into the right direction for companies. Trade Unions are also involved. The system is paid via obligatory membership of the Chambers. Perhaps that is the reason why it’s not easily transposable to other EU countries. Nevertheless the system is profitable also from the business point of view. There is an investment in the apprentice in years one and two, but the cost is recuperated in years 3 and 4 as the apprentice becomes productive. The whole system is demands- and needs-driven. Training schemes are prepared in cooperation with the employers, so they correspond directly to their needs.

The level of unemployment is directly related to the degree of education that people have received. Throughout the crisis, unemployment of qualified professionals, high-school leavers and university graduates has increased slightly, but remained stable in relation to each other. However, there has been a significant increase in the number of unemployed people in Austria who are completely unskilled. Our modern, developed economies are slowly losing what few jobs that remained for unskilled workers. That is why VET remains so vitally important.

Austria has no legal minimum wage; but so-called tariff agreements cover 98% of employees and workers. These agreements contain provisions for minimum wages, which vary according to experience and qualifications. Younger people get lower wages, which facilitates their entry into the job market; a high degree of labour flexibility also encourages employers to hire more easily.

In conclusion, the Austrian model is an efficient and interesting one, but not easy to copy. Its effectiveness depends not only on administrative regulation and sufficient financing, but also on the country's social model, that has its roots in history and can’t be easily transferred to other parts of Europe.

The Extraordinary Meeting of the Employers’ Group Bureau in Vienna, Austria took place on 22nd October 2013, at the WKÖ premises.

The Austrian Federal Economic Chamber, WKÖ – the umbrella organization of the nine Regional Economic Chambers - represents the interest of some 400,000 Austrian member companies. As the active voice of Austrian business, the WKÖ is committed to developing and lobbying forward-looking policies which benefit the economy e.g. tax relief, cutting red tape, subsidies, both at national, at EU and international level.

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Trade and politics: inseparable?

For Lithuania, whose economy is very much export oriented, the issue of international trade is an extremely important one. With exports accounting for as much as 85% of the country's GDP last year, international trade is crucial for securing growth and jobs. Businesses are undoubtedly key players in this context and were, fortunately, massively represented at our conference. When talking about trade, the role of national and EU policy makers and institutions must not be forgotten. The business sector in Lithuania is keenly aware of how much trade depends on politics and politicians.

As we have witnessed, the impact on our trade with foreign countries and our economy in general has been both positive and negative and is especially visible now, as the Eastern Partnership policy approaches its crucial phase. Geopolitics is, of course, one of the factors that have a significant impact on businesses, especially in the EU countries bordering the EU's Eastern Neighbours.

However, business does not simply sit on its hands waiting for the politicians to come to an agreement. We take action for the benefit of both Lithuania and partner countries. We help politicians to get closer and understand that political disagreements should not harm business or damage people’s economic and social welfare. Bilateral and multilateral events such as the Eastern Partnership Business Forum (held the day before the Eastern Partnership political Summit) bring business people and politicians together for the sake of economic growth and the social well-being of nations. One of the countries with which we all want to have a better relationship and better trade and investment environment is Russia. As concluded during our meeting, achieving this is a necessity but not an easy task.

Revision of trade defence instruments (TDI): the views of key stakeholders

At the fourth session of the Vilnius conference on trade policy, a number of key TDI stakeholders spoke on issues such as anti-dumping and anti-subsidy measures and the safeguard clause.

Representatives from two companies - fertiliser producer UAB Achema and the BOD Group, which specialises in the production of pre-recorded CDs and DVDs - outlined the kinds of trade practices they have come up against, involving unfair competition from products either dumped (i.e. sold more cheaply for export than on the domestic market) or subsidised by their Asian competitors (Taiwan, China, Russia).

Another speaker was Inès Van Lierde, secretary-general of the European Association of Ferro-Alloys and Silicon Producers (Euroalliages) which has been using these instruments for the past 20 years in order to protect the interests of European ferro-alloy producers. Speaking on behalf of Business Europe, she set out industry’s key expectations from the reform proposed by the Commission in April 2013: to reduce the timeframe for imposing provisional anti-dumping duties from nine months to six and to discontinue use of the minimum duty rule in cases where a subsidy policy is actively being pursued. In a lively debate, participants highlighted the following points:

- Not everyone agrees on the legitimacy of using trade defence instruments to correct the economic impact of unfair trading practices,

- The European Union uses these instruments less often that the US or India (at the end of 2012, 102 anti-dumping measures were in force in the EU, compared with 232 in the United States and 222 in India),

- Only a very small proportion (0.25 %) of imports into the EU are affected by anti-dumping/anti-subsidy duties. However, this ability to act quickly to defend European industry in the face of unfair trading practices by third-country companies is a test of the European institutions' political will to stand shoulder to shoulder with European businesses as they struggle to stay competitive through their innovation and know-how.

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The steel industry has played an important role in European economic integration and, as the backbone of Europe's economy, it is essential for achieving the Commission's objective of increasing industry's share of GDP from the current 15.2% to 20% by 2020 – and maintaining it thereafter.

Energy-intensive industries in Europe have great competitive disadvantages vis-à-vis non-EU competitors, such as access to raw materials, excessively high energy prices, labour costs amongst the highest in the world, and regulatory (mainly environmental compliance) costs in the EU, which non-EU competitors do not have to bear.

In times of extreme pressure on cost effectiveness, a combination of these forces proves unsustainable. To put it simply - Europe may lose its essential industries unless the business environment in the EU is not significantly improved.

In June, the Commission, under the leadership of Vice-President Antonio Tajani, adopted the Steel Action Plan as a first important step in supporting the EU steel industry to make its way out of the economic crisis and improve its future prospects. The plan is a good starting point but its timely implementation will be even more important.

While manufacturing industry in the US is recovering on the back of low cost energy, EU energy policy, a unilateral climate approach and uncoordinated implementation of flagship objectives (CO2, renewable and energy efficiency targets) are driving energy prices up and generating additional major costs at the same time, thus encouraging European companies to move away from Europe. We already have interest from companies (including European companies) that are willing to invest in steel but not in Europe.

We urgently need to address this fundamental challenge. The EU must waste no time in creating new foundations for its energy and climate/environment policy and including them in its industrial policy to guarantee energy security and preserve the competitiveness of our industry while making a fair contribution to global efforts to combat climate change.

Future policies must recognise the positive role steel will play. The European steel industry is recognised as being among the most energy- and resource-efficient worldwide. European innovative steel grades and steel applications make a substantial contribution to energy efficiency improvements and greenhouse gas savings in the EU and worldwide.

Bearing this in mind, we must ensure that the EU adopts a reliable low-carbon policy based on long-term targets, consistent with realistic technological potentials, taking into account economic aspects, and, above all, conditional on global efforts.

If the steel industry is to continue producing in Europe, we also need a coherent and predictable legislative framework. Long-cycle investments, such as those in the steel sector, require a stable environment and conditions.
Youth unemployment:

a comprehensive solution for a European problem

Hearing at the Greek Parliament

Youth unemployment is still the most pressing social problem in Greece and many other Member States. The participants in the hearing that took place in the Greek Parliament on 13 November endeavoured to identify solutions that could be used to address the problem at a European level. The conclusions of the hearing will be conveyed to the February 2014 European Council, which will be devoted to competitiveness and growth. The EESC’s Employers’ Group was represented at the hearing by Ms Anna Bredima.

The EESC supports the Youth Guarantee scheme and the Youth Employment initiative. However, it notes that the funding earmarked for these programmes is insufficient. It also calls for access to them to be extended to young people aged up to 30 and to other regions in addition to those with an unemployment rate of over 25%. Yet creating such a tool is just a part of the solution. The conditions for offering traineeships should be improved. Training should be based on labour market needs and there should be greater recognition of skills acquired outside the training system. Barriers between the education system and the labour market should be dismantled and training should lead to employment. There should also be more room for twin-track training and traineeships in the education system, as synergies between practical activity, workplace learning and classroom work make young people more employable. The mobility of young people across the EU would also be facilitated by mutual recognition of certificates of studies and wider learning of foreign languages.

Employers have an important role to play in combating youth unemployment. They should communicate the needs of individual sectors more effectively so as to help ensure a closer match between skills and labour markets. When it comes to designing vocational training programmes, closer cooperation is needed between educational institutions, schools and businesses. There is also a need for employers to be linked into cost-sharing systems across Europe and to be more forceful when it comes to seeking grants from the ESF, the ERDF, the European Agricultural Fund for Rural Development and the Erasmus and Leonardo da Vinci programmes.

Another challenge for both employers and governments is strengthening the position of industry and improving its image. Studies have shown that female entrepreneurship generates significant added value for the economy and its potential could and should be used more efficiently.

EU policy makers should also recognise the important asset that migrant-owned businesses represent for the EU economy. If the creativity and innovation capacity of migrant entrepreneurs are to be reinforced, certain measures must be taken both at the European, national and local level. We need to eradicate discrimination and create equal conditions for all, reduce unnecessary administrative requirements for starting a business, enable access to funds and minimise the risk of illegal immigration and illegal employment.
How to strengthen the Social dimension of the EU competitiveness and growth.

Extraordinary meeting of the Employers' Group
(29 November, Berlin, Germany)

Is Europe finally emerging from the economic and financial crisis that began in 2008? What structural reforms are needed to bring about a return to sustained economic and job growth in Europe? The debate on the social dimension of the EU and on Economic and Monetary Union has returned to the fore, with various stakeholders putting forward their differing views.

The Employers’ Group of the European Economic and Social Committee is dedicating an extraordinary meeting in Berlin to debating the social dimension of the EU and to examining the views of business on competitiveness and growth that it wishes to share with Europe’s political leaders.

The single market is not just an economic project for the EU, but has made a vital contribution to social progress for Europe’s citizens and workers over the past decades. The Union’s structural funds have contributed significantly to reducing disparities and increasing economic, social and territorial cohesion. However, the economic and financial crisis has demonstrated how fragile such progress is and how shallow the foundations of social achievements are when not based on sustained economic growth.

Global competitiveness is key for economic growth, which is the foundation of a strong social Europe. Structural reforms are sorely needed to achieve this; they include making labour markets more adaptable, flexible and mobile; a stronger emphasis on innovation; and a more reasonable approach to regulation.

The next edition of our newsletter will look at the outcome of this discussion.

Debate on youth unemployment
(6 December 2013, Łódź, Poland)

The aim of this debate is to showcase existing tools that may be useful for solving problems in the job market, which seem to grow steadily worse as the crisis in the euro area continues. The future of the European Social Fund and of specific projects like the Youth Guarantee schemes will be discussed. Key conference guests include Laszlo Andor, Commissioner for Employment, Social Affairs and Inclusion, and Władysław Kosiniak-Kamysz, Polish Minister for Labour and Social Policy.

The role of employers’ organisations in tackling the crisis.
(2-3 December 2013, Athens, Greece)

Greece is one of the EU countries that has been worst hit by the economic crisis. Participants at this event will try to identify best practices and tools that can be used by employers' organisations to strengthen entrepreneurship and to help restore economic growth. The Annual Report on Greek Commerce will be presented and discussed at the conference. Employers' representatives will also focus on the social aspects of the crisis and their impact on the labour market.