



European Economic and Social Committee

Employers' Group

Reinforcing European industrial competitiveness

European industry is a crucial part of the EU economy. Manufacturing still accounts for 80% of EU exports and ¼ of its employment. The goal of increasing the manufacturing industry's share of EU GDP to 20% is still some way off. It currently sits at 15.1%. In order to increase this share, European industrial policy must be the focus of EU policy makers.

Fortunately, the idea of a post-industrial Europe based on services has been abandoned. Manufacturing is again seen as an engine for growth, since it has a positive impact on exports, innovation and R&D. Europe has understood the importance of putting industry and the real economy at its core.

The euro area is still struggling to recover and a step behind the other two major geo-economic blocs: the US and China. In order to stimulate competitiveness and create jobs it is crucial to achieve synergies between manufacturing and innovation and foster research through innovative solutions.

To improve competitiveness a twofold approach is needed. Firstly, structural reforms at national level must continue. Secondly, EU policies should include financial and legislative measures to improve the environment for business. An investment plan aimed at increasing competitiveness is a must in three key sectors: technological and digital innovation, energy, and infrastructure.

When talking about industrial policy there is no one-size-fits-all solution. The main points of industrial policy should be defined by the Competitiveness Council. The smart specialisation strategies at national and regional level should be aligned with EU cohesion policy.



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R&D AND INNOVATION: A KEY TO COMPETITIVENESS

The new economic model has to be based on knowledge; instead of continuing to cut costs, European industry should focus on creating more added value. One possible solution is to introduce qualitative barriers, not quantitative ones. Products with high added value should be taxed less than those with little added value.

A stronger link between goods and services is needed. Manufacturing is becoming increasingly dependent on services, so improving the free movement of services, which is still far from complete, is key. Current manufacturing is not just about processes and products, but also about services and systems. As a result, individual competitiveness is losing its importance and a broader, more systemic approach is needed.

Financing R&D involves a very high level of risk and requires a long-term approach in terms of profitability, which is why the market is often reluctant to take on this risk. New mechanisms for public-private financing of R&D have shown very positive results and should be developed further. "Missionary finance", which brings together long-term credit and risk capital and is focused on a single subject, should be encouraged. This approach could also help reduce the exodus of European start-ups to the US, where they move because they are unable to secure sufficient guarantees of funding in the EU.

Europe is lacking a culture of risk and entrepreneurship. The Old Continent focuses on competing with countries, producing low-cost products instead of reshaping its economic model. This has a negative impact on welfare and on the European social model.

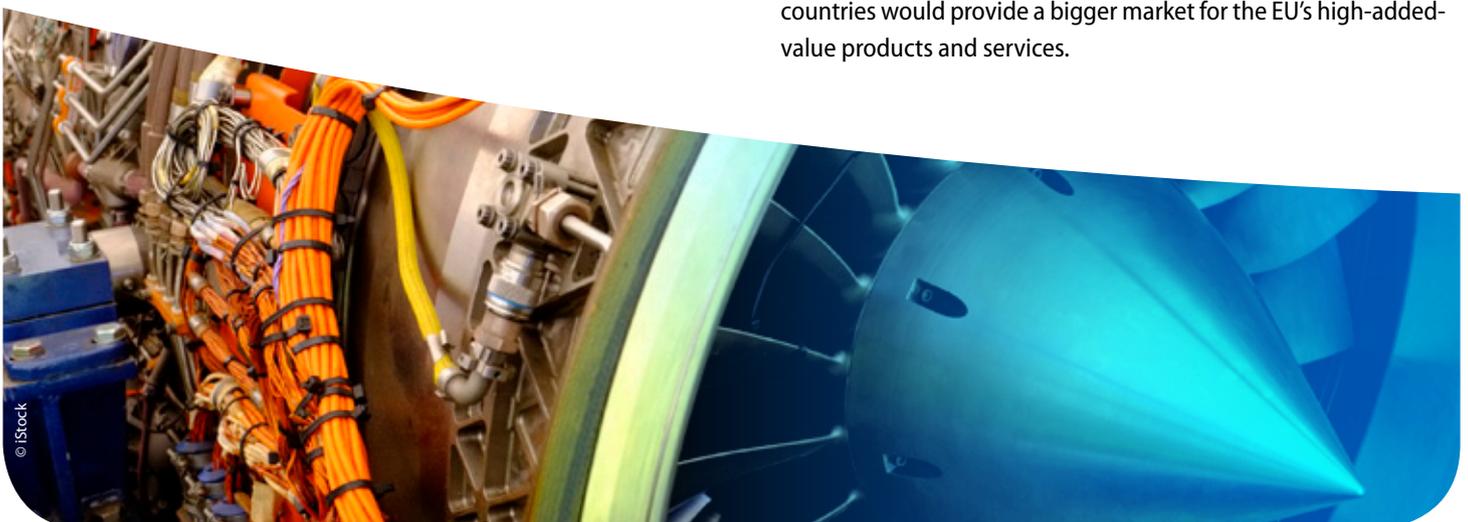
COMPETITIVENESS IN GLOBAL PERSPECTIVE

The Transatlantic Trade and Investment Partnership (TTIP) is a huge opportunity for European industry to reach a new market, expand its activities and increase profits. However, the EU should evaluate the impact of the agreement on European industrial competitiveness and prepare its regulatory environment for increased competition from American companies. One of the key aspects that need to be addressed is – as mentioned before – the cost of energy in Europe.

Energy is a key cost factor for numerous sectors of industry. In order to boost European competitiveness, a balanced energy and climate policy is needed. An overly ambitious approach may trigger deindustrialisation and further delocalisation of industry without reducing greenhouse gas emissions. According to many business representatives, The European Council meeting of October 20th defined environmental targets for 2030 in a balanced manner. On the other hand, environmental policies increase costs but also generate new opportunities in the green economy.

Current political developments have a tremendous impact on the competitiveness of European industry. For example, the deterioration of EU-Russian relations and the economic embargo have hit various European manufacturers hard. In the case of Italy, losses are estimated at EUR 1.5 billion. The EU should address this challenge in a way that takes into account both its political and its economic aspects.

At the same time, the EU should also encourage and exploit the increase in wealth and welfare investments in developing countries. Greater and more evenly distributed wealth in these countries would provide a bigger market for the EU's high-added-value products and services.

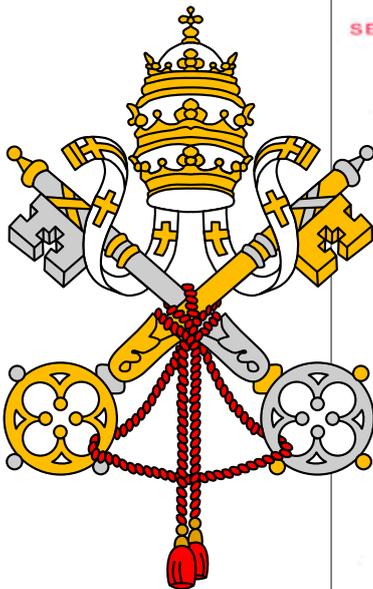




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4 MAJOR AREAS OF ACTION TO INCREASE INDUSTRIAL COMPETITIVENESS

- Concrete measures to facilitate access to resources (for instance: easier access to finance for SMEs, access to raw materials, address the issue of energy cost).
- Concrete measures to support investments in innovation, mainly in sectors such as Key Enabling Technologies (KETs) and the green economy. Half of the EUR 80bn in the Horizon 2020 programme is earmarked for market-oriented research projects.
- Improve the regulatory framework in order to help firms operating within it. European businesses need a stable, predictable and user-friendly regulatory framework.
- Enable firms to get the highest possible profits from both the internal and external markets. Completing the internal market would generate additional growth and jobs without any additional expense. The European Commission should encourage Member States to implement EU legislation in a more effective way.



On the occasion of the Extraordinary Employers' Group meeting in Rome on 28th October 2014, His Holiness Pope Francis sent a special message to President Jacek Krawczyk which is reproduced.


SECRETARIAT OF STATE

No. 51.023 From the Vatican, 24 October 2014

Dear Mr Krawczyk,

His Holiness Pope Francis sends greetings and prayerful good wishes to you and the members of the Employers' Group of the European Social and Economic Committee gathered in Rome from 27 to 28 October 2014. As you and the various business and civic leaders assembled reflect on the importance of reinforcing European industrial competitiveness, he prays that concern for the dignity of each human person and the pursuit of the common good may guide your deliberations.

In his Apostolic Exhortation *Evangelii Gaudium*, His Holiness insists that "business is a vocation, and a noble vocation, provided that those engaged in it see themselves challenged to a greater meaning in life; this will enable them truly to serve the common good by striving to increase the goods of this world and to make them more accessible to all" (No. 203). He trusts that the labours of the present meeting will serve the larger community not only by formulating economic strategy and policies which increase industrial productivity and competitiveness, but also favouring authentic human development and combatting societal ills such as poverty, social exclusion and unemployment. In the end, this requires that "concern for the fundamental material and spiritual welfare of every human person be the starting-point for every political and economic solution" (*Letter on the occasion of the G8 Meeting, June 2013*).

Pope Francis assures you all of his spiritual closeness during your meeting, and with appreciation for your contribution to the economic development of the European Union, he invokes upon you the divine blessings of wisdom and strength.


Secretary of State

Mr Jacek Krawczyk
President of the Employers' Group
European Economic and Social Committee



ITALIA
EXPO MILANO 2015



CONFINDUSTRIA

This document is a summary of the discussion entitled “Strengthening European industrial competitiveness” that took place in Rome, Italy on 28 October 2014. The meeting was organised in cooperation with Confindustria (The Confederation of Italian Industries).



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Employers' Group

About the Employers' Group

The Employers' Group brings together entrepreneurs and representatives of business associations working in industry, commerce, services and agriculture in the 28 Member States of the European Union. Our members are genuinely committed to putting their own experiences to good use to further the European venture.

The European Economic and Social Committee is the only European institution that brings together entrepreneurs and people fully involved in the economic and social life of their home country. We make the voice of business heard at European level.



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