

Opinion of the European Economic and Social Committee on ‘The external dimension of European industrial policy — is the EU’s trade policy really taking the interests of European industry into account?’ (own-initiative opinion)

(2011/C 218/05)

Rapporteur: **Mr PEZZINI**

Co-rapporteur: **Mr PHILIPPE**

On 16 September 2010, the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an own-initiative opinion on

The external dimension of European industrial policy – is the EU’s trade policy really taking the interests of European industry into account?

The Consultative Commission on Industrial Change (CCMI), which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 4 April 2011. The rapporteur was Mr Pezzini and the co-rapporteur was Mr Philippe.

At its 471st plenary session, held on 4 and 5 May 2011 (meeting of 4 May), the European Economic and Social Committee adopted the following opinion by 106 votes to two with three abstentions.

1. Conclusions and recommendations

1.1 The EESC entirely agrees with the Hungarian EU presidency’s concern that ‘a transformation of incredible speed and depth is happening throughout the world; Europe must be able to stand in a much stronger global competition than ever before’.

1.2 The Committee calls upon the EU urgently to adopt jointly-agreed, consistent measures to define an integrated strategy for the external dimension of industrial policy which ensures a leading role for the EU in the area of trade and a common approach in multilateral and bilateral trade agreements.

1.3 The EESC believes that it is crucial to have equal rules for all players, so they can compete under fair conditions, with sustainable, competitive economic and social growth in full accordance with international economic, social and environmental standards, bearing in mind that, by 2015, 90 % of world growth will be generated outside of Europe, a third of which in China alone. Therefore, EU trade policy must also support EU development policy and must take into account the inequalities between trading blocks and within society, especially in developing nations.

1.4 The Committee considers the following to be necessary:

— to establish a common framework for ‘enhanced European governance’ in order to harness the potential of the Single Market with a view to boosting European industry internationally;

— to speak with one voice at international level;

— to establish consistent action on the part of the Member States.

1.5 The Committee believes that the lengthy task of implementing the Single Market, which began in 1988, must be pursued and stepped up, including through the creation of European contract law for companies, based on a Regulation, containing a new, advanced scheme which companies can draw on, on an optional basis, in their cross-border contracts.

1.6 The Committee believes that it is possible for European industry to remain a world leader, not just through innovation, research and the application of new technologies, but by creating effective infrastructures and calling for smart regulation on the world market to promote clean, sustainable production and distribution methods.

1.7 The Committee believes that particular attention should be paid to actions at EU, national and regional levels, to education and the ongoing training of human resources and to the dissemination of knowledge.

1.8 The EESC recommends that the interests of European industry should always be taken into account and that they should be defended forcefully during negotiations using, in a clear, transparent and diversified manner, all available legislative instruments, including trade agreements.

1.9 The EESC stresses the importance of providing companies with a smart, predictable and, above all, less burdensome legislative framework, and a better entrepreneurial environment for SMEs.

1.10 It is in the interests of European companies that, with clear and transparent protection, the following should be included in bilateral agreements and discussions:

- social standards, providing decent working conditions in accordance with international conventions;
- environmental protection standards;
- limits on the use of environmental resources;
- energy saving and climate protection standards;
- the widespread use of the ecolabel;
- a culture of EMAS certification;
- compliance with technical regulatory standards;
- protection of industrial and intellectual property;
- effective instruments for trade protection and for access to markets and strategic raw materials with regard to resource management concerns from civil society on both sides;
- initiatives to support the activities of SMEs in third countries;
- systems of social dialogue and monitoring by civil society, including through *ex ante* and *ex post* impact assessments; and
- a high level of consumer protection.

1.11 The EESC agrees with the Brussels European Council of December 2010 on the need 'to tackle more efficiently challenges and seize opportunities linked to globalisation by carrying out impact assessments before the launch of trade negotiations ... to ensure open markets, fair trade and competition conditions. EU trade policy should in any case take into account the unequal conditions under which our industry often has to compete'.

1.12 The Committee calls for a concrete follow-up to the need expressed by the EU Council to 'further enhance the coherence and complementarity between its internal and external policies' ⁽¹⁾.

1.13 The Committee believes that the EU must build on its competitive advantages in order to defend its interests in a more effective and strategic manner and in order to increase the international credibility of the European economic and social model.

⁽¹⁾ Paragraph a) of Annex I of the conclusions of the European Council of 16 September 2010.

2. Introduction

2.1 Industry as a whole, including the specialised services on which industry depends and which depend on industry amounts to nearly half of the EU's GDP: about 47 %.

2.2 Industry can target its outlay and thereby stimulate the growth of the entire economy, boosting:

- EU productivity;
- the export of manufactured goods ⁽²⁾;
- technological developments: over 80 % of private-sector expenditure in RTD in the EU is funded by the manufacturing sector.

2.3 In order to counter deindustrialisation, all EU policies must be harnessed to meet the objective of supporting industry's potential for growth and competitiveness, primarily by cultivating its external dimension.

2.4 The aim is not to frame an isolated policy but rather to mainstream the competitiveness of industry, and related services, into all EU policies, beginning with the common trade policy.

2.5 The opening-up of markets is certainly the prerequisite for an upswing in employment. However, the EU must update its strategy to better support corporate internationalisation, in a context of symmetry and reciprocity, with equal rules for all players.

2.6 A consistent approach would entail tackling a number of sectors, bringing considerable added value:

- The EU's future trade policy should be integrated into the Europe 2020 strategy. A targeted and effective set of rules must therefore be established, in order to:
 - support open and fair markets, while demanding compliance with equal rules by emerging countries and protecting the requirements of the least developed countries;
 - protect industrial and intellectual property;
 - create new, more integrated fields of knowledge;
 - combat counterfeiting;
 - defend and raise awareness of the value of the social market economy ⁽³⁾;

⁽²⁾ Approximately 75% of EU exports (source: DG Enterprise).

⁽³⁾ See Article 3 of the Lisbon Treaty.

- offer and demand a high level of protection and improvement of the environment and
 - promote the euro as an international trade currency.
- The opening-up of the global market and the resulting reciprocity of tariffs has been severely limited by non-tariff barriers: 'The EU must step up our efforts to enforce our rights under bilateral and multilateral agreements to prise open markets that are illegally closed' ⁽⁴⁾ in order to ensure symmetry, reciprocity and equal rules.
- Initiatives supporting the internationalisation of SMEs should be reviewed and upgraded. SMEs currently send less than 15 % of their exports outside the internal market.
- EU policy should step up its efforts to strengthen other avenues to internationalisation, such as:
1. FDI (Foreign Direct Investment)
 2. technological cooperation
 3. sub-tendering.
- The Member States should focus on developing stronger dialogue with the social partners and all economic and social stakeholders.
- With regard to employment, advanced sectoral initiatives should be given fresh impetus, along the lines of the Lead Markets pilot schemes.
- 2.7 The international role of the euro as an international trade currency, for both raw materials and manufactured goods, should be consolidated.
- 2.8 As a result of the headlong globalisation of the world economy and the development of emerging economies, a thorough review of the EU's trade policy is needed to take full account of the interests of European industry, so that it can maintain and develop its role in the global village.
- 2.9 Generally, the EU's industrial policy is implemented by means of:
- general measures designed to develop the internal market;
 - an external trade policy (anti-dumping policy, bilateral and multilateral trade negotiations with an impact on individual industrial sectors);
 - a raft of social, regional and environmental policies, geared towards the development of human resources;
- a competition policy complete with legal instruments, which are needed for market shortcomings and useful in connection with State aid;
 - a research and development policy;
 - measures to foster innovation;
 - boosting cooperation between European companies;
 - encouraging dialogue and cooperation between social partners, including in developing countries, particularly through the negotiation of International Framework Agreements;
 - efforts to implement environmental policies;
 - an ambitious and effective education and training policy.
- 2.10 Trade, the economy, inter-faith and cultural dialogue, in short prosperity, are conditional on and determined by the standard of relations between States, governments and international organisations. Account should also be taken of differing levels of development and of the different possible approaches to solving common problems.
- 2.11 In this opinion, the EESC seeks to focus on the external dimension of industrial policy.
- 2.12 In this context industrial policy has a key role to play, partly owing to the recent realisation that industry and companies must regain the central place which is rightly theirs.
- 2.13 'An industrial policy for the globalisation era' ⁽⁵⁾: This initiative sets out a number of priorities designed to improve the business environment, particularly for SMEs, and to foster the development of a sound, sustainable industrial base.
- 2.14 'Smart, sustainable and inclusive growth' ⁽⁶⁾ is linked to the strengthening of a diversified and innovative manufacturing sector in order to operate successfully in the global marketplace.
- 3. Areas of interest and action with a view to a coherent external dimension**
- 3.1 There are many areas of interest and intervention which highlight the perennial purpose of European industrial policy, but the EESC has chosen to focus on the following issues:
- the European strategy for access to raw materials;
 - the internationalisation of SMEs;

⁽⁴⁾ COM(2010) 612 final, para. 4.

⁽⁵⁾ See strategic initiative 10 COM(2010) 2020 final.

⁽⁶⁾ IDEM.

- standardisation and IPRs;
- regulatory dialogue;
- common trade policy;
- the EU's image and prospects;
- sectoral initiatives: Lead Markets and European platforms.

3.1.1 Access to raw materials. Secure and easy access to raw materials is crucial for infrastructure and is a prerequisite for industrial development. The EU's initiatives are essential for:

- removing existing distortions and establishing new rules and agreements on access to raw materials, particularly energy;
- urging constant efforts, including by the WTO, to enforce compliance by producer countries with minimum environmental and social standards;
- improving conditions for sustainable raw material extraction in Europe;
- supporting European or national recycling industries in order to limit waste, create jobs with high added value and limit the environmental and social impact of extraction processes;
- promoting resource efficiency and the use of secondary raw materials;
- strengthening authorities and institutions responsible for raw materials management in resource-holding developing countries;
- supporting the research under way on obtaining energy from fusion, by means of JET and ITER, using raw materials (deuterium, lithium, tritium) which are widely available in nature, particularly in sea water.

3.1.1.1 If it is to consolidate and increase its global competitiveness, European industry must adopt a strong integrated strategy, paying particular attention to energy supply, complete with genuine 'raw material diplomacy'.

3.1.1.2 Access to raw materials, particularly energy, must be a fundamental pillar of the new industrial policy. Our priority must be to strengthen our economic and political relations with third countries, in order to:

- abolish distortions in access conditions; this presupposes combating restrictions on exports ⁽⁷⁾;

- support metal production in Europe;
- step up work on raw materials already available in Europe;
- monitor the list of 14 'strategic' raw materials for the future of European production. These are: antimony, beryllium, cobalt, fluorspar, gallium, germanium, graphite, indium, magnesium, niobium, the platinum group (platinum, palladium, iridium, rhodium, ruthenium and osmium), rare-earth elements, tantalum and tungsten;
- establish strategic reserves of the principal raw materials;
- include cotton amongst strategic materials;
- set up a European geological service.

3.1.2 The internationalisation of SMEs. Another key challenge is the international dimension of European industry: SMEs must be able to compete on the global markets alongside big business, while consolidating their local position.

3.1.2.1 Forecasting and financing tools (insurance, payment guarantees etc.) must be created and reinforced in order to enable SMEs to develop at international level.

3.1.2.2 According to a recent study by DG Enterprise, 25 % of European small and medium enterprises have been engaged in import/export activities in the last three years. Outside the European internal market only 13 % have dealt with third countries and only 7 to 10 % have done business with the BRIC countries (Brazil, Russia, India and China).

3.1.2.3 Internationalisation in fact benefits firms, stimulating their potential in terms of:

- a tendency to take on more staff. SMEs which are active internationally expand by 7 % in terms of jobs created, whereas others expand by only 1 %;

- a tendency towards a higher rate of innovation. 26 % of internationally active SMEs generate products or services which are innovative, against 8 % of other SMEs.

3.1.2.4 Improved performance in international trade is important for firms' growth and competitiveness.

3.1.2.5 In particular, pilot schemes must be reinforced and extended with a view to setting up European support centres in third countries, the European Business Centres ⁽⁸⁾, as must efforts to make the Market Access Teams fully operational.

⁽⁷⁾ Such as those put in place by China, India and others.

⁽⁸⁾ In China, Thailand, India and Vietnam.

3.1.3 **Standardisation.** A strong standardisation and intellectual property protection policy is needed, ensuring that there is an external dimension to standardisation procedures.

3.1.3.1 Standards must not become barriers to trade, and the increasing host of national standards in the field of services must not impede trade.

3.1.3.2 The EESC believes that a legal obligation must be introduced for all bodies setting standards to comply with the OMC-TBT principles.

3.1.3.3 Another key issue is interoperability: services and applications must be genuinely interoperable in order to be accepted by the market and meet the objectives set.

3.1.4 **Regulatory dialogue.** In order to be properly competitive, European industry needs a 'global playing field' of rules and regulations.

3.1.4.1 Tariff-based trade barriers are often flanked by non-tariff, regulatory barriers. In this respect, the EESC believes that action must be stepped up on a number of fronts in order to reduce the current barriers and in order to prevent further barriers from arising.

3.1.4.2 The principle of better regulation is fundamental in order to drive down high costs which are frequently imposed by excessive red tape and to enjoy easier access to international markets thanks to mutual recognition mechanisms.

3.1.5 **The common trade policy** is a pillar of the EU's external relations. It governs the Member States' trade relations with third countries with the fundamental objective of ensuring equal competition and equal rules.

3.1.5.1 The fight against **counterfeiting and piracy** must be more effective, both inside and outside the single market, given their serious negative impact on a growing number of increasingly varied sectors.

3.1.5.2 As the new provisions of the Lisbon Treaty indicate, improved performance in cross-border and international trade is important for firms' long-term growth, competitiveness and sustainability and Europe must be able to speak with one voice.

3.1.5.3 Instruments for trade protection and market access aim in particular to shield European firms from barriers to trade. The EU must be able to ensure that world trade develops smoothly and is fair and sustainable, taking account of third countries' differing levels of development, assisting the least developed in their processes of industrialisation, and demanding that emerging countries fully comply with the rules.

3.1.5.4 The EU must identify specific economic criteria for negotiating and signing free trade agreements and choosing partners, especially as regards market potential, in terms of size and economic growth, ensuring clear *ex ante* (political coherence) and *ex post* (full respect for symmetries and reciprocity) assessment mechanisms, with the support of European social dialogue and organised civil society.

3.1.5.5 Decreases in tariffs in the context of the WTO must be accompanied by an effort to improve working conditions in accordance with ILO standards.

3.1.6 **The EU's image and prospects.** The EU needs a vision geared towards sustainable development and able to promote inclusive societies, open economies and peaceful relationships, taking a global and long-term perspective.

3.1.6.1 The EU needs to look to its image, both internally and, in particular, externally, offering consistency, unity and a capacity to respond quickly, in order to capitalise fully on its potential. It must effectively harness tiers of synergies in order to:

- ensure that **markets open in a balanced way** whilst **safeguarding the planet's limited resources, ensuring Europe's long-term access to the resources** that are strategic to its needs;
- **step up economic dialogue with all the major partners**, in the context of a multilateral approach;
- continue to **strengthen the international role of the euro**;
- project the EU as an **'international regulatory power'**, promoting higher regulatory standards in the industrial, environmental and social fields and in respect of decent work conditions, public procurement and intellectual property;
- **relaunch the three main EU external development policies**: enlargement, the neighbourhood policy and the Union for the Mediterranean, and a new partnership with Africa within the ACP framework ⁽⁹⁾.

3.1.6.2 The EESC is convinced that without **shared foresight at European level on the global prospects of European industrial policy**, it will be impossible to put into practice the common strategic vision which is crucial for a strong and coherent relaunch of the external dimension of European industrial policy.

⁽⁹⁾ EESC opinion on The external dimension of the renewed Lisbon Strategy, OJ C 128/2010, p. 41.

3.1.6.3 The EESC believes that the aim of European industries is growth and the only way to achieve this is not to be permanently subjected to low-cost competition.

3.1.7 Sectoral initiatives: Lead markets and platforms

3.1.7.1 Europe must shape its own future based on its strengths. Sectoral solutions are constantly being developed to boost Europe's global competitiveness and make Europe a more attractive place to live and work.

3.1.7.2 Key areas include:

- technological infrastructures,
- energy supply networks,
- the knowledge-based society and the digital society,
- health and mobility,
- the cross-cutting technologies needed by EU industry.

3.1.7.3 The EESC believes that the following existing sectoral approaches should be placed within a coherent, reinforced framework:

- European technology platforms;
- Lead Markets initiatives;
- the various high-level advisory committees;
- innovation platforms, such as LeaderShip, Cars 21, ICT Taskforce;
- the high-level chemical industry group.

3.1.7.4 The EESC also believes that certain particularly sensitive, promising sectors should be further developed:

- **space;**
- **sustainable mobility;**
- **the social challenges of the future, relating to climate change;**
- **the competition challenges**, such as the chemical, engineering and agri-food industries;
- **energy-intensive sectors.**

4. The external dimension of EU policies: the key to the success of EU industry

4.1 The Hungarian presidency has stated that 'a transformation of incredible speed and depth is happening throughout the world; Europe must be able to stand in a much stronger global competition than ever before'.

4.2 Twenty million companies in Europe, particularly small and medium-sized companies, led by artists, workers, craft-people and entrepreneurs, must be able to innovate, to increase their competitiveness and create jobs, backed by a European industrial policy with an integrated external dimension.

4.3 The EESC welcomes the conclusions of the European Council of 17 December 2010 in relation to international competitiveness and the single market.

4.4 In particular, the EESC stresses the importance of providing companies with a smart, predictable, less burdensome regulatory framework and a better business environment for SMEs, enabling them to work with a long-term perspective.

Brussels, 4 May 2011.

The President
of the European Economic and Social Committee
Staffan NILSSON
