

## III

(Preparatory acts)

## EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

498TH EESC PLENARY SESSION, 29 AND 30 APRIL 2014

**Opinion of the European Economic and Social Committee on the ‘Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions — For an European Industrial Renaissance’**

COM(2014) 14 final

(2014/C 311/07)

Rapporteur: **Ms Sirkeinen**

On 28 January 2014 the European Commission decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union, on the

*Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions — For a European Industrial Renaissance*

COM(2014) 14 final.

The Section for the Single Market, Production and Consumption, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 31 March 2014.

At its 498th plenary session, held on 29 and 30 April 2014 (meeting of 29 April), the European Economic and Social Committee adopted the following opinion by 139 votes to one with two abstentions.

## 1. Conclusions and recommendations

1.1 The EESC welcomes the communication on industrial renaissance and concludes that:

- the challenges facing European industries are not abating, and without a competitive industrial base, Europe will not secure growth and more jobs;
- a stronger set of proposals for EU industrial policy is needed to convince business to invest in the region;
- an inclusive and green economy will be one of the main challenges of the next few years;
- the main role for the EU in industrial policy is to mainstream policy areas and to disseminate best practices accordingly;
- the main role for the Member States is to ensure that knowledge, information, transport and energy infrastructures function correctly and efficiently for all;

- the communication reveals much unfinished work and underlines the need for implementation at EU and Member State levels;
- the Commission is sending an important message on the importance of European industries' integration into international value chains.

1.2 The EESC recommends that the views and proposals presented in the communication be supported and implemented swiftly by the relevant parties.

1.3 In addition, the EESC recommends that:

- the 20 % target for industry's share of GDP by 2020 be complemented with qualitative aspects, in particular with a view to capturing value added performance at international level;
- the goal of greening European industries be accompanied by a strong drive towards more new technology and knowledge-based, higher value-added, competitive industrial and service sectors;
- a key goal of European industrial policy be to enhance European companies' possibilities for achieving key positions in international value networks and to maximise the value capture for Europe;
- the role of services be given more attention and corresponding policies developed, in particular knowledge-based services in their own right and because of their potential as key drivers of productivity in all business sectors;
- in order to ensure healthy competition to encourage innovation, EU competition and state aid policies should help businesses to further the EU's growth objectives, in particular the relocation of jobs, without distorting competition and a level playing field should be sought world-wide;
- all players, including employees and employers, be involved in creating a favourable, predictable environment for industry, with initiatives based in regions;
- governance structures for EU micro-economic policies be strengthened, with the European Council assuming clear leadership, the Competitiveness Council subjecting other Council formations' decisions to real scrutiny as regards competitiveness and the Commission organising effective mainstreaming of policy proposals;
- EU financing for innovation be consistently channelled into the six cross-cutting areas identified by the Commission, taking into account new challenging technologies like big data, robotics and 3D-printing; and
- every reasonable measure be taken to reduce European energy prices.

## 2. Introduction

2.1 The economic crisis has demonstrated the **importance of industry for economic stability, employment, innovation and the international performance** of European economies. Industry accounts for over 80 % of Europe's exports and 80 % of private research and innovation. About 15 % of jobs in the EU are in industry; in addition, each industrial job creates up to 1,5- 2 jobs in other sectors. Moreover, industrial jobs are nowadays high-quality jobs and wages are above the average. Industry is not an aim in itself, but a vehicle for employment and for maintaining good standards of living.

2.2 EU industry still generates a large surplus in the global trade of manufactured products and is a world leader in sustainability. However, as shown in the 2013 European Competitiveness report, **European industry's share of global manufacturing output has been falling** over the last decade. The productivity gap in relation to the USA has again widened. After some recovery in the 2009-11 period, industry's share of EU GDP has slid back down to 15,1 %, far below the target of 20 % by 2020. Since 2008, 3,5 million jobs have been lost. The picture varies considerably, however, between Member States.

2.3 Industrial policy is indeed one of the flagship initiatives of the Europe 2020 Strategy. The EESC issued **opinions on the Commission's key proposals in 2010 and 2012** <sup>(1)</sup> and has drafted a number of other opinions on different aspects of industrial policy, including sectoral analyses as part of the CCIC's (EESC Consultative Committee on Industrial Change) <sup>(2)</sup> work, currently on industrial reshoring and youth employability. This opinion builds on those earlier opinions and complements them.

2.4 **The Commission communication** sets out the Commission's key priorities for industrial policy as a contribution to the European Council debate on industrial policy, scheduled for March 2014. It provides **an overview of action already taken and puts forward some new measures** to speed up attainment of these priorities. It shows that industrial policy and other EU policies are becoming increasingly integrated, and indicates why this mainstreaming process must continue.

### 3. General comments

3.1 The EESC **welcomes the Commission's communication**, coming as it does against the backdrop of economic crisis and increasing concern about the competitiveness of European industries. The challenges facing industry are not dwindling — quite the opposite. The global business environment is continually changing, and at an ever faster pace that our companies need to be able to respond to. Without competitive industry, Europe will not be able to secure higher growth and more jobs. Also, an approach which depends on design and engineering functions only, without production and end customer contacts, is not likely to be successful in the long run.

3.2 In light of the serious situation, the EESC would have **expected a stronger set of proposals for EU industrial policy with a clear vision** and urgent measures. Clear messages are needed to convince businesses that Europe will be an attractive region for new investments in the future. The communication now covers few new features compared with the 2010 and 2012 communications. It is mainly a stocktaking of past and planned action in the main priority areas of industrial policy, as set out above. This reveals much unfinished work and underlines the need for implementation at both EU and Member State levels.

3.3 The EESC supports the communication's conclusions, including the 20 % target for industry's share of GDP, although it would qualify its support for this: the 20 % target is purely quantitative, while it would be more in line with EU aspirations for socially and environmentally sustainable competitiveness to **add qualitative aspects**. The 20 % target should be accompanied by other targets, which the EESC calls on the Commission to explore further, in particular reflecting issues which will provide added value in an international context.

3.4 The EESC particularly welcomes the Commission's clear message on the importance of **European companies' integration into international value chains**. In reality the highly specialised, very complex and dynamic nature of industrial activities today could be better described as value networks. Companies are globally competing for key positions in these networks. The goal of European industrial policy should be to enhance European companies' possibilities for achieving such key positions and to maximise the value capture for Europe. Policies and targets should be designed accordingly.

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<sup>(1)</sup> OJ C 327, 12.11.2013, p.33, OJ C 327, 12.11.2013, p. 1, OJ C 181, 21.6.2012, p. 125.

<sup>(2)</sup> OJ C 198, 10.7.2013, p. 45, OJ C 299, 4.10.2012, p. 54, OJ C 327, 12.11.2013, p. 82.

3.5 The Committee feels that building an inclusive and green economy will be the main challenge of the next few years. Greening European industry and making the transition to a low-carbon and environmentally resource-efficient economy by 2050, on the basis of a new industrial policy, are necessary as a priority. What Europe needs, however, in order for such a transition to succeed, is a move towards **more knowledge-based and new technology-based, higher value-added, innovative, competitive and sustainable industrial and service sectors** that are financed by an ambitious investment plan, if it wishes to guarantee industrial growth and job creation.

3.6 Meeting and filling unmet needs in society together with competition drives innovation, and all companies in the internal market, regardless of business model, should have the **same conditions under which to compete**. In the EESC's view, competition between Member States in offering state aid must be avoided. One of the aims of state aid policy should be to make provision for the granting of pre-competitive aid to businesses that can further the EU's growth objectives whilst limiting distortions of competition. If and when state aid is provided, it should be directed at helping companies to develop and adapt, not at supporting permanently uncompetitive activities. A level playing field is also needed in global markets, in particular for energy-intensive industries.

3.7 The **role of services** deserves more attention. The interdependence of services and manufacturing is broadly recognised, as industrial activities include an increasing number of elements of service provision, and many services are dependent on industrial performance. However the potential of knowledge-based and ICT services as exporting industries in their own right, as well as their implementation in all business sectors as key drivers of productivity, is enormous. Specific policies should be developed to help tap this potential.

3.8 All actors — EU institutions, Member States, regions, employees and employers and other stakeholders — need to be involved in the complex task of **creating a more favourable environment** for industry. Initiatives should be built on regional specialities that complement each other and interact fruitfully. The policy framework must be stable and predictable, including national legislation in areas such as taxation.

3.9 The EESC calls for **stronger governance structures** for micro-economic policies. The European Council should assume clear strategic leadership here. The Competitiveness Council's role should be stronger and it should subject industry-related decisions by other Council formations to real scrutiny as regards competitiveness. The Commission should ensure the mainstreaming of its work by effective managerial solutions. Member States must consistently implement joint decisions, and industrial policy issues must be fully integrated into the European Semester, including the issuance of country-specific recommendations.

#### 4. Specific comments to policy areas

##### 4.1 *An integrated, single European market*

4.1.1 A central role for governments is to ensure the provision of and access to **first class transport, information and energy networks for all**, corresponding to the developing needs of society, including businesses. Timely features in this area, acknowledged by the Commission, are infrastructures linked to space technology, the convergence of information and energy networks, and for the distribution of alternative fuels.

4.1.2 **Borders within the EU should not make any difference** to the operation of and access to infrastructures. Remaining regulatory, administrative and technical barriers need to be removed. EU and national financial sources should be channelled into necessary investments in this area, mobilising a maximum of private funding.

4.1.3 The EESC agrees with the Commission that pending internal market legislative proposals urgently need to be adopted. **Member States are still not implementing and enforcing** the legislative framework properly, challenging the Commission to take justifiable further action on non-compliance.

#### 4.2 Investing in innovation and new technologies

4.2.1 In previous opinions on industrial policy, the EESC has given its views on EU initiatives for innovation and new technologies, mainly expressing its firm support for them and underlining the need for **sufficient EU, Member State and private financing**.

4.2.2 The EESC has, in particular, supported the Commission's choice of and action on **the six strategic, cross-cutting areas** in advanced manufacturing: key enabling technologies, bio-based products, clean vehicles and vessels, sustainable construction and raw materials, smart grids and digital infrastructure. New technologies with great potential that need attention include robotics, big data, 3D-printing, the industrial internet and industrial design. EU financial resources, such as Horizon 2020 and regional funding, should be consistently channelled into innovation in these areas. The EESC also calls for quicker implementation of the Knowledge and Innovation Community for value-added manufacturing.

4.2.3 **The time period involved in bringing innovation to the market** for deployment is of the utmost importance for industrial competitiveness. Strengthening the venture capital facility and other EIB risk-sharing capabilities, as well as making innovative use of structural funds are examples of much-needed EU measures to attract private investment in risky research projects.

#### 4.3 Access to finance

4.3.1 Despite the improving economic climate, companies' **access to bank credit** remains limited, especially for SMEs. The EESC therefore supports EU efforts in this area: the creation of the Banking Union, the SME finance initiative, the capital requirement regulation, MiFID, the revised transparency directive and measures to enhance the pan-European venture capital market.

4.3.2 In order to improve the lending capacity of banks, the EU should strike **the right balance** between increasing financial stability and supporting companies' need for finance. Moreover, regulatory measures targeting the financial sector should not impede private lending.

4.3.3 SMEs in the EU are more dependent on bank financing than elsewhere. Efforts at both EU and national level should expand **diversification of corporate financing** to other sources like equity funds, venture capital and corporate guarantees, as well as hybrid funding methods. A plan with a life-cycle approach to financing must be developed, identifying innovative instruments.

#### 4.4 Energy

4.4.1 The EESC is pleased to note that the Commission recognises the importance of energy prices for industrial competitiveness. European **energy prices** for industry are far higher than those of its main competitors: electricity prices are twice as high as those in the USA and Russia and 20 % higher than in China. Gas prices are three to four times those in the USA, Russia and India and 12 % higher than in China.

4.4.2 The energy price gap between the EU and its competitors stems partly from factors that cannot be changed by policy action in the EU. However, **every reasonable measure to narrow the gap** must be taken, in particular with a view to restoring energy-intensive production sectors and jobs in Europe. EU industries have so far managed to partly compensate for energy cost increases by improving efficiency, but the potential for this is diminishing.

4.4.3 **Security of energy supply** is crucial for all industries. At this time, we are being seriously reminded of the need to decrease dependence on energy from unstable and unreliable sources. A diversified energy mix, as decided by Member States acting in cooperation and in compliance with environmental commitments, is a matter of strong common interest for the EU.

4.4.4 Some energy policy measures, in particular to increase the use of renewable energy sources, have had the additional objective of **creating new jobs**. According to information so far available, this does not seem to have materialised: existing studies mainly point to a neutral or small positive net impact on jobs, while job structures are changing drastically.

#### 4.5 *Raw materials and resource efficiency*

4.5.1 The EESC supports the Commission's intentions on **raw materials diplomacy** and its plans to eliminate price distortions on inputs for industry.

4.5.2 **Exploration and exploitation** of raw materials within the EU should be stepped up and relevant regulation harmonised. As for legislative initiatives on resource efficiency and waste, they should be designed carefully in order to deliver optimal results while avoiding unnecessary cost burdens (in the short term) for companies. Policy neutrality in access to biomass is needed for efficient application of the cascade principle in the use of biomass.

#### 4.6 *Upgrading skills and facilitating industrial change*

4.6.1 Five million young people are unemployed in Europe today, while we have two million vacancies in the labour market. **Skills mismatches** and training issues are at the top of the industrial policy agenda.

4.6.2 The number and quality of **science, technology, engineering and mathematics** graduates at all levels needs to be boosted **and access to these sectors and professions for women of all ages should be vigorously encouraged**.

4.6.3 **Apprenticeships** and, for instance, dual learning systems clearly contribute to skill profiles linked to real job market needs. Best practice needs to be explored by Member States and social partners, and also applied, including efficient models for cross-border apprenticeships.

4.6.4 The EU, Member States and social partners can bring progress to industry on new technologies and innovations only if they establish policies aimed at improving workers' knowledge and develop life-long learning with a view to rewarding them for their investment. Recognition of skills and qualifications and the improvement of working conditions are essential to worker's involvement. Enhanced social dialogue should play an essential role in European industrial renaissance.

#### 4.7 *SMEs and entrepreneurship*

4.7.1 The EESC continues to strongly support the EU's efforts to enhance SMEs, including the multitude of business models, making 'think small first' a reality. **The Small Business Act** needs to be not just updated but renewed and expanded to address remaining barriers to development and growth. These reforms should be linked to the European Semester.

4.7.2 The profound and far-reaching 'billion euro' question is, actually, how to **change the European mind-set**, shifting it towards valuing entrepreneurship and risk-taking.

4.7.3 In the view of the EESC, measures **to reduce regulatory and administrative costs**, in particular the REFIT programme, as well as to eliminate impediments to the growth of businesses, should be carried out without detriment to regulations protecting consumers, the environment and the health and safety of workers and of their information and consultation, and should comply with agreements concluded as part of the social dialogue.

4.7.4 **Cooperation networks and clusters** could offer the means for SMEs to grow, as pointed out by the Commission. The approach should cover all sectors, all sizes of businesses, and cross-European as well as international value chains.

#### 4.8 *Internationalisation of EU firms*

4.8.1 The EESC supports Commission action to secure **access to major international markets** for EU firms. An ambitious agenda of FTA and other trade negotiations, in the spirit of reciprocity, should be consistently pursued, in particular with the EU's biggest trading partner, the USA, and between the EU and southern Mediterranean countries and countries of the Eastern partnership.

4.8.2 Bilateral and multilateral instruments should be used to ensure that the EU's main **trading partners enforce their international commitments**.

4.8.3 Industrial standards in different economic regions differ widely, creating obstacles to trade and more generally impeding a level playing field. Provided that the fundamental requirements for health, safety, environmental protection and consumer protection contained in Article 114 TFEU are met, the EESC supports the promotion of **international standards and regulatory cooperation** as well as action, including market oversight, to ensure that EU companies can uphold their industrial property rights. The communication could have been more concrete on measures in this respect.

Brussels, 29 April 2014.

*The President*  
*of the European Economic and Social Committee*  
Henri MALOSSE

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## APPENDIX

**to the opinion of the European Economic and Social Committee**

The following amendment, which received at least a quarter of the votes cast, was rejected in the course of the debate (Rule 39(2) of the Rules of Procedure):

**Point 3.5**

Amend as follows:

*'3.5 The Committee feels that building a ~~an~~ competitive inclusive and green economy will be the main challenge of the next few years. Greening European industry and making the transition to a low-carbon and environmentally resource-efficient economy by 2050, on the basis of a new industrial policy, ~~are necessary as~~ is a priority. What Europe needs, however, ~~in order for such a transition to succeed~~, is a move towards more knowledge-based and new technology-based, higher value-added, innovative, competitive and sustainable industrial and service sectors ~~that are financed by an ambitious investment plan~~, if it wishes to guarantee industrial growth and job creation. These ambitious objectives require all the more effective framework conditions for investments.'*

**Reasons**

- 1) If the economy is not competitive, it will not be sustainable environmentally or otherwise. In order for the economy to generate enough resources to sustain a prosperous, inclusive and green society it is necessary to be globally competitive.
- 2) Stylistic change.
- 3) The transition of our productive sectors to more value-added segments etc. is important not only for greening but necessary to safeguard a prosperous future for Europe also in other regards.
- 4) Industrial policy is not, and should not be, about public investment plans. Instead it should be a set of measures creating a business climate which attracts private investments on market terms. Experience, not least from my own country in the 1970s, show that large public investment and 'pick-the-winner' schemes for industry tend to be costly to tax payers without any long-term benefits.

**Voting**

For: 41  
Against: 81  
Abstentions: 11

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