III

(Preparatory Acts)

EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

435th PLENARY SESSION HELD ON 25 AND 26 APRIL 2007

Opinion of the European Economic and Social Committee on the Value and supply chain development in a European and global context

(2007/C 168/01)

On 6 July 2006 the European Economic and Social Committee, under Rule 29(2) of its Rules of Procedure, decided to draw up an opinion on Value and supply chain development in a European and global context.

This decision was confirmed on 26 October 2006.

The Consultative Commission on Industrial Change, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 6 March 2007. The rapporteur was Mr van Iersel. The co-rapporteur was Mr Gibellieri.

At its 435th plenary session, held on 25 and 26 April 2007 (meeting of 25 April), the European Economic and Social Committee adopted the following opinion by 130 votes to one, with four abstentions.

Part I — Conclusions and recommendations

A. The EESC requires the focused attention of decision-makers, together with interactive EU and national approaches, on the concept of value and supply chain development or, rather, that of networked industry and corporate interaction.

B. These dynamic processes call for adaptation and adaptability in running all aspects of companies, including product definition and design, services, marketing and management of financial and human resources. These tasks are often outsourced. Networking means that companies are becoming more and more interwoven worldwide and that manufacturing and services are becoming ever more integrated.

C. There are substantial differences in how companies are affected by this state of affairs, depending on their size, their position in supply chains/networks and the sectors in which they operate. Large multinational companies are generally well placed in this networking process at all stages. By contrast, relatively small and medium-sized suppliers, which intervene at initial or intermediate stages (first, second, third … supplier), often come up against obstacles, as set out in Part II. In this document, they are referred to as IICs (initial and intermediate companies — a term coined specifically for the purposes of this opinion) (1).

D. The overwhelming majority of jobs in the private sector are in 'less-than-large' companies (see item C). The most innovative and creative of these firms are of decisive importance in the networked economy. The volume of this development is so significant that it has not only a considerable impact at micro-economic level, but also in macroeconomic terms.

E. The EESC deems it necessary to improve the environment in which IICs operate. This opinion (see sections 3 and 4 in Part II) identifies the main challenges and puts forward a number of policy proposals such as:

— changing attitudes towards IICs;

(1) Accordingly, this opinion does not refer to small and medium-sized enterprises as defined by the European Commission and most Member States (SMEs). The smaller companies referred to are suppliers that may have several hundreds of employees, whilst medium-sized suppliers may have as many as thousands of employees. Both of these occupy an initial or intermediate position in value chains; in other words, they are not the final — usually larger — producers/providers. These companies are not defined in terms of measurable corporate data (turnover, employment) but rather in terms of their position in the value and supply chains. Suppliers of raw materials, tending to be large companies, do not fall within the scope of this opinion although they occupy the opening stage in production processes.
— improving cooperation and mutual trust amongst these companies;
— facilitating access to finance;
— reducing lock-in/lock-out effects;
— enforcing intellectual property rights;
— combating distortions of competition by the consistent, more efficient and timely use of EU trade defence instruments in order to avoid unfair imports;
— fostering skills and entrepreneurship;
— attracting qualified young people, especially in engineering fields, to IICs;
— implementing the EU new-style industrial policy, including its sectoral approach;
— making optimum use of FP7;
— enacting focused legislation and cutting red tape.

F. The lack of an established definition of IICs makes it difficult to grasp their full significance in industrial change and globalisation processes. Much more should be done to increase the awareness of the part they play. If any/all of the proposals under E are to be implemented, a number of prerequisites must be met by companies themselves, others by policy makers and yet more by a combination of the two. In any event, any such implementation must be carried out in close cooperation with all relevant stakeholders. In the same vein, sectoral dialogue committees operating at European and national levels should be able to provide a credible shared orientation to policy makers.

Part II — Reasons

1. Introduction

1.1 Talk of the advent of supply chains as a modern phenomenon is misguided, as these have existed, in one form or another, since the onset of organised production.

1.2 It is fair to note, however, that a keen interest in supply chains has developed in the last few decades as an offshoot of the fierce environment engendered by technological progress and globalisation, and all the associated effects of these on markets. This topic is discussed extensively in countless publications and conferences around the world. Conventional linear sequencing is replaced by complex networks and integrated manufacturing processes that often operate across multiple companies and countries.

1.3 Nowadays, value and supply chains are increasingly interwoven and a genuinely global network now exists in many areas. This justifies the use of the term ‘networks’ rather than ‘chains’, the former being undoubtedly more ephemeral than the latter.

1.4 Networks of value creation (or, quite simply, ‘value networks’) are themselves becoming more global and extensive. Part of this process is a pan-European value network, enhanced by the recent enlargement of the EU.

1.5 It is now realised that self-improvement is no longer sufficient to meet companies’ needs. The gains derived from introspective programmes within companies, whilst helpful and desirable, do not enable them to seize the opportunities posed by a genuinely global system of doing business. Companies must look outside of themselves if they are to survive in the modern world.

1.6 As a result, network management and logistics have gained pride of place, as companies spend increasing amounts of time and money on ensuring optimum returns through streamlining and coordinating the ever more complicated web of activities and services that are crucial to modern industrial and commercial operations.

1.7 The nature of managerial responsibility and of the requisite skills of the workforce at all levels has changed drastically, as decisions and attitudes are required that ensure optimum levels of cooperation between buyers, suppliers and companies.

1.8 This is the state of the art for all categories of companies, big, medium-sized and small, notwithstanding differences and interaction between sectors. It appears, however, that large multinational companies are better placed in the current processes than IICs (2).

1.9 In fact, two-thirds of private-sector employees in Europe work for small and medium-sized companies. Many of these are IICs. Accordingly, the well-being of this type of companies has not only a microeconomic dimension, but also a macroeconomic impact.

1.10 Although the subject of this opinion is value and supply chain development, the focus is primarily on innovative (high-tech and high-quality) IICs with the potential to grow and to operate internationally or those that are already present on the global market (3).

1.11 Consequently, ways and means must be developed and improved to create a healthy and sustainable environment for this type of company to thrive and to make the most of their potential.

1.12 Although supply chains/networks differ from one sector to another, it has been deemed appropriate to illustrate the analysis carried out in this paper by focusing on one sector. Appendix 2 of this opinion is therefore devoted to presenting a case study in the automotive sector, which illustrates well some of the issues at stake. This sector has been chosen because it is conspicuous by the complexity of its supply chains/networks, as shown in Appendix 1.

(2) See item C and footnote 1.
(3) See footnote 1.
1.13 European companies are often choosing to outsource one or several links in supply chains. Subsequently they import the outcome thereof and add value to this before passing it on in the value network. It is important to create the conditions that ensure, throughout the process, the retention of the greatest possible levels of profit, employment and know-how in Europe. This is critical as know-how is increasingly becoming a factor of production in its own right, which is driven across value-creation networks principally by borderless rather than simply cross-border finance (4).

1.14 This paper discusses the way the EU can better contribute to maintaining important (value-added) parts of the supply chain in Europe (5).

2. Value networks and industrial change

2.1 Industrial change is closely linked to value creation in the network society, involving a significant role for services, such as consulting, engineering, logistics or marketing. As vertical integration is reduced, the value creation in processing often shifts to the supplier. This process becomes all the more multidimensional as many of these suppliers are also part of global networks, which creates new interdependencies between suppliers.

2.2 But what does the term ‘global’ really entail? Along with the obvious role played by the USA and Japan, other world regions have burst on to the scene over the last decades such as the so-called BRIC nations (Brazil, Russia, India, China). However, it should be pointed out that a two-tier membership of this group exists, with the influence, particularly, of India and China ‘dramatically shaking up the entire supply chain and value-creation geoscape’ (6).

2.3 Taking this into account, the EU must strengthen its ability to compete by adding value, since purely cost-based competition is not realistic and does not meet the Union’s social and sustainability values.

2.4 Supply chains and networks are expanding, as industrial processes are increasingly characterised by the fragmentation of production lines and the specialisation of products by means of technologies and customisation. Producers may standardise core parts of products and, at the same time, leave room for customisation. This is known as ‘mass customisation’.

2.5 These factors are stimulated by the interaction between manufacturing industry and services (7), which leads to a blurring of boundaries between sectors. Information and communication technologies (ICT) contribute to this state of affairs by increasing interoperability and electronically-provided services.

2.6 European firms should aim at creating supply networks that process ‘extended products’ (a system of products and services) targeting high value-added niche markets. Even factories themselves have become tradable complex products.

2.7 New technological cycles put an ever-greater emphasis on human resources management at all levels and stresses the urgency of lifelong learning as an essential component of competitiveness and employability.

2.8 The life cycle of products is shortening and changing due to increasing interaction between services and manufacturing and as competition and (pre-competitive) cooperation in many areas becomes global.

2.9 The structure of companies and the dynamic relationship between companies are strongly influenced by these ongoing changes. They constantly require adaptation and reorganisation. Specialisation of production processes, customisation, and the development of manufacturing-related services increasingly lead to outsourcing. Conversely, outsourcing can result in further specialisation and decentralisation.

2.10 Concentration through mergers and acquisitions is occurring in parallel to these processes: the further one gets away from the consumer, the more concentration and consolidation take place.

2.11 Outsourcing and offshoring are taking place on a global scale (8). Emerging economies in the new Member States as well as in Asia are heavily involved in this process, each


(6) See footnote 4.
offering its own cost advantages and its own market potential. Asia is becoming the undisputed centre of low-cost production and service provision. In China and India, independent technology is being developed. Such processes may involve relocation of activities, with real job losses. This can create a feeling of precariouslyness among employees. On the other hand, relocation can also boost employment in companies in Europe (7).

2.12 Complicated developments arising from the countless transactions, mergers and acquisitions taking place around the world show that relocation, as a result of changes in production and service lines is not a linear or unidirectional process. Production costs make for only a part of the wider spectrum of considerations. A number of other factors, which do not form the subject-matter of this opinion, enter the equation. These include complex logistics, high transport costs, environmental concerns, regulatory frameworks, protection of intellectual property and availability of raw materials as well as technology and specific expertise. When all these considerations are taken into account, it is sometimes beneficial for manufacturing and services to return to Europe.

2.13 On the other hand, relocation may also concern innovative activities, which would entail a loss of know-how for Europe. Indeed, relocation can erode the capacity for innovation of European industries in the long term if the knowledge and research base in the EU is not reinforced. In this perspective the growing number of engineers in India and China (45 % of all engineers worldwide) is a telling point.

2.14 Furthermore, the fact that young highly qualified people are leaving Europe or are displaying preference for working in big companies (10) may result in a shortage of qualified people in European IICs.

2.15 Large companies are often better placed than IICs to deal with the above-mentioned challenges. In general, they have relatively easy access to banks and capital markets, are involved in all sorts of interaction and interoperability with other companies, have access to a broad range of markets and lead the way in the process of outsourcing. However, they are less flexible than smaller companies.

2.16 The Offshoring Research Network, a transatlantic consortium of 6 research institutes, recently carried out its latest biennial study on the developments in business relocations. The Rotterdam-based Erasmus Strategic Renewal Centre conducted the research for Dutch companies and concluded the following: "Transferring business activities had no effect on the number of jobs at the Dutch company for 57 % of the offshore implementations. In 39 % of the transfer activities it did mean losses in employment however, and new jobs were created in the Netherlands in only 4 % of the transfers. The research shows that an average of 37.8 new jobs are created at the offshore location and an average of 3.5 are lost in the Netherlands. In other words, for every job which is lost in the Netherlands, 10.8 new ones are created at the foreign location."

3. Challenges for IICs

3.1 All indicators show that the process of fragmentation of production, of customisation and of global networks will continue. In most areas, large multinational companies act as strategic leaders, but much of the work is done by an increasing number of IICs.

3.2 Sometimes, IICs, despite high potential, out of necessity adopt shorter-term approaches, have to work very hard to access new markets, are frequently dependent on regular orders from certain large customers and often do not have such good access to capital markets. Moreover, they are highly exposed to the risk of disruptions in the supply chain, associated with cost reductions constantly demanded by the major clients. In the following points, attention is drawn to the most significant challenges they encounter.

Finding the right mindset

3.3 Many improvements in the framework conditions of relatively small and medium-sized companies simply depend on attitudes in society and within companies themselves. In some Member States and regions attitudes to this type of companies are more positive than in others. Best practice exchange should therefore be encouraged.

Mutual trust and cooperation amongst IICs

3.4 IICs must be encouraged to be open to cooperation and to develop joint projects. Such cooperation and projects can strengthen market positions and support suppliers’ negotiations with big customers. They could also help to offset the harmful effects of being locked in or locked out.

3.5 Use of open source software (11) and free access to engineering technologies and standards should be encouraged. Effective interfacing of IICs with research institutes is very important.

3.6 Clustering and networks around leading companies and industrial zones in highly industrialised and high-tech environments can be very supportive to that end (12), as they will encourage collaborative schemes between companies. Open

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(12) One example amongst many is the Eindhoven-Leuven region, where interaction between universities and companies (headed by the leading multinational company Philips) creates a beneficial environment for many high-tech SMEs.
attitudes at neighbouring universities and technological institutes, coupled with an appropriate approach by local and regional authorities, are crucial. ‘Industrial zones’ around technological centres, scientific parks and universities can be very beneficial to smaller companies.

Financial environment

3.7 Banks and financial stakeholders at large should be encouraged to adopt a more positive attitude to risk-taking. Statistical evidence shows that in the US financial world there is a more positive stance on risk that yields rich rewards. Open access to the capital market in Europe is, in any event, necessary — all the more so since in many cases the financial burden in production processes tends to shift from large companies to smaller suppliers.

3.8 In the automotive industry, for example, outsourcing has created a financing problem for many companies, since both the development process and the pay-back period are long, often involving a 3 to 5-year development period and a 5 to 7-year pay-back period. In the USA, this problem is partly solved by easier access to private capital and, in many developing countries, by very generous tax rules and state aid. In this area, conditions in Europe badly need to be improved, particularly as concerns IICs and their needs to finance R&D for technological innovation. Apart from measures by governments, banks — including the European Investment Bank (EIB) working in close cooperation with banking partners across Europe — and private equity must also play their roles.

3.9 The EESC notes with great interest the orientations contained in the Commission Communication entitled Implementing the Community Lisbon Programme: Financing SME Growth — Adding European Value (13). A more convenient bridge is needed between financial institutions and private equity, on the one hand, and SMEs, on the other.

Lock-in/lock-out effects

3.10 Dependence on major customers is a cause for concern, particularly in mono-industrial regions, when IICs are locked in or out of supply chains. When cooperating with large companies, the supplier will often have to make use of the required technology. Supplying one big client can lock a supplier into using one specific technology.

3.11 The same can happen to suppliers who are locked out because they do not have the tools needed to access additional markets and to participate in other supply chains or networks.

3.12 Large companies, however, do not want to be entirely dependent on one supplier, although this sometimes happens. In a number of cases, the major car manufacturers prefer single suppliers, particularly as concerns research, development and production of new components and systems for the end product. The normal scenario, though, is that competition between suppliers is fierce.

3.13 In some instances, mainly in the automotive industry, it has been noted that technical development costs have been handed on to the supplier, which has also been asked to share knowledge with competitors. This can be a problem, especially for non-monopolistic suppliers.

3.14 Lock-in and lock-out effects tend to grow as the number of ICT applications increases, although the lock-in/lock-out effect is certainly not an IT issue alone. Licences are often difficult to acquire. The lack of standardisation and of interoperability, on the one hand, and the scarce use of open-source technology, on the other, hamper investments.

3.15 Here again (see point 3.6), cooperation and clustering can help to overcome shortcomings arising from the above-mentioned processes, notably in mono-industrial regions.

Intellectual property rights (IPR)

3.16 Intellectual property is key (14). Protection of IPR poses a particular challenge to IICs, many of which are small and medium-sized companies. The problems encountered by these firms in financing R&D generally have already been alluded to and things should not be made worse by the creation of a situation that results in their competitors reaping the rewards.

3.17 Patents play a vital role. The EESC has expressed in numerous opinions its deep concern about ‘the repeated setbacks over the introduction of the Community patent’, which have dented the credibility of the EU research policy and have failed to encourage ‘innovative research geared to improving competitiveness’ (15). Failure to address this important issue makes the protection of innovation very expensive (notably when compared to the USA and Japan), indeed sometimes unaffordable for IICs.

(15) COM(2006) 349 final, which is being examined by the Committee in the framework of its own-initiative opinion entitled ‘Business potential, especially of SMEs (Lisbon Strategy)’ (INT/324, ongoing). This opinion is part of the work undertaken in response to a request by the European Council of 23-24 March 2006 to the EESC (point 12 of the Presidency Conclusions) to draw up a summary report in support of the Partnership for growth and employment in early 2008.

(16) See point 16 of the Annex 2, which refers to IPR abuse/counterfeiting in automotive supplies.

3.18 The problem of costly IPR protection procedures is further compounded by a level of ineffectiveness often brought about by a lack of enforcement. In trade relations with China, counterfeiting should be addressed as a matter of priority. As a result of this counterfeiting problem, many high-tech companies are unwilling to increase their investments in China or even withdraw them (16).

3.19 Appendix 2 illustrates the gravity of IPR abuse and counterfeiting in automotive components.

3.20 Specialised IICs have their own assets. New opportunities arise in the switch from large-scale operations to decentralisation and tailor-made approaches, providing that the corresponding skills are also developed.

3.21 A point of concern is that across Europe the majority of young graduates prefer to work for large companies. There is an obvious need to encourage people to work in IICs by improving career prospects. The problem for IICs is especially acute when the overall number of graduates is insufficient, e.g. in engineering disciplines.

3.22 So-called ‘dual-training systems’ — learning and working — currently employed in some Member States such as Germany, Austria and Luxembourg (‘dual Ausbildung’) may prove very valuable for IICs.

3.23 Enhancing employees’ qualification and skills is essential; people themselves as well as business can contribute to rising standards (17). Improvement of the workplace environment can be beneficial in this regard. Modern concepts of human resources management, including the systematic review of educational and training schemes, may help to create jobs. These points have to be addressed in the framework of sectoral approaches, including dialogue between social partners.

3.24 In addition to the direct correlation between efficient education systems and quality of employee skills, the importance of the education/innovation/research triangle cannot be overestimated. In this connection, the new EU initiative ‘Regions for economic change’ can be most helpful as it emphasises the regional dimension and impact of research, technological skills and economic clusters (18).

3.25 In order to take full advantage of the opportunities offered to IICs through improving skills and entrepreneurship, the importance of the territorial dimension cannot be disregarded. Globalisation, which implies an ever-increasing internationalisation, brings with it a requirement for the corresponding reinforcement of regional proximity. This could be brought about through:

- regional strategic programmes;
- territorial social dialogue;
- bottom-up initiatives and regional partnerships driven by regional specialties;
- mobility of researchers between companies and universities.

3.26 Entrepreneurship is very important and so are creativity and flexibility, i.e. the capacity to adapt quickly to changing circumstances. Small and medium-sized companies have often a greater capacity to respond to challenges than large ones. These factors may well help the former to profit from the fragmentation and customisation of networks (19).

4. Policy proposals

4.1 In order to enhance value and supply chain efficiency it is essential to create a sound business environment for IICs. The EESC is of the opinion that there are two main instruments that will support the presence of European IICs in worldwide networks: new-style industrial policy (including its sectoral approach) and the FP7.

Industrial policy

4.2 IICs should be more systematically involved in the framework of industrial policy. The Commission and the Council should carry out prior and more accurate assessments of the impact on high-tech companies of upcoming legislation in areas

(16) NRC Handelsblad, a leading Dutch newspaper, 4 November 2006.
(17) ‘Knowledge must be identified, acquired, stored, developed and shared to increase the value and effectiveness of a firm. This means that companies must develop into ‘learning organisations’ and workplaces must be changed into a continuous working-learning environment’. To this purpose, the KNOWMOVE Project ‘has developed and pilot-tested knowledge management approaches that can map, organise and store older workers’ experiences and examples of good practices in a repository ready for use by every employee in the company.’ (See http://www.clepa.be/htm/main/promo%20banner/CLEPA%20events/maintopics_KnowMove%2020%20Final%20Event.htm, which presents the conference ‘Securing Growth, Innovation and Employment in a Changing Automotive Industry’, organised by CLEPA as part of the final dissemination phase of KNOWMOVE).

(18) This initiative for the period 2007-2013 was adopted on 8 November 2006 by the European Commission under the ‘Territorial Cooperation’ objective. (http://ec.europa.eu/regional_policy/cooperation/inter-regional/ecochange/index_en.htm).
(19) ‘See, for example, Hidden Champions, Lessons from 500 of the World’s Best Unknown Companies, by Hermann Simon (Harvard Business School Press, 1996), Hidden Champions provides a description of mostly German world leaders in their markets, such as bottle-labelling machines, model railways, incense, potting soil and museum display cases.'
such as technical development and standard-setting. ‘Industry’ is too often limited to large companies. IICs — often overlooked — should be consulted separately.

4.3 The EESC stresses the importance of ICT for IICs. It fully agrees with the objectives the Commission has defined in its Communication, entitled ‘Enhancing Trust and Confidence in Business-to-Business Electronic Markets’ (2).

4.4 The Commission has also established a European e-Business Support Network for SMEs (eBSN). The EESC agrees with the main objective of eBSN, which is to bring together e-business experts in Europe and to share experience and good practice.

4.5 A vital aspect of EU industrial policy is an open dialogue about future directions and technologies from a sectoral perspective, as foreseen in the ongoing European technology platforms. Although the boundaries between sectors are fading, a sector-specific approach is still quite appropriate in this area and offers welcome opportunities for IICs.

4.6 The importance of innovation cannot be overemphasised. The EESC supports the Commission proposal to develop innovation-friendly markets by launching a new lead-market initiative aiming at facilitating the creation and marketing of new innovative products and services in promising areas (21).

4.7 It is important that IICs participate in technology platforms. Hopefully, further ways and means will be found to remove obstacles in this area. A Strategic Research Agenda must be set up, including IICs. Nonetheless, traditional weaknesses of many of these firms, such as a lack of mutual trust, time, available representatives and, often, of strategic focus are also visible in the day-to-day experience of those platforms.

4.8 In order to define a Strategic Research Agenda, the Manufacture High-Level Group (22) has made an analysis that contains similar ideas on change regarding new added-value products and the mixture of manufacturing and services, on the one hand, and regarding innovative forms of production, on the other (23).

4.9 Moreover, lock-in and lock-out effects concerning supply chains often hamper effective participation in the platforms when IICs — even those with considerable potential — are not able to participate in interoperable systems.

4.10 The EESC is of the opinion that a strategic vision should be developed for IICs, which might help to overcome handicaps that arise as a result of being locked-in or locked-out. Interoperability should be the objective. This could be attained by:

a) an ad-hoc initiative aimed at collaboration between software suppliers so as to service more clients;

b) lowering the price of, or even providing for free, the tools required by those firms (24), the goal being to enable IICs to supply more clients (25).

4.11 According to the EESC, the same goal could be promoted by the creation of EU fora for cooperation between IICs in order to pool creativity and innovation across Europe.

4.12 A main issue is to ease access to finance markets.

4.12.1 The EESC considers that banks and other financial stakeholders, such as venture capital funds, should be encouraged to adopt a more positive attitude to risk-taking, for example by investing in high-tech IICs.

4.12.2 A specific example would be to give IICs easier access to the capital market and private equity alike in adapting the delays that can result from long development and pay-back periods, which can cause problems. In this context the role of investment banks, financial institutions and venture capital funds will be critical (25).

...
the European Investment Bank (EIB) and the European Investment Fund (EIF) should be reinforced to facilitate access to risk-lending instruments, venture capital and guarantee schemes (\textsuperscript{13}).

4.12.3 The EESC believes that financial institutions such as the EIB can play a wider supportive role, especially in consortia that include local banks, which have a good knowledge of the companies in their area.

4.12.4 In view of new-style industrial policy and of industry-research partnerships the EIB is now working on a new joint financial instrument with DG RTD, called the Risk Sharing Finance facility (RSFF). Its objective is to improve access to debt financing, notably for private sector research and related activities with a higher than average risk profile, that is not covered by the market.

4.13 **Tax policy** is the responsibility of Member States. This notwithstanding, it would be most welcome to discuss at EU-level desirable tax measures aimed at reinforcing the position of European business in worldwide value and supply networks.

4.14 The EU must integrate in its **trade policy** objectives the protection of smaller and medium sized companies' IPR, given the often unfair and unreliable attitudes of (large) emerging markets towards European companies.

4.15 **Human** resources are crucial. More than ever, education systems are an indispensable pillar of sustained economic growth. Education, vocational training and life-long learning are a shared responsibility of individuals, companies, social partners and public authorities (\textsuperscript{14}).

4.16 Sectoral discussions between social partners should encompass tailor-made approaches to human resources management, including the development of training schemes designed to confer the requisite professional qualifications. They should also take into account the regional dimension of industrial change and the EU initiative 'Regions for economic change' (\textsuperscript{28}).

FP7

4.17 In the FP7, which is related to the objectives of new-style industrial policy, special attention should be given to links with small and medium-sized companies, including appropriate use of the new RSFF instrument developed jointly with the EIB (\textsuperscript{29}). In advanced ICT projects sponsored by FP7, the participation of IICs is critical in order to enable them to join advanced networks and to enter into cooperation.

4.18 In the EESC's view, the FP7 can contribute to the creation of a permanent innovation policy involving close links between knowledge centres (universities, technology institutes, vocational training schools) and industrial activity. Value and supply chains or networks are essential to such a policy, since the programme is aimed at helping the development of new 'extended products' (also known as 'product/services' or 'product-integrated services') and new processes. The purpose of all of this is to create a single viable network environment in Europe, which is also beneficial to IICs.

4.19 The EESC notes that it is difficult to engage small and medium-sized companies in R&D programmes due to red tape. Selection procedures of at least one year are far too long for these companies.

4.20 It is highly desirable that the right conditions for the development of strong network enterprises with transparent inter-connecting structures are created. The EESC advocates that the FP7 should help to develop systematically optimal network designs and operations in a dynamic and complex industrial environment.

4.21 Similarly, the creation of logistic and supply chain management structures at both strategic and operational levels should be encouraged.

4.22 In the case of less technological industries that are physically tied to Europe, research programmes can support continuous gains in productivity and efficiency in order to maintain a competitive edge.

4.23 Among the many aspects that businesses have to take into account in order to take full advantage of EU research programmes is the importance of establishing adequate networks. Although not currently part of the mindset of IICs in Europe, pre-competitive cooperation between companies may prove very useful, and the same applies to promoting cooperative relationships.

(\textsuperscript{13}) Access to finance for SMEs should be improved through the new opportunities offered by the Competitiveness and Innovation Programme (CIP) in terms of venture capital and guarantees, managed by the European Investment Fund (EIF), as well as the new initiative developed in partnership between the EIF and DGREGIO (JEREMIE) for enhancing the access to finance for SMEs in Regional Development areas.

(\textsuperscript{14}) EU structural funds (chiefly the European Social Fund) and programmes (such as Lifelong Learning 2007-2013) endorse a strategic approach towards strengthening human and physical capital. Furthermore, the European Globalisation adjustment Fund (EGF) is designed to provide additional support in re-training and job-seeking for workers made redundant as a result of major structural changes in world trade patterns.

(\textsuperscript{28}) See footnote 13.

(\textsuperscript{29}) In order to develop more risk-oriented financial products, the EIB is working on a new joint financial instrument with the Commission (DG RTD), called the Risk Sharing Finance Facility (RSFF). The objective is to improve access to debt financing, notably for private sector research and related activities with a higher than average risk profile not easily covered by the market. RSFF will be available for eligible beneficiaries irrespective of their size and ownership. This Facility will also support European research initiatives such as Research Infrastructures, European Technology Platforms (ETP), Joint Technology Initiatives or projects undertaken under Eureka.
4.24 Accordingly, the FP7 aims to contribute to a knowledge-oriented network industry, based on European standards, which are an important element for cooperation, connection and interoperability.

4.25 The EESC is of the view that the FP7 offers a great opportunity to enhance the efficiency of value and supply networks and calls upon relevant stakeholders to ensure its full implementation. This applies not only to technologies that improve network interconnectivity (mainly ICT) but also to other enabling technologies — such as nanotechnology.

4.26 In parallel to developments in industrial policy, regional and local contexts and actions are also important in the FP7, in particular as regards cooperation of IICs with large companies, neighbouring universities, technological institutes and vocational training centres.


The President
of the European Economic and Social Committee
Dimitris DIMITRIADIS

(30) See EESC Opinion on ‘The territorial governance of industrial change: the role of the social partners and the contribution of the Competitiveness and Innovation Programme’ (CCMI/031 — CESE 1144/2006; OJ C 318, 23.12.2006), in particular its sections 1 (‘Conclusions and recommendations’) and 4 (‘The integrated territorial approach (ITA) and foresight systems for local and regional research and innovation’).