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INDUSTRIAL DYNAMISM IN EUROPE NEEDS STRONG BACKING

UNICE OPINION ON THE NEW EU INDUSTRIAL POLICY

PROPOSED BY THE COMMISSION

Turn concept into action and results

UNICE strongly supports the Commission's launching of a wide-ranging initiative with a view to encouraging a flourishing industrial sector, which is a vital source for growth and employment in Europe¹, as shown by the following data:

- Europe's industry today accounts for a quarter of real net output in the internal market and provides 45 million jobs.
- European industry is an important buyer of products from the service sector in Europe. Both sectors are complementary. Dynamism in the service sector, above all in its higher-quality segment, would not be sustainable without an industrial base that is internationally competitive.
- In foreign trade with third countries, European industry generates an export surplus of € 55 billion.

The only way for this industrial policy initiative to become a major building block for reaching the Lisbon objective of making Europe the most competitive region in the world by 2010 is to move now from an industrial policy *concept* to *actions* and produce *concrete results*. This should be done with an ambitious and offensive mindset, determined to capitalise on Europe's strong assets.

If a results-oriented strategy is not implemented, the consequence will not only be that the future development of European industry will be jeopardised but also that entire sections of this industry will leave Europe. Another consequence will be that Europe will lose resources and important levers for contributing to sustainable development.

1. Get moving

The Greek Presidency and the European summit on 20 and 21 March 2003 must now give major political impetus with a view to:

- incorporating industrial policy objectives throughout the European agenda;
- submission, by the Commission, of specific action proposals;
- triggering new work methods in the Commission and Council which make it feasible to achieve the objective of balancing and integrating all EU policies which have repercussions for industrial development and competitiveness.

The Competitiveness Council should be the champion and driving force energising these efforts. Results can only be achieved if both the Commission and the Member States together develop a coherent vision on the future of manufacturing industry in Europe.

¹ "Industrial policy in an enlarged Europe" – Communication of the European Commission of 11/12/2002 (COM 2002-714)

2. The Communication's basic thrust is correct, but some inescapable economic and regulatory reforms are crucial for success

The Commission's new industrial policy concept is well articulated, with its combination of horizontal policies and sectoral initiatives aimed at improving the specific operating framework of certain sectors. The right emphasis is placed on most of the horizontal policies that UNICE has advocated as being essential for industrial competitiveness, namely:

1. establish a legislative, regulatory and financial framework conducive to entrepreneurship
2. promote innovation, knowledge and research
3. ensure access to a competent and skilled workforce
4. improve the integration of EU policies that have an impact on industrial competitiveness
5. develop innovative approaches for promoting sustainable industrial development, preserving competitiveness, and
6. gain further access to international markets, under conditions of fair competition.

It is however *essential to put a much stronger emphasis on the following three major fields of action* :

- competitive access to the basic infrastructures of the economy
- competitive prices for services of general interest which are not, or not completely, liberalised (e.g. water industry, local public transport, waste, energy, etc.)
- an enhanced innovation strategy promoting greater concentration and greater effectiveness in R&D efforts, definitely resisting a "picking winners" approach.

In addition, if the new industrial strategy is to deliver the intended results, Europe must *quickly come to grips with* two fundamental issues i.e.:

- *the functioning of the internal market, and*
- *the coherence of its mass of legislation, both European and national.* .

Finally, a European policy to strengthen industrial competitiveness can only be genuinely successful if governments are prepared to *carry through structural reforms to labour markets and social security systems.*

3. Industry is Europe's key asset for sustainable development

Industry is not a laboratory for regulatory experiment. As rightly stressed by the Commission, it is "a cornerstone of the EU's sustainable development strategy" and its competitiveness is a necessary ingredient in the latter's success.

Implementation of this holistic vision presupposes *rigorous use of impact assessment for all major EU policy initiatives*, taking account of economic, employment and environmental impacts. Looking forward to the systematic use of such extended impact assessment by the Commission by 2004, UNICE requests that this triple evaluation be envisaged already in 2003 not only for the "pilot" measures presently identified but also for two current major Commission proposals, i.e. the chemicals policy and transport infrastructure pricing.

Promoting self-regulation and co-regulation, as alternatives to the traditional command-and-control regulations, should be systematic in the preparation of environmental initiatives and in policy discussions on market instruments for sustainable development.

The design and evaluation of the latter must consider

- environmental effectiveness and economic efficiency ;
- policy coherence ;
- sustainability impact, with particular focus on the international competitiveness of business and industry².

Finally, it is essential for *the Commission to acquire a correct vision of the actual cost burdens on European industry and place the latter in its international context*, taking account in particular of corporate taxation, non-wage labour costs (social charges and taxes not related to the salary mass), energy taxes, environmental charges (including those linked to the Kyoto commitments), transport taxes and infrastructure charges, and expenditure on services of general economic interest, etc.

4. Concluding proposal

UNICE backs the idea proposed by Mr Voscherau, President of CEFIC, at the "Industrial Policy" conference organised by the Commission on 21 January 2003, of setting up an *Industry Advisory Board* which would act as a steering body to make sure that the industrial policy agenda is carried forward.

As a follow-up to the initiatives it took before and after the Commission internal seminar on industrial policy (10 July 2002), UNICE is prepared to offer its collaboration, with some major industry sectors, in order to put in place this Advisory Board, which should comprise industry personalities at the highest possible level.

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² cf UNICE contribution of September 2002 on market instruments for sustainable development