Reindustrialising Europe to promote competitiveness and sustainability

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PURPOSE: to set out a European Strategy for industrial policy.

BACKGROUND: industry still accounts for **4/5 of Europe's exports** and 80% of private sector R&D investment comes from manufacturing. Europe is a **world-leader** in many strategic sectors such as automotive, aeronautics, engineering, space, chemicals and pharmaceuticals.

However, the continuing economic crisis has put Europe's industry under pressure: **production is 10% lower than before the crisis** and **over 3 million industrial jobs have been lost**.

Europe needs **new industrial investment** at the time when lack of confidence, market uncertainty, financing problems and skills shortages are holding it back.

Europe needs to **reverse the declining role** of industry in Europe from its current level of around 16% of GDP to as much as **20% by 2020**. To achieve this, a comprehensive vision is needed, focusing on investment and on innovation, but also mobilising all the levers available at EU level, notably the single market, trade policy, SME policy, competition policy, environmental and research policy in favour or European companies' competitiveness.

CONTENT: building on the Communication entitled "Integrated Industrial Policy for the Globalisation Era " adopted by the Commission in 2010, the Commission proposes a proactive approach to industrial policy based on the following **four main elements**:

(1) Investment in innovation: the EU must provide the right framework conditions to stimulate new investments, speed up the adoption of new technologies and boost resource efficiency. These include technical regulations and Internal Market rules, as well as accompanying measures such as infrastructure and R&D/innovation projects. As a first step, **six priority areas for immediate action** are proposed in this Communication:

- ***markets for advanced manufacturing technologies for clean production***: these technologies represent an important business opportunity, with a global market that is expected to double in size to over EUR 750 billion by 2020;
- ***markets for key enabling technologies***: the global market in Key Enabling Technologies (KETs), which comprises micro- and nanoelectronics, advanced materials, industrial biotechnology, photonics, nanotechnology and advanced manufacturing systems, **is forecast to increase by over 50% from EUR 646 billion to over EUR 1 trillion by 2015**, which is equivalent to around 8% of the EU's GDP;
- ***bio-based product markets***: the volume growth of EU bio-based chemical products up to 2020, including bio-plastics, bio-lubricants, bio-solvents, bio-surfactants and chemical feedstock, is estimated at 5.3% p.a., resulting in a market worth EUR 40 billion and providing over 90,000 jobs within the biochemical industry alone;
- ***sustainable industrial policy, construction and raw materials***: new investments in energy efficiency in residential and public buildings and infrastructure have strong growth potential and are expected to be worth some EUR **25-35 billion per year by 2020**;
- ***clean vehicles and vessels***: plug-in electric vehicles and hybrids are expected to account for some 7% of the market by 2020;

- ***smart grids***: by 2020, the EU will need to invest an estimated EUR 60 billion in these grids, rising to around EUR 480 billion by 2035.

(2) Better market conditions: the proposed actions aim to give a new impetus to the following areas:

- **improving the Internal Market for goods**: the Internal Market for goods accounts for 75% of intra-EU trade and possesses enormous untapped potential to boost EU competitiveness and growth. The Commission will conduct a critical evaluation of the acquis for industrial products, including a study and extensive consultation, and will produce a Roadmap for reform of the Internal Market for industrial products (2013);
- **fostering entrepreneurship to render the Internal Market more dynamic**: entrepreneurs need to exploit the full potential of the **digital single market** in the EU that is expected to grow by 10% a year up to 2016. The Commission will propose an Entrepreneurship Action Plan setting out recommendations to Member States on improvements to the framework conditions and support measures for entrepreneurship (November 2012);
- **protecting intellectual property rights**: the introduction of the unitary patent and the development of a unified patent litigation system in Europe will reduce costs and the fragmentation of patent protection in the Single Market. Other instruments could be used to complement the patent system such as optimising the use and protection of trade secrets is one of them; effective recognition of the value of their patents; protecting IP rights from ever increasing levels of counterfeiting and pirating of products;
- **improving access to international markets**: the EU is the world's leading trading power, but the world economy is changing rapidly and becoming increasingly multipolar. The Commission works to open markets and connect Europe to the main sources and regions of global growth. It will continue to push for an ambitious trade and investment agenda, in a **spirit of reciprocity and mutual benefit** as well as a comprehensive enforcement agenda, focusing in particular on market access, dismantling barriers, opening up public procurement, ensuring effective enforcement of trade rules (e.g. related to subsidies), the best standards of protection for international investments and the full protection of intellectual property rights.

(3) Adequate access to finance and capital markets: access to capital markets and credit constitutes a major problem for European business. This is why the Commission is proposing a set of measures aiming to improve access to capital markets:

- **Cohesion Policy** provides an integrated approach to address the needs of SMEs, covering all phases of business creation and development, and is the largest source of EU support to SMEs with a total volume of EUR 25 billion directly targeted at SMEs in the current financial period (2007-13);
- the capital increase of the **European Investment Bank** of EUR 10 billion is estimated to generate EUR 60 billion of additional lending capacity in the near future. In principle, between EUR 10-15 billion will be allocated to SMEs;
- the Commission has also proposed an action plan to create a **true Single Market for Venture Capital funds** in Europe and for a new European Social Entrepreneurship Funds regime.

(4) Encourage the role of human capital and skills: market adjustments during the crisis and its aftermath require close coordination of relevant EU policies and for joined-up efforts on the part of the EU and Member States. In order to match skills and jobs, the Commission will develop **a European multilingual classification** of Skills, Competences and Occupations. It will promote the creation of the European Sector Skills Councils and of Knowledge and Sectors Skills Alliances and support the development of multi-stakeholders partnerships in the ICT sector to improve the skills shortage in the ICT sector. Lastly, it will support Member States in "rethinking skills" by providing them with policy guidance in a future Communication.

As regards **governance**, the Competitiveness Council will **annually assess progress** in the implementation of structural reforms and on the effectiveness of industrial policy measures to strengthen competitiveness, ensuring that it fits into the European Semester. In addition, different **task forces** for the priority action lines will be set up as soon as possible.

They will report once a year to the Competitiveness Council.